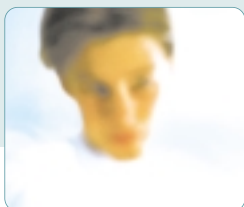


directors report  
+ financial statements  
+ analysis  
+ information  
= annual report 2000

note 1

note 1

The annual report contains comprehensive information concerning the Telenor Group's activities. The general information section is also published as an expanded Internet version.



# CONTENTS

INTRODUCTION	<ul style="list-style-type: none"> <li>&gt;</li> <li>This is Telenor</li> <li>Group management</li> <li>To the shareholders</li> <li>Important events in 2000</li> </ul>	<ul style="list-style-type: none"> <li>&gt;</li> <li>1</li> <li>3</li> <li>5</li> <li>6</li> <li>8</li> </ul>
REPORT	<ul style="list-style-type: none"> <li>&gt;</li> <li>Directors' report</li> <li>Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>&gt;</li> <li>9</li> <li>11</li> <li>12</li> </ul>
OPERATIONS	<ul style="list-style-type: none"> <li>&gt;</li> <li>Telenor Mobile Communications</li> <li>Telenor Telecom</li> <li>Telenor Broadband Services</li> <li>Telenor Internett</li> <li>Other businesses</li> </ul>	<ul style="list-style-type: none"> <li>&gt;</li> <li>19</li> <li>21</li> <li>24</li> <li>26</li> <li>28</li> <li>30</li> </ul>
FOCUS	<ul style="list-style-type: none"> <li>&gt;</li> <li>Innovation in networks</li> </ul>	<ul style="list-style-type: none"> <li>&gt;</li> <li>33</li> <li>35</li> </ul>
FINANCIAL REVIEW	<ul style="list-style-type: none"> <li>&gt;</li> <li>Result of Operations - Group</li> <li>Liquidity and capital resources</li> <li>Market risk information</li> </ul>	<ul style="list-style-type: none"> <li>&gt;</li> <li>37</li> <li>38</li> <li>52</li> <li>54</li> </ul>
FINANCIAL STATEMENTS	<ul style="list-style-type: none"> <li>&gt;</li> <li>Profit and loss statement – Telenor Group</li> <li>Balance sheet – Telenor Group</li> <li>Cash flow statement – Telenor Group</li> <li>Equity – Telenor Group</li> <li>Accounting principles – Telenor Group</li> <li>Notes – Telenor Group</li> <li>Accounts – Telenor ASA</li> <li>Auditor's report 2000</li> <li>Statement by the Corporate Assembly</li> </ul>	<ul style="list-style-type: none"> <li>&gt;</li> <li>59</li> <li>60</li> <li>61</li> <li>62</li> <li>63</li> <li>64</li> <li>67</li> <li>96</li> <li>99</li> <li>100</li> </ul>
SHAREHOLDER INFORMATION	<ul style="list-style-type: none"> <li>&gt;</li> <li>Shareholder information</li> <li>Elected officers and management</li> </ul>	<ul style="list-style-type: none"> <li>&gt;</li> <li>101</li> <li>102</li> <li>104</li> </ul>

**Annual report on the Web** ›  
 Telenor's annual reports since 1995 have been published on the company's website:  
[www.telenor.com/ir/annual\\_reports](http://www.telenor.com/ir/annual_reports)

The 2000 report has also been published in the form of an expanded presentation with more detailed information:  
[www.telenor.com/reports/2000](http://www.telenor.com/reports/2000)

**Environmental report on the Web** ›  
 Telenor's environmental report for 2000 is only published electronically in accordance with the group's environmental policy:  
[www.telenor.com/reports/2000/environment](http://www.telenor.com/reports/2000/environment)



KEY  
FIGURES

(in millions except per share amounts)	2000	1999	1998	1997	1996
<b>Income Statement Data</b>					
Revenues	36,602	32,784	28,751	25,763	<sup>1)</sup> -
Gains on disposal of fixed assets and operations	1,042	783	248	177	<sup>1)</sup> -
Total revenues	37,644	33,567	28,999	25,940	22,447
Operating expenses	34,015	29,565	25,202	23,283	19,850
Operating profit	3,629	4,002	3,797	2,657	2,597
Share of profit (loss) in associated companies	(692)	(1,239)	(1,097)	(534)	(175)
Net income	1,076	2,035	1,710	1,389	1,784
Net income per share in NOK	0.754	1.454	1.293	1.157	1.622
US GAAP					
Revenues	36,553	32,716	28,670	-	-
Net income	1,082	2,188	1,578	-	-
Net income per share in NOK	0.759	1.563	1.194	-	-
<b>Balance Sheet Data</b>					
Total fixed assets	80,881	37,617	31,783	26,631	23,017
Total current assets	12,804	10,409	8,967	7,533	6,537
Total assets	93,685	48,026	40,750	34,164	29,554
Shareholder's equity	35,474	20,033	18,515	15,478	14,647
Minority interests	2,706	1,232	239	242	95
Long-term liabilities and provisions	42,908	15,962	12,288	9,985	7,159
Short-term liabilities	12,597	10,799	9,708	8,459	7,653
Total liabilities	55,505	26,761	21,996	18,444	14,812
Total equity and liabilities	93,685	48,026	40,750	34,164	29,554
US GAAP					
Total assets	99,776	53,787	43,728	-	-
Long-term interest-bearing obligations	47,185	19,252	12,403	-	-
Shareholder's equity	36,304	21,035	19,512	-	-
<b>Cash Flow and Operating Data</b>					
Net cash flow from operating activities	6,359	7,370	7,042	5,394	4,827
Net cash flow from investment activities	(47,752)	(9,205)	(10,019)	(8,140)	(5,701)
Net cash flow from financing activities	41,558	2,914	3,628	2,570	398
Investments, including capital expenditures <sup>2)</sup>	50,672	13,170	9,428	8,970	5,612
EBITDA <sup>3)</sup>	9,563	9,049	8,258	6,705	6,500
EBITDA, excluding gains and losses on disposal of fixed assets and operations <sup>3)</sup>	8,579	8,568	8,019	6,568	<sup>1)</sup> -

<sup>1)</sup> Gains on disposal of fixed assets and operations is not available on a comparable basis for 1996.

<sup>2)</sup> Consists of investments in tangible and intangible fixed assets, long-term investments in shares and capital contributions to satellite organizations.

<sup>3)</sup> EBITDA is operating profit before depreciation and amortization.

**Financial calendar 2001**

- 16.02.01 Presentation of preliminary results for the year 2000
- 09.05.01 Presentation of results for 1st quarter 2001
- 10.05.01 Annual Shareholders' meeting 2001
- 22.08.01 Presentation of results for 2nd quarter 2001
- 30.10.01 Presentation of results for 3rd quarter 2001

<b>Calculation of EBITDA</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
Operating profit	3,629	4,002	3,797	2,657	2,597
Depreciation and amortization	5,934	5,047	4,461	4,048	3,903
EBITDA	9,563	9,049	8,258	6,705	6,500
Gains on disposal of fixed assets and operations	1,042	783	248	177	-
Losses on disposal of fixed assets and operations	58	302	9	40	-
EBITDA, excluding gains and losses on disposal of fixed assets and operations	8,579	8,568	8,019	6,568	-
<b>Other operating data</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
<b>Mobile telephony (digital) subscriptions in Norway, period end (000s):</b>					
Contract	1,145	1,003	944	803	534
Prepaid	1,013	781	316	68	-
Mobile telephony churn rates for contract subscriptions	12.7 %	14.2 %	13.1 %	13.9 %	12.0 %
<b>Total mobile telephony outgoing minutes in Norway (in millions of minutes):</b>					
Digital	2,298	1,801	1,279	711	328
Analog	108	174	271	331	391
<b>Average monthly revenue per mobile subscription (digital) in Norway (in NOK)</b>					
Total	323 <sup>2)</sup>	332	363	394	418
Contract	481	445	400	394	418
Prepaid	138 <sup>2)</sup>	131	161	-	-
<b>Fixed telephony access channels in Norway, period end (000s):</b>					
Analog (PSTN)	1,680	1,908	2,167	2,324	2,441
Digital (ISDN)	1,590	1,228	755	410	148
<b>Fixed telephony traffic in Norway (in millions of minutes):</b>					
National calls, excluding Internet traffic	11,612	12,371	12,911	11,923	12,084
Internet traffic	5,667	4,255	2,059	1,079	-
International	387	415	386	379	412
Calls to mobile	1,295	1,246	967	727	569
Value-added services and directory calls, etc	599	447	287	191	146
<b>Pay television subscribers in the Nordic region, period end (000s):</b>					
Cable TV	357	282	270	244	230
Small antenna networks (SMATV)	1,086	937	686	-	-
Home satellite dish (DTH) <sup>3)</sup>	506	405	352	251	223
Total	1,949	1,624	1,308	495	453
<b>Internet, period end (000s):</b>					
Internet access subscriptions and registered users, Norway	625	400	260	165	65
Internet access subscription churn rates, Norway	25.5 %	14.0 %	11.7 %	-	-
Nextra business subscriptions, Norway	13	8	4	2	-
Nextra subscriptions, outside Norway	104	57	-	-	-
Number of employees (full-time equivalents)	20,150	21,968	20,226	19,598	18,113

<sup>1)</sup> Average monthly revenue per mobile subscription is calculated based on our total revenues from digital mobile telephony subscriptions in Norway, including subscription fees, incoming and outgoing traffic fees, roaming and revenues from value-added services, divided by the average number of digital subscriptions in Norway for the relevant period.

<sup>2)</sup> Due to a one-time adjustment to reflect a change in the methodology used to estimate traffic revenues, our revenues for 2000 increased by NOK 66 million. As a result, average monthly revenues per digital subscription for this period are not directly comparable with prior periods. Eliminating this one-time adjustment, the average monthly revenue per digital mobile subscription for 2000 would have been NOK 6 lower for prepaid and NOK 3 lower for total digital subscriptions.

<sup>3)</sup> Includes all subscribers of Canal Digital, a joint venture in which we have a 50 % ownership interest.



$$\begin{array}{r} \text{growth} \\ + \text{profitability} \\ + \text{innovation} \\ \hline = \text{value creation} \end{array}$$

note 1

note 2

note 1

Innovation has been fundamental to Telenor's success; new solutions and services are developed and tested in the home market before they are launched internationally.

note 2

The creation of value for the company's shareholders is Telenor's principal objective.

A man in a white shirt and tie is looking down at a mobile phone he is holding in his right hand. The background is a bright, slightly blurred white. The text is overlaid on the bottom right of the image.

TELENOR'S FOUR KEY FOCUS AREAS ARE: MOBILE COMMUNICATIONS TELECOM, BROADBAND SERVICES, INTERNET

- › Telenor is the market leader in mobile communications services in Norway. Telenor Mobile Communications has established a presence in selected markets in Europe and Southeast Asia. [See also pp. 21–23]

# THIS IS TELENOR

## › MAIN GOALS

Telenor's principal objective is to create maximum value for its owners. The company has set the following main strategic goals in order to realize this objective:

- *To be the leading provider of mobile voice and mobile Internet services in the Nordic region and in selected countries elsewhere in Europe and Southeast Asia*
- *To be a leading pan-European provider of Internet and IP-based communications services to small and medium-sized businesses in Europe*
- *To be the leading distributor of pay television and television-based broadband services in the Nordic region and other selected European markets*
- *To maintain and expand our position as a leading provider of global mobile services based on satellite communication*
- *To build on our strong position in telecommunications and IT solutions for the business market in the Nordic region*
- *To maintain our strong position in Norway<sup>1\*</sup> for fixed network services*
- *To enhance and realize value from our non-core operations*

In order to achieve our principal objectives, Telenor must create growth through innovation and the capability of delivering new services to the market rapidly. The Norwegian IT and telecommunications market is among the most advanced in the world. Telenor's strong position in its home market gives the company a good opportunity to launch new services before its competitors in both Norway and other markets.

## › MARKET POSITION

In Norway, Telenor is by far the largest full-service provider of communications services, with a market share of 50-70 % in mobile communications, fixed telephony, data communications and Internet services, as well as a provider of TV services over cable networks, satellite and broadcasting networks. Telenor is the market leader in

both the residential and business segments.

In the Nordic region, Telenor is in the process of establishing a position as one of the leading mobile communication providers, through, for example, the acquisition of 53.5 % of the shares in Denmark's second-largest mobile company, Sonofon Holding A/S, in 2000. Telenor has also established a presence in Sweden, and we will increase our investments there.

Telenor has established a significant business portfolio internationally since 1995, with emphasis on mobile telephony and Internet services, especially in priority markets in Europe and Southeast Asia. At the start of 2001, Telenor had active operations in 29 countries outside of Norway through its strategic ownership interests.

Telenor is also well on its way to realizing its goal of establishing a pan-European service and a position in IP-based communications services for the business market.<sup>2\*</sup>

## › ORGANIZATIONAL STRUCTURE

Telenor has divided its core operations into four independent business areas:

- Telenor Mobile Communications includes mobile networks, network services and value added services in Norway (mNorway), international mobile interests (mHorizon) and the development of new, future oriented and network independent mobile services (mFuture).
- Telenor Telecom includes telephony networks, voice telephony and value added services (Telenor Telecom Solutions), as well as data communications and services to the business market (Telenor Business Solutions).
- Telenor Broadband Services includes TV

Telenor is a Norwegian telecommunications group with extensive and fast growing business operations in a number of countries in Europe and Southeast Asia. The company is Norway's leading distributor of voice, information, knowledge and entertainment through a broad range of modern communications services. Telenor became a listed company in December 2000.

<sup>1\*</sup> Telenor has solid roots in its home market that can be traced back to 1855. In 1994 the Norwegian Telecom was converted to the limited company Telenor AS, and the company was listed in 2000 as Telenor ASA. Telenor established a strong foothold internationally as well in the 1990s.

<sup>2\*</sup> This venture will be under the Nextra brand. Telenor has ambitions of becoming a leading European CSP (Communication Service Provider).

services for the Norwegian and Scandinavian markets over cable networks, satellite and broadcasting networks (Broadcast), interactive TV services and portal (Zonavi), satellite-based mobile services, aimed especially at shipping (Satellite Mobile), and satellite communication for the business market, aimed especially at countries where other networks are poorly developed (Satellite Networks).

- Telenor Internet includes Internet access, portals and Internet services to the residential market in Norway (Telenor Internet), IP-based communications services and hosting for the business market in Norway and abroad (Nextra), as well as new IP-based services such as messaging and wireless Internet.

This portfolio gives Telenor a unique point of departure for further expansion and development.

Telenor's other businesses are divided into three related business areas (Telenor Media, Bravida, which became one of Telenor's associated companies as of November 1, 2000, and EDB Business Partner), in addition to certain units that are part of, or closely related to, Telenor (such as Telenor Research and Development, Telenor IT Operations, Telenor Eiendom, Telenor Innovation and Telenor Venture).

› **MANAGEMENT**

Telenor has developed a management model that will contribute to enhancing the group's ability to steer towards its strategic goals, and thus realize its principal objective of creating maximum value for its owners.

A key element of this management model is identification of the principal financial factors that are linked to the development of shareholder value. This encompasses a

combination of growth targets and targets for the return on invested capital. A number of operative value drivers have been identified for each business area according to the area's strategic goals and special challenges. Specific and measurable metrics are established for each value driver as part of the company's work on strategies, business plans, budgets and reporting.

A significant element of Telenor's management model is that it also focuses on non-financial value drivers. The non-financial areas are viewed collectively as Telenor's intellectual capital. Telenor operates in a market situation at home and abroad where customer/market orientation, competence, innovation capacity and efficient work processes are of decisive importance for success. Telenor measures, reports on and follows up intellectual capital as an integral part of its ordinary business management.

The realization of value driver goals is linked to the company's reward system through performance-based contracts with the business area and group management.

› **SOCIETY AND THE ENVIRONMENT**

Telenor is one of Norway's largest companies, and is therefore in a role of great social importance, both nationally and internationally. Telenor is conscious of its environmental and social responsibility and has worked, through proactive action, as a pioneer in these areas, which are encompassed by the concept of Corporate Social Responsibility (CSR). Telenor's ethical platform and the three fundamental values of involvement, responsibility and reliability will be the point of departure for this policy.

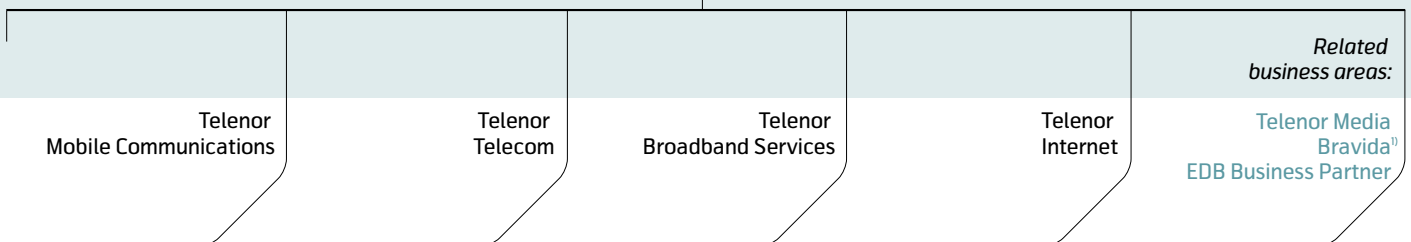
Telenor desires also to have a visible and strong environmental profile in society and the market. We intend to accomplish this by focusing on environmental awareness and supplying products and services that have

a positive impact on the environment. We have also focused on these considerations in connection with the planning and development of Telenor's new headquarters at Fornebu. The structure of the building is flexible and can easily be adapted to changing needs without major expense. Strict environmental requirements and a high aesthetic quality will contribute to pleasant working conditions and thus a higher return on Telenor's total intellectual capital.

Telenor has established an environmental management system that complies to a great extent with the international ISO 14001 standard.

- › A special environmental report is published by Telenor on an annual basis. The report for 2000 is only available on the Internet ([www.telenor.com/reports/2000/environment](http://www.telenor.com/reports/2000/environment)).

**Telenor Group**



<sup>1)</sup> Associated company from 01.11.2000



## TELENOR'S GROUP MANAGEMENT



**Tormod Hermansen (1940)**  
**PRESIDENT AND CHIEF EXECUTIVE OFFICER**  
 › Joined Telenor: 1991 › In this position since: 1991  
 › Mr. Hermansen came to Telenor from his position as secretary general at the Norwegian Ministry of Finance. In addition, he has served as director general at the Norwegian Ministry of Health and Social Affairs, secretary general at the Norwegian Ministry of Local Government and Labor, and as state secretary at the Norwegian Ministry of Finance. Holds a degree in economics.



**Torstein Moland (1945)**  
**SENIOR EXECUTIVE VICE PRESIDENT**  
**chief financial officer**  
 › Joined Telenor: 1997 › In this position since: 1997  
 › Mr. Moland came to Telenor from his position as Governor of the Central Bank of Norway. He has also been an executive vice president at Norske Skog ASA, worked on economic policy at the Ministry of Finance and has been a state secretary at the Prime Minister's Office. Holds a degree in economics.



**Jon Fredrik Baksaas (1954)**  
**SENIOR EXECUTIVE VICE PRESIDENT**  
**in charge of Telenor's operations in Norway**  
 › Joined Telenor: 1989 › In this position since: 1997  
 › Mr. Baksaas came to Telenor from his position as the chief financial officer at Aker AS. At Telenor he has held various positions, including chief executive officer of TBK AS and chief financial officer from 1994-97. He has also worked for Stolt-Nielsen Seaway AS and Det norske Veritas. Holds a degree in economics.



**Arve Johansen (1949)**  
**SENIOR EXECUTIVE VICE PRESIDENT**  
**in charge of Telenor Mobile Communications**  
 › Joined Telenor: 1989 › In this position since: 2000  
 › Mr. Johansen came to Telenor from his position as executive vice president at EB Telecom. At Telenor he has served as the president and CEO of Telenor International AS. He has also held positions at the Norwegian Institute of Technology and ELAB. Holds a degree in engineering (electronics).



**Jan Edvard Thygesen (1951)**  
**EXECUTIVE VICE PRESIDENT**  
**in charge of Telenor Telecom Solutions**  
 › Joined Telenor: 1979 › In this position since: 1998  
 › Mr. Thygesen served as executive vice president and the chief executive officer of Telenor Nett AS (Telenor Telecom Solutions now) since 1998. He held a number of positions at Telenor prior to this, including the chief executive officer of Telenor Invest AS. Holds a degree in engineering.



**Stig Eide Sivertsen (1959)**  
**EXECUTIVE VICE PRESIDENT**  
**in charge of Telenor Broadband Services**  
 › Joined Telenor: 1997 › In this position since: 1999  
 › Mr. Sivertsen came to Telenor from his position as the chief executive officer of Nettavisen AS. He started at Telenor as a director of finance and chief accountant for Telenor Link AS. Prior to this time he served as chief financial officer for Petroleum Geo-Services ASA and Schibsted ASA. Holds an MBA.



**Morten Lundal (1964)**  
**EXECUTIVE VICE PRESIDENT**  
**in charge of Telenor Internet**  
 › Joined Telenor: 1997 › In this position since: 1997  
 › Mr. Lundal came to Telenor from his position as a consultant with Gemini Consulting AS, and has held positions prior to this at A.T. Kearney and Dyno Industrier ASA. Holds a degree in economics.



**Berit Svendsen (1963)**  
**EXECUTIVE VICE PRESIDENT**  
**Chief technical officer**  
 › Joined Telenor: 1988 › In this position since: 2000  
 › Ms. Svendsen came to Telenor from her position as a research assistant at the Norwegian University of Science and Technology. She has held a number of positions at Telenor, including as researcher, division manager and project director. Holds a degree in engineering and a Masters of Technology Management.



**Gun Bente Johansen (1961)**  
**EXECUTIVE VICE PRESIDENT**  
**in charge of Communications, HR, Framework Conditions**  
 › Joined Telenor: 1989 › In this position since: 2000  
 › Ms. Johansen came to Telenor from her position as a consultant at Sällma AS. Has held the position of executive vice president in charge of strategic staff since February 2000. Prior to this she was the personnel and organization director at the corporate level. Holds a degree in psychology.



**Henrik Torgersen (1947)**  
**EXECUTIVE VICE PRESIDENT**  
**in charge of Telenor International Center**  
 › Joined Telenor: 1998 › In this position since: 2000  
 › Mr. Torgersen came to Telenor from his position as a regional operations manager at Andersen Consulting. He has previously served at Telenor East Invest and as the chief executive officer of Telenor East Invest and as a regional manager. Holds a degree in engineering.

# TO OUR SHAREHOLDERS



The year 2000 was one of the most important years in Telenor's almost '50 year history. The old Telegraph Company from 1955 finally bid farewell to government ownership, and emerged as a listed company with around 55,000 new owners towards the end of the year. This means that Telenor is now subject to the same regulatory framework as its Norwegian and international competitors.

#### › GREATER LATITUDE

Telenor's values have now become more visible as a result of our initial public listing. We can now compete with other companies for investors' favor when the need for more equity arises. From now on, our ability to deliver results in accordance with our owners' expectations will be of vital importance to Telenor's ability to develop

successfully as an independent company with national roots.

In the beginning of 2000, we made a number of changes to our organizational structure as part of the preparations for our introduction to the stock exchange. We defined four key focus areas (Mobile Communications, Telecom, Broadband Services and

Internet) as our future operations, while the rest of Telenor's operations were organized in to related business areas. The new structure was necessary in order to position Telenor as a growth company within the four core areas. These four business areas are wholly-owned Telenor companies that, in addition to showing strong growth, shall also cooperate closely and ensure that synergies are realized within the group.

The three related business areas (Media, Bravida and EDB Business Partner) were given freer reins and an opportunity to develop independently by, for example, attracting new owners. This may influence the creation of greater value to a larger extent than could have been achieved if these companies had remained wholly-owned units within the Telenor Group. Our strategy has been successful for both Bravida and EDB Business Partner, where new owners have entered the scene. Both companies now represent powerful units with a significant growth potential in both Norway and the Nordic region. The new owners have brought knowledge and experience, and they help create greater value in these companies. With regard to Media, we have recently started preparations for a possible initial public listing of the company, in order to make the values in the company more visible and to find new owners who can give the company new impulses for its development.

#### › CHALLENGES

We are faced with demanding challenges with regard to the development of completely new business models, in addition to productivity and cost improvements. Stronger competition in the telecommunications and IT markets means continuously declining prices for most services, and at the same time the customers benefit from greater variety and lightened innovation.

The strong growth we have experienced in recent years in the telecommunications

and IT sector is expected to continue in the years to come, especially in the areas of mobile communications and the Internet. Telenor desires to take its share of this growth. To be successful we must have the ability to develop and deliver world-class services at competitive prices both at home and abroad.

#### › INTERNATIONALIZATION

Size has always been important to competitive strength in the telecommunications and IT industry. In our endeavors to increase our volume and reduce our unit costs and prices, we envision a need for closer cooperation and alliances with other players. This applies to Norway as well as to our international markets.

Telenor started its internationalization program as early as 1995. Based on our competence and solid position in a demanding Norwegian market, Telenor has made considerable investments alone and together with its partners in the mobile and Internet areas, in countries with promising market prospects. A number of countries in Eastern Europe and Southeast Asia have a high growth potential within Telenor's defined core areas.

There are, of course, greater market and political risks associated with some of our investments abroad than in our home market. We therefore require a higher return on capital for these investments. At the same time, our broad project experience and state-of-the-art competence in our core areas will contribute to reducing these risk factors to the greatest possible extent.

In the years to come, our goal abroad will also be to develop profitable and attractive businesses, which can continue to contribute to the creation of greater added value for our owners. The gains we have realized in connection with the sale of our stake in the German company VIAG Interkom and that we assume to realize

in connection with the sale of our stake in the Irish company Esat Digifone, illustrate very well Telenor's ability to select good projects and exercise efficient portfolio management at the same time.

#### › EXPECTATIONS

Telenor raised a great deal of capital in connection with its stock exchange introduction. This will help position Telenor as a growth company. The stock exchange listing also makes it easier for us to participate in the ongoing restructuring process in the telecommunications and IT industry, through, for example, the establishment of alliances and acquisitions.

The stock exchange listing has given Telenor many new owners, who will carefully follow the company's development and results in the future. The market's expectations and Telenor's ability to live up to these expectations will be reflected continuously in the price performance of the company's shares. This gives the Board of Directors and management a continuous reminder of what requirements must be met in order to be rewarded with positive reactions from the market.

Telenor's principal objective is to create maximum value for its owners. We will do our very best to ensure that this goal is realized. Satisfied owners with a long-term investment perspective give the company a higher level of confidence and important impulses with regard to the development and growth of the company.



Tormod Hermansen  
President and CEO

# IMPORTANT EVENTS IN 2000

## › 1ST QUARTER

› Telenor and British Telecom entered into an agreement in January that gave Telenor an option to sell its 49.5 % interest in Esat Digifone to BT.

› Telenor's new concept for ASP (Application Service Provider) services was launched in January under the Telenor Login brand. ASP is a key focus area for Telenor Telecom, which gives our business customers comprehensive access to a number of remote managed services.

› In March Telenor was the first company in the world to launch SmartPhone – a technology that makes all Internet services available to regular telephone subscribers.

› Telenor launched the mobile Internet portal djuice.no in March.

› Telenor's related business area, EDB Business Partner ASA, acquired 100 % of the shares in Fellesdata AS for NOK 2.5 billion.

## › 2ND QUARTER

› Telenor launched Operator Access in April, a new product for other telecom service providers on the Norwegian market.

› Telenor entered into an agreement at the end of May to purchase a 30 % stake in the Thai company Total Access Communication Public Company Ltd. (TAC)<sup>3\*</sup> and a 24.9 % interest in its parent company United Communication Industry Public Company Limited (UCOM). This gave Telenor, directly and indirectly, an ownership stake in TAC of approximately 40 %. The total value of this investment was approximately NOK 6.5 billion.

› The Telenor company Bravida AS entered into an agreement in June to merge with the Swedish company BPA to form a new company called Bravida. This merger was carried out as of November 1. Telenor owns 48 % of the shares.

› Telenor entered into an agreement in June to purchase 53.5 % of the shares in Sonofon

Holding A/S, Denmark's second largest mobile phone operator.

› Telenor established a new company called Zonavi AS in June, to develop content and new services for interactive TV based on broadband technology.

› The Norwegian Parliament passed a resolution in June to partially privatize Telenor through an initial public listing in accordance with the Government's proposal. This resolution authorized the Government to sell the Kingdom of Norway's shares in Telenor, provided that it ensured that the Norwegian State's ownership stake in Telenor was at least 51 %.

## › 3RD QUARTER

› Telenor entered into an agreement in August to purchase additional shares in the Russian mobile operator VimpelCom at a price of NOK 445 million.

› Telenor and British Telecom entered into an agreement in August to purchase Tele Danmark's stake in Telenordia AB. Telenor's ownership interest increased accordingly to 50 %.

› Telenor and British Telecom entered into an agreement in August whereby Telenor was permitted to decide to sell its 10 % interest in VIAG Interkom by the end of the year.

## › 4TH QUARTER

› Telenor was awarded a license in November to develop a UMTS network in Norway.<sup>4\*</sup>

› Telenor was listed on the Oslo Stock Exchange and the NASDAQ Stock Market in New York on December 4. The Telenor share was priced at NOK 42.00 for the company's stock exchange introduction, which valued the company, including the capital increase, at NOK 74 billion.

› Telenor notified British Telecom on December 30, that it would exercise its option to sell Telenor's 10 % stake in VIAG Interkom. This transaction was carried out in January 2001.

**3\*** TAC changed its brand name in February 2001 to DTAC. The "d" in the new name is associated with digital and the djuice portal. In Thai it also carries the meaning good.

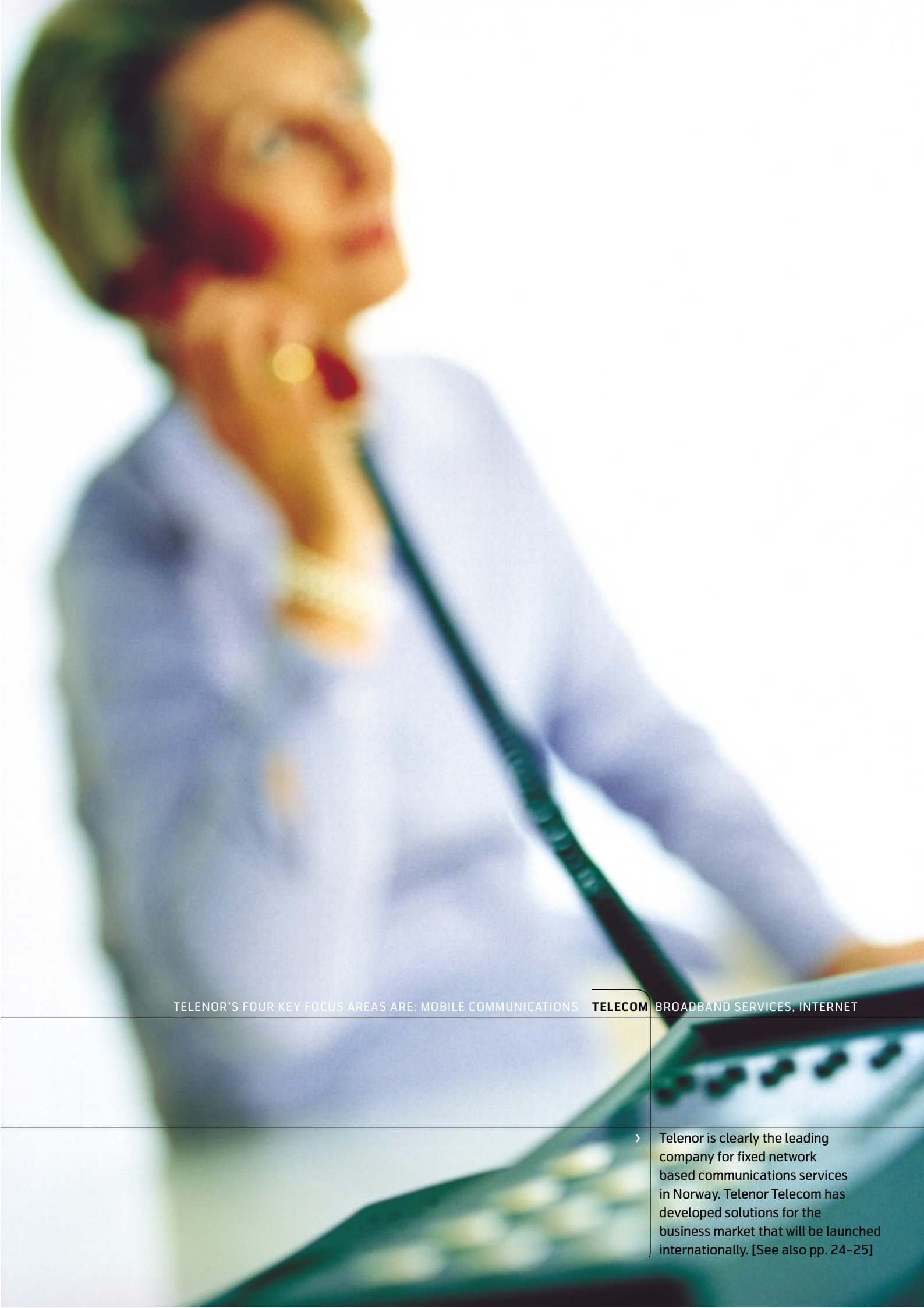
**4\*** Telenor was also awarded licenses for the development of UMTS networks in Portugal and Austria through associated companies.



parliament decision  
+ stock exchange listing note 1  
+ new equity capital  
= financial strength note 2

note 1 Telenor was listed simultaneously on the Oslo Stock Exchange and the Nasdaq Stock Market in New York on December 4.

note 2 The stock exchange listing has given Telenor greater financial strength to implement its strategy, which includes, for example, the development of a third generation mobile network in Norway and further international investments.



TELENOR'S FOUR KEY FOCUS AREAS ARE: MOBILE COMMUNICATIONS **TELECOM** BROADBAND SERVICES, INTERNET

- › Telenor is clearly the leading company for fixed network based communications services in Norway. Telenor Telecom has developed solutions for the business market that will be launched internationally. [See also pp. 24-25]

## › HIGHLIGHTS

The Telenor Group had a successful year in 2000. Revenues increased by NOK 4.1 billion to NOK 37.6 billion, which is 12.1 % higher than in 1999. Profit before taxes and minority interests totalled NOK 2.0 billion, as compared to NOK 3.3 billion in the previous year. The company invested a total of NOK 50.7 billion and took important steps to position Telenor for continued expansion and earnings growth. The acquisition of 53.5 % of the shares in the Danish mobile company Sonofon and approximately 40 % of the shares in the mobile company TAC in Thailand were among the most significant investments made. A great deal has also been spent on the development and marketing of new products and services, such as djuice, Zalto, Zonavi and IP based CSP (Communications Service Provider). These services will contribute to the realization of Telenor's strategy of becoming a leading operator of mobile Internet and interactive TV services.

## › STOCK EXCHANGE LISTING

A key task in 2000 has been to prepare Telenor for a stock exchange listing in accordance with the Storting (Norwegian Parliament) resolution made during the budget negotiations in the fall of 1998. Early in 2000 the Board of Directors outlined the challenges facing Telenor in a letter to the Ministry of Transport and Communications, and recommended that a stock exchange introduction should be carried out as soon as possible.

The Government submitted a proposal for an initial public listing of Telenor in Proposition no. 66 (1999-2000) to the Norwegian Parliament – Storting. This proposal was approved by the Storting on June 14, 2000. This resolution entailed an authorization to the Government to sell the Norwegian state's shares in Telenor AS through the combination of a public share issue provided that the Kingdom of Nor-

way's ownership stake in Telenor was not reduced to less than 51 %. Plans were made to initially reduce the Norwegian state's ownership interest by 15-25 % as a result of the stock exchange introduction. The initial public listing was to be carried no later than the end of 2001. The Government planned, however, to carry out the transaction in the fall of 2000. In the final work plans, the initial public listing was scheduled for and carried out on December 4, 2000.

The market value of telecommunications and IT shares fell sharply throughout the spring and summer of 2000. This had, of course, an impact on the valuation of Telenor, and thus also the size of the proceeds that the Norwegian state and the company could expect to raise from the sale of shares. In October 2000 a decision was made to carry out the transaction as a share issue, so that Telenor would receive all the proceeds from the sale. This ensured that Telenor would have a solid capital structure after the stock exchange introduction. In spite of the falling share prices and the difficult conditions in the capital markets throughout the fall, the Board of Directors found, in consultation with the company's owner, that it was prudent to carry out the transaction.

It was a primary concern of the Board of Directors during the stock exchange preparations to ensure that Telenor's goals and strategies were made clear and had the necessary credibility through the presentation of the company to analysts and investors. A reorganization of the corporate structure and a stronger focus on Telenor's core areas were among the measures that were given priority during the year. Major investments in the second half of 2000 entailed that Telenor had to raise temporary financing, and this reduced, in turn, the company's equity ratio. The share issue in combination with the sale of Telenor's assets in VIAG Interkom and the agreed sale of Esat Digifone to British Telecom,

## TELENOR'S BOARD OF DIRECTORS

At the beginning of 2001, the Board of Directors consisted of nine members, six of which are elected by the Corporate Assembly. Three of the members and the alternates for these members are elected by and among the employees. The members are elected for a term of two years.



**Eivind Reiten (1953)<sup>1)</sup>**  
**BOARD CHAIRMAN**

- › Has held this position since: 2000
- › On the Board since: 1999
- › Mr. Reiten is an executive vice president at Norsk Hydro ASA, and has been the Minister of Petroleum and Energy and the Minister of Fisheries in Norway. Mr. Reiten has a degree in economics from the University of Oslo.

<sup>1)</sup> Resigns later this year as Board chairman after his appointment as the President and CEO of Norsk Hydro ASA.



**Åshild M. Bendiktsen (1945)**  
**BOARD VICE-CHAIRMAN**

- › Has held this position since: 2000
- › On the Board since: 1994
- › Ms. Bendiktsen is the chief financial officer of Bendiktsen & Aasen AS and has previously served as a state secretary to the Ministry of Transport and Communications. Ms. Bendiktsen has a degree in economics.



**Kari Broberg (1956)**  
**BOARD MEMBER**

- › On the Board since: 1999
- › Ms. Broberg is the chief executive officer of Hartmark Consulting AS and has been a vice president at Jordan AS and Alcatel AS. Ms. Broberg is a business graduate from the Norwegian School of Management BI in Oslo. She is also a member of the boards of Norsk Regnesentral, Nera ASA, and System AS.



**Mai Buch (1953)**  
**BOARD MEMBER**

- › On the Board since: 2000
- › Ms. Buch is the chief executive officer of Competence House AS. Her former positions include head of the development office at the Ministry of the Environment, director at the Ministry of Research and chief financial officer of the Danish Royal Theater. Ms. Buch has a Master of Science degree.



**Bente Halvorsen (1954)**  
**BOARD MEMBER**

- › On the Board since: 2000
- › Ms. Halvorsen is the treasurer of the Norwegian Federation of Trade Unions (LO). She has a degree in business management and has studied law. Ms. Halvorsen is also a member of Sparebank 1's board, and a member of several LO boards and committees.



**Inge K. Hansen (1947)**  
**BOARD MEMBER**

- › On the Board since: 2000
- › Mr. Hansen is an executive vice president at Statoil and has formerly been the chief executive officer of Orkla Finans AS. He has also held positions at Bergen Bank and Den norske Bank. Mr. Hansen has a degree in business from the Norwegian School of Economics and Business Administration in Bergen.



**Per Gunnar Salomonsen (1954)**  
**BOARD MEMBER**

- › On the Board since: 2000
- › Mr. Salomonsen is an engineer at Telenor Telecom Solutions and an employee-elected board member. He has held a number of positions at Telenor since joining the company in 1973. Mr. Salomonsen trained as an engineer while he worked for Telenor.



**Harald Stavn (1954)**  
**BOARD MEMBER**

- › On the Board since: 2000
- › Mr. Stavn is an employee of Telenor Telecom Solutions and an employee-elected board member. He has held a number of technical positions at Telenor since the company in 1974. Mr. Stavn has a degree in business from the Norwegian School of Management BI and extensive in-house training from Norwegian Telecom.



**Irma Tystad (1943)**  
**BOARD MEMBER**

- › On the Board since: 2000
- › Ms. Tystad is a department manager at Telenor Media AS and an employee-elected board member. She has held a number of positions at Telenor since starting at the company in 1962. Ms. Tystad received training at Telenor's own school, and has subsequently participated in management training.



which has not yet been approved by the relevant authorities, will, however, restore the company's financial strength. The Board of Directors finds that Telenor has a satisfactory capital structure and credit rating.

## › FINANCIAL RESULTS

› **Key figures** › Telenor's net income for 2000 was NOK 1,076 million or NOK 0.75 per share. The corresponding figures for 1999 were NOK 2,035 million or NOK 1.45 per share. Major growth initiatives such as djuce, Zalto, Zonavi and IP based CSP, in addition to increased interest expenses and depreciation and amortization in connection with increased investments, has had a negative impact, as expected, on Telenor's results. Net gains on the disposal of assets and operations totalling NOK 2,377 million (NOK 1,186 million in 1999) made a positive contribution to profit before taxes and minority interests.

The operating profit for 2000 was NOK 3,629 million, which is NOK 373 million less than in 1999. An increase in net gains of NOK 503 million on the disposal of fixed assets and operations, NOK 345 million of which was attributed to the sale of the company's headquarters. This had a positive impact on the operating profit in relation to 1999.

The results from associated companies showed a loss of NOK 692 million, which is an improvement of NOK 547 million in relation to 1999. This is attributed to gains on the disposal of stakes in associated companies. Negative results from associated companies are primarily related to foreign mobile companies. These companies have reported a strong increase in their customer base, revenues and EBITDA. High financial expenses, increased depreciation and amortization in the companies and the amortization of Telenor's net excess values still give significantly negative results. The increased amortization of Telenor's net

## Operating profit, 1996–2000 – Telenor Group

(in NOK millions)

2000	3,629
1999	4,002
1998	3,797
1997	2,657
1996	2,597

excess values is mainly related to new companies, primarily ‹ **Sonofon** ›, TAC/UCOM, and DiGi.com.

The net financial expenses increased by NOK 1,485 million to NOK 934 million in 2000. This is primarily due to the significantly higher debt ratio in the second half of 2000, which has resulted in higher interest expenses. Foreign currency losses and lower gains on the sale of assets in relation to 1999 have also contributed to higher net financial expenses. Telenor raised NOK 15.2 billion in new equity by means of a cash issue on December 6, 2000. The proceeds from the issue were used in their entirety to pay off debt.

The provisions made for current taxes and deferred taxes totalled NOK 861 million in 2000, which corresponds to 43 % of the profit before taxes and minority interests (39.9 % in 1999). The losses in our associated companies and subsidiaries outside Norway and the amortization of net excess values, which cannot be accounted for as deferred tax assets, have had a negative effect on Telenor's effective tax rate.

Cash flow from operating activities was NOK 6,359 million, as compared to NOK 7,370 million in 1999. The decline here is primarily related to higher interest and tax payments.

Telenor's stake in VIAG Interkom has been sold in 2001, and a decision has been made to exercise Telenor's option to sell its inter-

est in Esat Digifone. When the Esat Digifone transaction is completed following the approval by the relevant authorities, these two transactions will give the group liquid assets of approximately NOK 30 billion and a gain before taxes of over NOK 20 billion.

Telenor invested NOK 50.7 billion in 2000 (NOK 13.2 billion in 1999). The largest investments were Sonofon (NOK 14.2 billion), VIAG Interkom (NOK 8.1 billion), TAC/UCOM (NOK 6.5 billion), acquisition of Fellesdata AS via EDB Business Partner ASA (NOK 2.5 billion), and Telenordia (NOK 1.3 billion). Moreover, significant sums of money have been invested in the fixed and mobile networks, IT related investments and real property. In Norway, a total of NOK 3.3 billion was invested in the fixed network (NOK 2.9 billion in 1999) and total of NOK 0.8 billion was invested in the mobile network (0.9 billion in 1999). Investments outside Norway totalled NOK 36.9 billion (NOK 6.2 billion in 1999).

We confirm pursuant to Section 3-3 of the Norwegian Accounting Act that the accounts have been prepared on the basis of a going concern assumption.

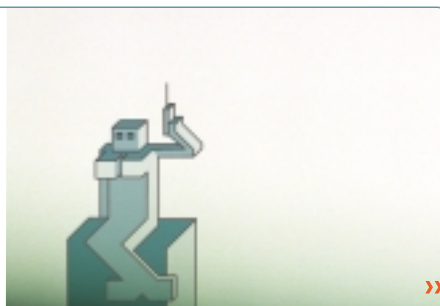
## › COMMENTS ON THE CORE AREAS

› **Telenor Mobile Communications** › is responsible for the group's operations in mobile communications, which include voice, Internet, content services and electronic commerce for the Norwegian and international markets.

### ‹ **Sonofon** › – Danish mobile partner

Sonofon is Denmark's second largest mobile operator and has a market share of around 25 %. The company operates a nationwide GSM network with around 905,000 subscriptions. Telenor owns 53.5 % of the shares in the company, which has ambitions of establishing a dominant position in the new market for mobile Internet services.

› **More:** [www.telenor.com/reports/2000/x1](http://www.telenor.com/reports/2000/x1)



››

The increase in revenues is attributed to the growth in the number of subscriptions and traffic, increase in the number of text messages and increased revenues from service providers. Subscription growth in the Norwegian market was somewhat lower than in 1999, but a greater share of the increase in 2000 was from contract subscriptions. The total number of billed text messages < SMS > in 2000 was 849 million, an increase of 486 million as compared to 1999. Our market share (GSM) at the end of 2000 was estimated to be 68 %, as compared to 71 % at the end of 1999. This decline is attributed to increased competition as the result of a large number of new service providers.

The increase in EBITDA is related to growth in the number of subscriptions and traffic. The operating expenses have increased as a result of a growth in international investments, acquisitions and the development of new business concepts, especially Zalto and djuice. The development and marketing of Zalto and djuice reduced EBITDA by NOK 248 million in 2000. A higher level of investment in both the Norwegian and international operations resulted in higher depreciation.

> **Telenor Telecom** > is responsible for the group's fixed network, and provides services such as PSTN (Public Switched Telephone Network) ISDN (Integrated Services Digital Network), broadband and leased lines for the residential and business markets, as well as other telecom operators. This business area also offers solutions for businesses, including ASP (Application Service Provider) operations.

The subscription and connection fees revenues increased during the year due to the transition from PSTN connections to ISDN connections, combined with an increase in the subscription prices from March 1999. The number of billed traffic minutes from end users increased by 4.4 % over 1999.

This growth was not sufficient to compensate for the price reductions during the same period, and the traffic revenues declined accordingly in relation to the previous year. Telenor's market share measured in traffic minutes at the end of the year was 73 % (incl. Telenor Internet), as opposed to 87 % at the end of 1999. Revenues increased from the sale of leased lines and data services, such as the high-speed services, ATM (Asynchronous Transfer Mode) and Frame Relay, customer equipment and ASP operations.

EBITDA was at approximately the same level as the previous year after adjustment for gains and losses, in spite of the price reductions and greater proportion of products with lower margins. Business Solutions showed a marked improvement in EBITDA at the end of the year, due in part to higher revenues from ASP operations. The major investments in recent years have resulted in higher depreciation and amortization in 2000. The investments also include a higher proportion of fixed assets with short economic useful lives.

> **Telenor Broadband Services** > offers television based services, primarily in Scandinavia, as well as other satellite based mobile and fixed network services in global niches.

Revenues in Broadcast increased in 2000, primarily as a result of the higher satellite capacity sales and an increase in the number of subscribers. Consolidation of Norkring AS throughout the year also contributed to an increase in revenues. Satellite Mobile also showed an increase in revenues, due to changes in the price and traffic agreements as well as a higher USD rate of exchange. Satellite Networks increased its revenues in 2000, as compared to 1999, due to the growth in satellite-based Internet services.

EBITDA increased in 2000 as compared to

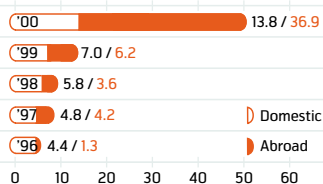
1999, while the operating profit is at the same level as 1999. The profitability of Broadcast was reinforced, while increased costs for the development of interactive services and lower margins in Satellite Networks and Satellite Mobile had a negative EBITDA impact. The reversal in 2000 of NOK 65 million in provisions that were considered necessary in 1999 also made a positive contribution. Acquisitions and increased investment activity resulted in higher depreciation and amortization.

> **Telenor Internet** > consists of two units: Telenor Internett, which is Telenor's Internet Service Provider (ISP) in the Norwegian residential market, and Telenor Nextra, which is a European provider of IP based services and solutions (CSP). Nextra had operations in 10 European countries outside Norway as of December 31, 2000.

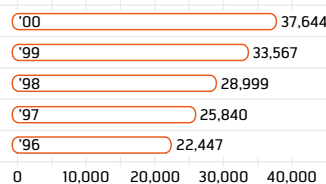
The external revenues in Norway increased in 2000, primarily as a result of growth in the number of Internet access subscriptions, in addition to a higher sales volume for access capacity and value added services to existing customers. Revenues in Telenor Nextra (outside Norway) increased significantly as a result of the acquisition of companies in 2000 and 1999. Internal revenues fell compared to 1999, due to the reduced price per minute for Internet generated traffic.

The higher EBITDA and operating loss in 2000 as compared to 1999 is attributed to the buildup of the business area's international portfolio. A great deal of resources were used, in the second half of 2000 in particular, to integrate the companies that had been acquired. The main considerations were towards both operations and marketing, including the costs related to introduction of the Nextra concept to the local markets. Higher depreciation and amortization is primarily related to new businesses.

**Investments, 1996–2000**  
Telenor Group (NOK billion)



**Revenues, 1996–2000**  
Telenor Group (NOK millions)



› **Related business areas** ›

› **Telenor Media** › Revenues in 2000 were lower due to the disposal of Lokaldelen AB and Telenor Företagsinfo AB in 1999, including gains on the disposal totalling NOK 683 million. The directory operations in Norway accounted for NOK 1,370 million of the external revenues in 2000. The higher volume for printed and electronic products in the businesses we held both years increased the revenues of our directory operations in Norway by NOK 133 million.

EBITDA increased by NOK 19 million in 2000 after adjustment for the disposal of businesses. This is in spite of considerable charges related to the implementation of a new customer information and billing system.

› **Bravida** › Bravida merged in 2000 with BPA AB, a Swedish supplier of ventilation, sanitary and electrical installations, and a leading provider of contracting services in Scandinavia.

Bravida was consolidated for the first ten months of 2000 and accounted for as an associated company of Telenor as of November 1, 2000.

Bravida's revenues for the first ten months in 2000 totalled NOK 4,225 million, which is a reduction of NOK 1,832 as compared to 1999. Compared to the first ten months of 1999, revenues declined by NOK 705 million, which can be attributed to lower demand for customer equipment, as well as IT and installation services in Norway.

EBITDA and operating profit for the first 10 months of 2000 was NOK 80 million and a loss of NOK 10 million, respectively, a reduction of NOK 114 million and NOK 95 million compared to the same period in 1999. The reduction in EBITDA and operating profit is attributed to the lower operating revenues and expenses associated with the restructuring of the Swedish operations, brand building and merger expenses.

**EBITDA, 1998–2000 – Telenor's core areas**

(in NOK millions)	Mobile Communications	Telecom	Broadband Services	Internet
2000	2,720	5,662	644	(744)
1999	2,161	5,146	530	(27)
1998	1,569	5,414	484	(122)

**EBITDA, 1998–2000 – Telenor's related business areas**

(in NOK millions)	Telenor Media	Bravida	EDB Business Partner
2000	359	80	535
1999	1,085	147	341
1998	337	202	300

› **EDB Business Partner** › EDB Business Partner is a listed company, and Telenor is the majority shareholder. The increased revenues are primarily related to new companies. Underlying growth was nevertheless reported in 2000 as well.

EBITDA and operating profit increased primarily as a result of new businesses. The performance of the banking/finance, managed services and telecom sectors was good. General consulting services, as well as infrastructure, showed a decline in relation to 1999, after a very difficult start for the year. The results improved in the second half of the year due to the normalization of most of the markets that had started the year poorly. Higher depreciation and amortization, primarily amortization of net excess values, is related to new businesses.

› **Other businesses** › The other business units consist among others of Telenor Eien-dom, Telenor Research and Development, Teleservice, Norsk Data UK, CominCom/Combella, Telenor Venture, Telenor Innovasjon, Telenordia AB and other smaller units.

Gains on the disposal of properties and businesses increased the revenues and

EBITDA by NOK 590 million in 2000. The increase in other external revenues is primarily related to new businesses in Innovasjon and the International Center (CominCom/Combella) etc.

Telenor AS incurred high expenses in 1999 in connection with work on the abandoned merger with Telia, while the costs for corporate projects and investments abroad increased in 2000, especially towards the end of the year.

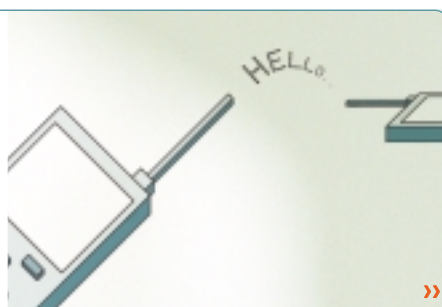
› **REGULATORY MATTERS**

The telecommunications market in Norway was opened up to full competition in 1998 and many service providers have subsequently established themselves in the market. The competition increased sharply and end customers can now choose among a large number of competing providers and services. Telenor contributed to making the competition more effective in both the mobile and fixed network areas. In 2000, 'virtual operators' were given access to Telenor's mobile network, and thus they can offer end user services in competition with Telenor's own service offerings. In the fixed network area, Telenor introduced a new option for leasing capacity in the access network so that competing companies can

› **SMS** › – a new form of communication

In the year 2000 Norwegian mobile phone users sent over 1.2 billion SMS messages to each other. SMS has become part of our youth culture, and ever increasing usage makes this one of the fastest growing mobile services in the Nordic region. The functionality of this service is under continuous development, and the distribution of pictures, animation and melodies is becoming more popular.

› More: [www.telenor.com/reports/2000/x2](http://www.telenor.com/reports/2000/x2)



take over the entire contractual relationship with the end customer.

The < convergence > of telecommunications, broadcasting and IT is taking place rapidly. The current regulations are under revision to allow them to deal with regulatory problems caused by the development of new technology and the market. The Board of Directors would like to point out in this connection how important it is that the future regulations support innovation and the development of the telecommunications network and services, at the same time as they give the players the clarity and predictability that is necessary. In the opinion of the Board of Directors, the market competition in the telecommunications and IT sector is now so strong that sector specific regulation with preferential regulation of individual market players can be toned down.

> **ORGANIZATION AND PERSONNEL**

The Telenor Group had 21,660 employees at the end of 2000. Of these employees, 16,260 worked in Norway and 5,400 worked abroad. The total number of employees at the end of 1999 was 23,470. The number of employees on a total full-time equivalent employee basis at the end of 2000 and 1999 was 20,150 and 21,950, respectively.

This reduction is due primarily to the fact that around 6,000 employees in Bravida ASA are no longer included in the group after the merger with the Swedish company BPA AB. Excluding Bravida, the number of employees increased by around 4,000 in other parts of the group's operations in Norway and abroad. The largest growth areas are EDB Business Partner ASA and Telenor Internet.

Cooperation between the management and the employees' organizations functions well within the framework of the general agreement between the employers' association, the Norwegian Association of

Publicly Owned Companies (NAVO) and the central organizations/SAN. Cooperation has also been formalized through bodies such as the group committee, joint consultative committee and regular management forums.

Telenor focuses strongly on continuously increasing its ability to recruit, develop and maintain the skills and expertise equired by the Group to attain its goals. One of the main challenges in this connection will be to take care of the skills and know-how that is strategically important to the group and difficult to replace. Increased use of performance-based reward schemes for managers and key employees is an instrument that will be required here. Telenor Corporate University will contribute to raising the level of critical strategic competence across the business areas and cooperate in this connection with internationally recognized universities and colleges.

Preparation and implementation of the stock exchange introduction has affected many areas of the organization, and this has required managers and employees at all levels to make an extra effort. The day-to-day operations have been managed well at the same time, and the results have been satisfactory. The Board of Directors would like to thank all the employees for their hard work in 2000.

> **INTERNAL AND EXTERNAL ENVIRONMENT**

> **Internal environment** > The year 2000 was marked by a systematic and continuous improvement of the working environment, as has been the case in previous years. Our primary focus here is on the prevention and follow-up by management of sickness absence, accident prevention with accident reports and analysis, fire prevention and extensive efforts to create good ergonomic conditions. A key focus area is health and environment a conditions for employees who work abroad.

Extensive working environment training was carried out in 2000 as well. Over 4,143 managers and employees participated in internal training programs under the direction of Telenor.

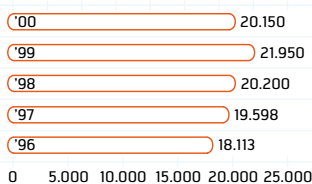
Absence due to sickness in the overall group was 5.0 % in 2000. This is a reduction of 0.1 % from the previous year. There was a total of 83 lost time accidents in the group. Bravida had a fatal accident resulting from a fall during installation work. A committee was appointed as a result of this accident to review the systematic, health, environment and safety work at Bravida, including procedures, instructions, training and information. This review has contributed to an increased focus on safety at Telenor, and the instructions for work that can entail safety risks have been revised. We had good contact with the Norwegian Labor Inspection Authority.

Bravida was not included in this report for the fourth quarter. This was one of the reasons for the reduction in the H value (number of lost time accidents per million hours worked) to 2.7 in the year 2000.

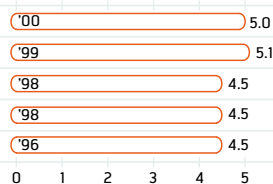
> **External environment** > Telenor's energy consumption in 2000 was 676 GWh. Electricity accounted for 73 % of this consumption. Around 43 % of Telenor's energy consumption is for the operation of buildings, while 32 % of the energy is for operation of the network and 12 % is for the motor vehicle fleet. The remaining 13 % is related to the employees' travel activities. The total discharge of CO<sup>2</sup> was 46,500 tonnes, which represents 2.3 kg per full-time equivalent employee, while the discharge of NO<sub>x</sub> was 152 tonnes, which represents 7.4 kg per full-time equivalent employee.

ICT products/services have certain environmental disadvantages, such as a rapidly growing demand for energy and raw materials. In addition, inadequate sorting/recycling may also be a problem.

**Number of full-time equivalent employees 1996-2000**  
Telenor Group



**Sickness absence, 1996-2000**  
Telenor Group (% of potential working days)



ICT services have, however, the potential of becoming a major contributor to the creation of a sustainable society in spite of the ICT industries' environmental challenges. It is assumed that the use of Telenor's core products can make a positive contribution to dematerialize a reduction in transportation and a decrease in energy consumption.

A special environmental report for 2000 has been published, which will be available on the Internet only.

› **ALLOCATIONS**

Telenor ASA recorded a net income for the year of NOK 3,984 million after receipt of a group contribution of NOK 3,950 million after taxes.

The Board of Directors propose that the Shareholders' meeting approve the payment of a dividend of NOK 0.30 per share for 2000. The Board of Directors will also propose that a group contribution of NOK 2,342 million net after taxes be paid.

The Board of Directors propose the following allocations (in NOK millions):

Dividends	532
Other equity	3,452
<b>Total</b>	<b>3,984</b>

After these allocations, the company's distributable equity as of December 31, 2000 totalled NOK 8,063 million.

› **RISK FACTORS**

After the market was opened up to competition in 1998, the telecommunications authorities issued a number of orders to Telenor with regard to the implementation of various measures. This quickly established effective competition in the areas where Telenor held a monopoly earlier. Preselection of a service provider, number portability, interconnection with other operators and so-called operator access are examples of new services that have been introduced during the last two to

three years, in order to strengthen the standing of our competitors.

Telenor will most likely continue to be subject to sector-specific regulation, and we must be prepared for various measures by the authorities to stimulate competition in the telecommunications sector further. There is a risk that such preferential regulation may contribute to the weakening of Telenor's competitive power in relation to players from other industries who are not subject to corresponding regulation.

In Norway, Telenor is subject to special price regulation with regard to both mobile and fixed network telephony services, under the direction of the Norwegian Post and Telecommunications Authority (PT). The price for the products in question must be based on costs plus a reasonable rate of return (cost orientation). A number of the products in question have had a rate of return in earlier years that was higher than the rate stipulated by the PT. Telenor has continuously adjusted its prices, and the company does not believe that these matters will have an impact on Telenor's financial position or its historical results.

The rapid convergence of telecommunications, IT and broadcasting that is taking place will contribute most likely to the elimination of sector-specific regulation by the authorities, and the establishment of competition regulation of a more general nature. Regardless of the regulatory regime, Telenor must meet competitive challenges with the necessary change strategies and measures, so that the group's growth and profitability can be maintained at a satisfactory level.

Telenor's investments in projects outside Norway represent an increasing portion of the group's overall operations. The risk profile of these investments may often be different from that of the investments in Norway. The special risk elements that are

associated with foreign investments are based on the fluctuation of exchange rates, political matters and other circumstances in the country in question, partner risks in joint ventures, etc. Telenor carefully evaluates all such risk elements associated with foreign investments and takes the higher level of risk into account by requiring a higher rate of return.

Even if Telenor demands risk management in all parts of its organization, the company cannot guard against damage inflicted by external agents, such as excavation, tunnel fires, etc. This type of damage can result in the breakdown of circuits and consequently the loss of both revenues and reputation. Telenor has elected to act as a self-insurer in the event of such damage. It is nevertheless the company's policy to seek compensation from the party who has caused such damage.

Telenor is exposed to interest and foreign exchange rate fluctuations. Financial instruments are used to reduce such risks. A more detailed explanation is given in the notes to the financial statements.

› **FUTURE OUTLOOK**

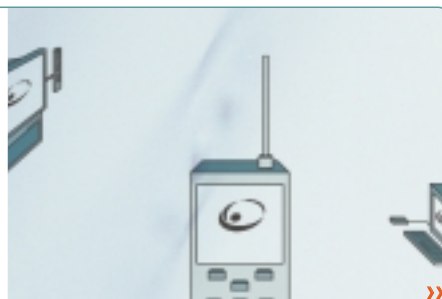
The international economy is marked by uncertainty related to the development of the economies in the USA and Japan. The development of the economy appears to be somewhat less uncertain in Europe and Norway, where Telenor has its primary markets. This situation has also resulted in a significant drop in values on the stock exchanges.

The year 2000 has been marked by major investments, such as the acquisition of new companies and the development of new services which help to ensure the group's future growth. Telenor is well-positioned as a leading company in the area of mobile telephony, mobile Internet, IP based CSP, rollout of ADSL and interactive broadband services.

‹ **Convergence** › : freedom of choice

The media of the future will be tied together by video, sound, interactiveness – and there will be greater freedom of choice. The user of tomorrow will communicate, be entertained and buy goods and services independent of technological platforms. When the technology breaks old barriers the media become more alike. This is convergence.

› More: [www.telenor.com/reports/2000/x3](http://www.telenor.com/reports/2000/x3)



Telenor Mobile Communications launched the GPRS standard in the Norwegian market in February. In combination with the development of the UMTS network, this launch represents an opportunity for a number of new value added services. We will continue to invest in djuice as the leading mobile Internet portal in Norway and to develop other selected markets. It is expected that the Telenor Mobile Communications business area will continue to exhibit revenue and profit growth in Norway in 2001.

An increased number of subscriptions is expected in our associated mobile companies, in spite of the sale of VIAG Interkom and Esat Digifone. A higher EBITDA is expected in the associated mobile companies.

There will continue to be strong competition in the end user market for fixed line

telephony in the Telecom business area. Measures to maintain and win back customers will be given priority so that we can continue to enjoy a high market share. Telecom will increase its focus on cost-effectiveness. Significant growth in the ASP operations in the Nordic region is expected for Telenor Business Solutions.

Continued customer growth and increased revenues in Broadcast are expected in the Broadband Services business area. Telenor is well-positioned for growth in the market as the leading distributor of pay television and television-based broadband services in the Nordic region. Our earnings in 2001 will be affected by the costs associated with digitalization and the launch of interactive services.

In the Internet business area, a European CSP in the SME market has been developed

in 2000. We have worked on fine-tuning this concept and the organization during the last few quarters. This business is still in an early phase. It is expected that the EBITDA loss in 2001 will not be significantly higher than in 2000.

The results attributable to associated companies, excluding gains on disposal, is expected to be significantly negative in 2001 as well, in spite of the fact that our ownership share in VIAG Interkom has been sold.

Overall the group will still be in a growth phase in 2001. Costs for the development of new services will increase in 2001 in relation to 2000, at the same time as an improvement is expected in the underlying earnings measured by EBITDA. The group's results in 2001 will be influenced by the realization of sales gains.

Oslo, March 14, 2001

Eivind Reiten  
Board Chairman

Åshild M. Bendiktsen  
Board Vice-chairman

Kari Broberg  
Board member

Mai Buch  
Board member

Bente Halvorsen  
Board member

Inge K. Hansen  
Board member

Per Gunnar Salomonsen  
Board member

Harald Stavn  
Board member

Irma Tystad  
Board member

Tormod Hermansen  
President & CEO



mobile communications  
+ telecom  
+ broadband services  
+ internet  
= core operations

note 1

note 1

In addition to the operations in its four core areas, Telenor has three related business areas: Telenor Media, Bravida and EDB Business Partner.



- › Telenor is Norway's largest provider of communications services based on satellite, cable and terrestrial transmission. Telenor Broadband Services has also established operations in a number of other countries. [See also pp. 26-27]

TELENOR'S FOUR KEY FOCUS AREAS ARE: MOBILE COMMUNICATIONS, TELECOM **BROADBAND SERVICES**, INTERNET



# TELENOR MOBILE COMMUNICATIONS

## › INTRODUCTION

Telenor Mobile Communications is the business area for mobile services for voice, data, Internet, content services and electronic commerce in the Telenor Group. Telenor is the leading provider of these services in the Norwegian market and a pioneer in the development of new services within the field of mobile communications. The business area consists of three units; mNorway, which manages the mobile operations in Norway through Telenor Mobil and Zalto; mHorizon, encompasses Telenor's international mobile operations and mFuture, which develops new mobile Internet and portal services, both nationally and internationally.

Telenor launched mobile telephony in Norway in the early 1980s. The growth was exceptionally strong in the second half of the 1990s through the establishment of the GSM (Global System for Mobile Communications) network. Telenor has maintained its position as the market leader and driver, even after the establishment of a competing GSM network and competition from a number of new mobile service providers. Based on its position as the market leader in one of the world's most advanced user markets, Telenor established itself internationally in the 1990s – primarily in Europe and Southeast Asia.

› **mNorway** › Telenor Mobil AS occupies the leading position in its home market. There were two network operators in the Norwegian GSM market at the beginning of 2001. Now in possession of a UMTS (Universal Mobile Telecommunications System) license, Telenor Mobil will develop a nationwide third generation mobile system during the period from 2001 to 2004. The nationwide GSM network was upgraded with GPRS (General Packet Radio Service) throughout the fall of 2000 and launched in February 2001. Telenor Mobil is the only provider of analog mobile services in Norway with a NMT 450 network.

Telenor provides a number of digital mobile telephony services in its home market. Customers are offered five subscription alternatives and an extensive portfolio of additional services. The use of services such as SMS (Short Messaging Service or text messages) and mobile Internet grew significantly throughout 2000. Telenor handled 849 million SMS messages, as compared to 363 million during the previous year. Telenor Mobil continues to develop additional advanced services, focusing especially on mobile Internet and mobile data services.

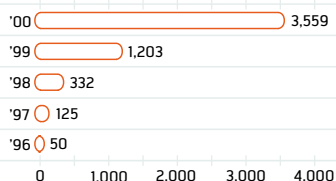
Telenor Mobil manages a number of brand name products. djuice.no is the company's mobile Internet portal, which provides access to a broad range of mobile Internet services via mobile phones. The portal can be personalized. OYO.no is Telenor Mobil's website for young people, and strives to be the first site to offer the latest in mobile and Internet services. Nomade is a subscription that covers all mobile communications needs and offers the fastest transmission speed. Telenor also offers niche products Håndverker (Carpenter) and Familie (Family). Telenor's RingKontant is the dominant prepaid subscription solution in the Norwegian market.

Zalto is a service provider that focuses on the youth segment. Telenor has a majority interest in the company, which provides a prepaid service for digital mobile telephony with full web integration.

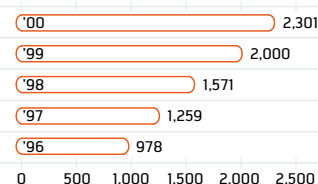
› **mHorizon** › Telenor has a large international mobile portfolio in the mHorizon business unit. At the end of 2000, the business area had ownership interests in 16 mobile companies in Europe and Asia. Our international investments are based on Telenor's experience and competence, as well as products and solutions developed in the Norwegian market. Synergies are realized across national borders through an extensive exchange of people, experience, products and solutions.

Telenor's Mobile Communications business area continued to grow internationally in 2000. Its home market position was enhanced through growth in the number of customers and the introduction of new solutions and products. The mobile Internet portal djuice.com was introduced.

**Mobile subscriptions outside Norway (based on Telenor's proportional ownership interests, 1996–2000)**  
(000s)



**Mobile subscriptions in Norway, 1996–2000**  
(1000s)



In the Nordic region, Telenor Mobile Communications has a strong foothold in Norway and in Denmark through Sonofon. In Western Europe, Telenor Mobile Communications had mobile operations in Ireland, Portugal, Germany and Austria at the end of 2000. In Central and Eastern Europe, the group currently has ownership interests in the mobile sector in Greece, Montenegro, the Ukraine, Hungary and parts of Russia. Telenor established a presence in South-east Asia in 1999–2000. Telenor has been a co-owner of an enterprise in Bangladesh since 1997. (See the table to the right for a complete list of companies at December 31, 2000.)

› **mFuture** › Telenor has combined its efforts for the development of new mobile Internet and portal services in Norway and internationally in the mFuture business unit. The group seeks to utilize its technical leadership for future oriented business development in mobile communications. The new mobile Internet portal djuice is the first example of such efforts. < **djuice.com** › has been established as a separate brand name with an aim to a broad launch in Europe and Asia.

#### › YEAR 2000

› **mNorway** › Telenor Mobil entered into a cooperation with the Internet company Yahoo! for mobile Internet services. Telenor Mobil's customers were thus the first in the world to be given access to these services through Mobile Internet. In cooperation with IBM in Norway and Lotus, the company launched its IntraWap service in June, which gives employees direct access to the company's Intranet from a WAP phone. In June Telenor Mobil and Fast Search & Transfer entered into a strategic partnership agreement with regard to the joint development of mobile Internet services related to search functions, positioning and multimedia for mobile Internet portals. Telenor Mobil was one of four operators to be awarded a license to develop a UMTS network in

Company portfolio; Telenor Mobile Communications					
Market	Population (millions)	Company	Ownership (%)	Subscriptions <sup>1)</sup>	
				2000	1999
Norway	4.5	Telenor Mobil (Norway)	100.00	2,301	2,000
Denmark	5.2	Sonofon Holding A/S	53.50	905	797
Greece	10.4	Cosmote	18.00	2,061	964
Ireland	3.5	Esat Digifone <sup>2)</sup>	49.50	987	551
Kaliningrad	1.0	Extel GSM	49.00	11	4
Montenegro	0.7	ProMonte	40.10	109	57
Moscow region	115.0	VimpelCom	30.42	781	353
Portugal	10.1	Oni Way	20.00	–	–
Stavropol	2.5	Stavtelesot	49.00	28	6
St. Petersburg	8.0	NorthWest GSM	12.70	253	133
Germany	81.4	VIAG Interkom <sup>2)</sup>	10.00	3,178	933
Ukraine	52.0	Kyivstar	35.00	302	58
Hungary	10.3	Pannon GSM	25.80	1,217	668
Austria	8.0	Connect Austria	17.45	1,133	482
<b>Total: Europe</b>				<b>13,266</b>	<b>7,006</b>
Bangladesh	117.8	Grameen Phone	46.40	191	61
Malaysia	19.5	DiGi.com	30.00	883	547
Thailand	61.2	Total Access Public Co. Ltd. (TAC)	40.3	1,403	1,048
<b>Total: Asia</b>				<b>2,477</b>	<b>1,656</b>

<sup>1)</sup> 100 % of the companies' subscriptions (in 000s).

<sup>2)</sup> Decided to be sold in 2001.

Norway. A decision was made to close the NMT-900 network effective from March 2001.**5\***

› **mHorizon** › In 2000 Telenor made some of its largest investments ever in the area of mobile communications. Telenor acquired directly approximately and indirectly around 40 % of the shares in Total Access Public Company Ltd. (TAC) in Thailand for NOK 6.5 billion.**6\*** In June, Telenor entered into an agreement to acquire 53.5 % of the shares in the Danish company Sonofon for NOK 14.2 billion. In August NOK 445 million was invested in the Russian mobile operator VimpelCom.**7\*** Telenor invested approximately NOK 31 billion in foreign mobile businesses in 2000. This brought the total investments abroad

in the mobile sector up to approximately NOK 40 billion.

The second largest mobile operator in Greece, Cosmote – in which Telenor is a part-owner – was listed in Athens and London in October. Telenor reduced its ownership interest in connection with the floating to 18 %.

In 2000, three of the companies with which mHorizon is involved were awarded third generation mobile telephony (UMTS) licenses: Connect Austria in Austria, ONI WAY in Portugal and VIAG Interkom in Germany.

› **mFuture** › Telenor's mobile Internet portal djuice was introduced to the Norwegian

**Invoiced text messages, 1998–2000 (millions)**



market in March, and was subsequently launched in Malaysia and Thailand in December.

› **MARKET**

› **mNorway** › Telenor Mobil is the market leader in mobile telephony services in Norway. The company's customer base has grown rapidly in recent years. Telenor Mobil passed two million subscriptions in the first week of 2000. The number of subscriptions at the end of the year was 2,301,000, which corresponds to a market share of 69 %. The breakdown for digital services was 1,145,000 (50 %) contract subscriptions and 1,013,000 prepaid subscriptions (44%) in addition to 143,000 analog NMT service subscribers. During the period from 1995 to 2000, Telenor Mobil reported an annual average growth in the total number of subscriptions in Norway of 41.5 %.

At the end of 2000 there were approximately 3,339,000 mobile subscriptions in Norway, which corresponds to a penetration rate of approximately 74 %. The total growth in mobile subscriptions was around 594,000 in 2000, and Telenor Mobil's share of this was approximately 51 %. Telenor Mobil's market share in this segment was estimated to 69 % in 2000 (as compared to 68 % in 1999), and the corresponding figure for the contract subscription segment was approximately 66 % (as compared to 73 % in 1999). Telenor Mobil had traffic growth of 750 million minutes (23%) to 4,021 million minutes in 2000.

The price for text messages was reduced by 33 % in the first quarter of 2000. In June, Telenor Mobil reduced the tariff for calls from the fixed network to Telenor Mobil subscribers. New price reductions were introduced in October.

› **mHorizon** › Telenor Mobile Communications' international operations had strong growth in the number of subscriptions in 2000. Telenor's share of the

**Key figures, Telenor Mobile Communications, 1999–2000**

(in NOK millions)	2000	1999
Total revenues	9,778	8,033
EBITDA	2,720	2,161
EBITDA excl. gains and losses on disposal of fixed assets and operations	2,700	2,161
Operating profit	1,594	1,106
Associated companies	(460)	(1,071)
Investments	32,843	6,183
Number of full-time equivalent employees	2,481	2,427

companies' subscriptions (based on Telenor's ownership interests) grew from 1,203 million to 3,559 million in 2000. Mobile phone penetration in a number of these markets increased significantly during the year and contributed to the growth in the number of subscriptions. A larger proportion of the subscriptions was pre-paid subscriptions at the end of 2000 compared to the end of the previous year. Telenor has maintained or improved its position in most markets during the year in spite of the strong competition.

› **STRATEGY**

Telenor Mobile Communications' objective is to be a leading provider of mobile voice and Internet services in the Nordic region, and in selected countries elsewhere in Europe and Southeast Asia. Our international investments will be developed with an increased focus on controlling ownership stakes.

In Norway, Telenor will maintain and build on the company's leading position in the market and continue to introduce new services. In November 2000, Telenor was awarded a license for the development of a third generation mobile network in Norway. The Norwegian market will be a showcase for the technological solutions and applications that the company plans to introduce to its international operations.

In the Nordic region, Telenor has operations

in Norway and Denmark through Telenor Mobil and Sonofon, respectively. We will continue to seek expansion of our presence in the Nordic region.

In other international markets Telenor's strategy is to develop our existing operations through the transfer of competence and products. In addition, we intend to concentrate on investments in mobile operators within our geographic focus areas where Telenor can achieve adequate influence on the company. Telenor will consider participation in competitions for selected UMTS licenses. We will focus on growth prospects when selecting new investments in Europe and Southeast Asia.

Telenor's strategy focuses on the Internet as a central platform for the development of new mobile services. We intend to pursue an aggressive strategy in the mobile Internet area. djuce is Telenor's mobile Internet portal. Our goal is to establish djuce as an international brand.

[See financial review, pp. 40–43]

‹ **djuce** ›: **Mobile Internet portal**

djuce is an Internet portal which provides entertainment, information and communication adapted to WAP mobile phones and PDAs. Users can customize the interface at [www.djuce.com](http://www.djuce.com) and select services according to their own personal needs. Telenor has ambitions to establish the djuce brand name in several countries.

› **More:** [www.telenor.com/reports/2000/x4](http://www.telenor.com/reports/2000/x4)



**5\*** The older NMT 450 service has been maintained as a supplement to the GSM network.

**6\*** TAC, recently renamed as DTAC, is Thailand's second largest mobile operator and listed on the Singapore Stock Exchange.

**7\*** Telenor increased its total investment in the company to NOK 1.6 billion. VimpelCom is one of the two leading mobile operators in the Moscow area, and it is listed on the New York Stock Exchange.

## › INTRODUCTION

Telenor Telecom is the business area for fixed network communications services for the residential and business markets in Norway, in addition to the wholesale market. Telenor is clearly the largest operator in these segments in Norway, and focuses in addition on major Nordic business customers. After a reorganization in 2000, the operations in the business area were divided between *Telenor Telecom Solutions* and *Telenor Business Solutions*.

Telenor's fixed network operations were managed earlier in 1998-99 through Telenor Bedrift, Telenor Privat, Telenor Nett, Telenor Multicom and Telenor Global Services. Competition has resulted in a reduction in our market shares throughout 2000, especially traffic. As a result of this, Telenor Telecom has changed its commercial focus, now concentrating more on value added services and wholesale among other things.

› **Telecom Solutions** › Telecom Solutions develops and delivers telecommunications solutions for the residential and business markets in Norway, as well as the wholesale market in Norway and abroad. The most important products for the residential market are analog voice telephony (PSTN), digital telephony (ISDN) and a broad range of value added services. High-speed Internet access and Asymmetrical Digital Subscriber Line (ADSL) have been offered to the residential market since December 2000 through cooperation with Telenor Internet. The most important products for the business market are basic network services, including PSTN/ISDN basic rate interfaces and ISDN primary rate interfaces. Leased lines and data communications services for businesses in Norway are offered. High-speed data communications is offered through Nordicom, a data network that has been established by Telenor, Tele Danmark and Telenordia AB. The most important products on the wholesale market in Norway are interconnection and capacity

services, in addition to operations services, development and co-location facilities. Internationally Telenor Telecom Solutions offers a broad range of services, including broadband capacity and worldwide traffic. **8\***

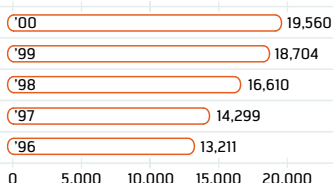
› **Business Solutions** › Business Solutions is positioning itself as a leading systems integrator in the field of information and communications technology, with **ASP**, advanced network solutions and e-business as its key focus areas. Telenor Business Solutions has developed uniquely broad areas competence, which include the development and implementation of ASP and managed services concepts, as well as the integration and combination of communications products, both fixed and mobile, with information technology. Our consulting services are primarily for customer relationship management (CRM) systems, e-commerce, e-strategy and e-learning. Telenor Business Solutions is also responsible for the sale and implementation of large, complex outsourcing contracts. The sale of equipment was spun off into a separate company (itworks AS) from January 2001. ASP services are marketed under the Login brand, while support and managed services are marketed under the Holos brand. Software solutions are sold and implemented in cooperation with Computer Associates. Telenor Business Solutions markets Telenor VIP Nett as a portfolio of data and telephony services for high-volume customers.

## › YEAR 2000

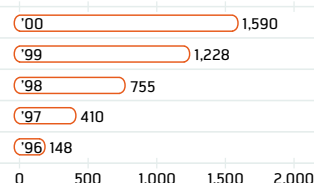
› **Telecom Solutions** › We took the first step in the development of content portals for the consumer market with the launch of the SmartPhone service, the world's first ISDN-based display phone with Internet services. This service was launched in March 2000. The development of services that involve the convergence of fixed network and mobile services resulted in March in the launch of InTouch – a combined fixed network and mobile voice service. A new e-commerce channel was also launched, and a pilot project was implemented for

Telenor's Telecom business area met increasing competition in 2000. The company continued to position itself in high-speed communications as well as ASP (Application Service Provider) services and advanced network solutions, which included the development and launching of many new products.

**Fixed telephony traffic in Norway, 1996-2000**  
Telenor (millions of minutes)



**ISDN access channels in Norway, 1996-2000**  
Telenor (000s)



billing customers by e-mail. Operator access (access to Telenor's copper access network) was offered to other telecom providers starting in April. Telenor launched a high-speed data connection to the residential market through ADSL in December. **9\***

› **Business Solutions** › The new ASP concept Telenor Login was launched in January 2000. We entered into a number of major ASP contracts during the year. In August, Business Solutions bought 75 % of the Danish IT company Eurocom Tele Services, an acquisition that secures an important expansion platform for Telenor in the Danish ASP market. This was followed up by a cooperation agreement with the Danish company Columbus IT Partner in December. This company will offer Telenor's ASP solutions in the Scandinavian market. A letter of intent was entered into with EDB Business Partner ASA in September to combine all the operations related to the delivery of data and voice products and the associated services in a new company, itworks AS, which became operational on January 1, 2001.

› **MARKET**

› **Telecom Solutions** › Telenor is the leading carrier for fixed network telecommunications services in the residential market in Norway, with approximately 1.8 million subscribers. Full liberalization of the Norwegian market from 1998 has resulted in a decline in our market share. At the end of 2000, Telenor had a fixed network market share of 73 % (including Telenor Internet), as opposed to 87 % at the end of 1999, with a 77 % share for the business market and 68 % share for the residential market. (These market shares do not take into account traffic that passes through the infrastructure of other operators.) At the end of 2000, Telenor had approximately 1,343,000 PSTN subscriptions and 434,000 ISDN subscriptions in the private market. In the business market there were around 600,000 subscriptions at the end of 2000, of which 337,000 PSTN, 262,000 ISDN and 350 ADSL subscriptions. Approximately

**Key figures, Telenor Telecom, 1999–2000**

(in NOK millions)	2000	1999
Total revenues	19,380	17,602
EBITDA	5,662	5,146
EBITDA excl. gains and losses on disposal of fixed assets and operations	5,349	5,432
Operating profit	2,787	2,509
Associated companies	3	(26)
Investments	5,037	3,377
Number of full-time equivalent employees	5,598	5,172

70,000 leased lines were delivered at the end of the year, and there were around 40,000 registered data communications customers.

› **Business Solutions** › Telenor has a leading position as a supplier of business solutions in Scandinavia, with an especially strong position in its home market. Telenor Business Solutions is the largest provider of ASP services in the Norwegian and Nordic markets. This is expected to be one of the strongest growth areas for Telenor in the coming years. Business Solutions is also well-positioned for the growing Nordic market for advanced network services as well as e-business.

› **STRATEGY**

Telenor aims to maintain its position as the leading provider of advanced services and integrated solutions, as well as basic fixed network services, for business and residential customers in Norway.

In addition, Telecom Solutions will focus on the growing market that will arise through the establishment of new mobile and Internet operators. The introduction of free competition has resulted in the rapid development of a wholesale market in Norway. The strategy of Telecom Solutions is to open up the value chain, by which we will offer the providers with a number of different interconnection, capacity and wholesale services, as well as developing new wholesale products.

We aim for a rapid introduction of IP technology to the networks. This will result in cost-effective transport and make the network services more suited to the needs of the Internet service providers and other large data traffic users. The transition to IP technology is of decisive importance to Telenor's ability to maintain a leading position in the market for network services in the years to come.

Telecom Solutions is continuing its strategy for the development of high-speed networks. The commercial success of ISDN will be used as the foundation for also achieving a leadership position in high-speed access and the associated services based on Asymmetrical Digital Subscriber Lines and subsequently on Very high speed Digital Subscriber Lines – at the same time as new services will be made available for ISDN as well.

Business Solutions will aim to maintain its leadership position as a provider of business solutions in the Nordic market. It is expected that the European ASP market will continue to grow and become an important element of the telecommunications and IT industry in the coming years.

[See financial review, pp. 43–45]

› **ASP** › **IT solutions over the Internet**

An ASP (Application Service Provider) manages IT solutions via several communications alternatives, such as the Internet. The user leases access to applications, software, computing power, storage and user support via the network. This concept often gives better operational regularity, performance and overall economics than the use of local solutions. "Login" is Telenor's ASP concept.

› **More:** [www.telenor.com/reports/2000/x5](http://www.telenor.com/reports/2000/x5)



**8\*** Telenor is also, through Telecom Solutions, a distributor in Norway of global services from the BT and AT&T joint venture Concert.

**9\*** Resale of telephony to the wholesale market was introduced in January 2001.

# TELENOR BROADBAND SERVICES

## › INTRODUCTION

Telenor Broadband Services is the business area for operations in television distribution and related value added services via satellite, cable and terrestrial network.

Telenor is the largest provider of analog and digital television services in Scandinavia. The business area was established in 1999 by combining Telenor Satellite Services and Telenor TV Distribution. The operations are divided into four main areas: *Broadcast, Content and Interactive Services, Satellite Mobile and Satellite Networks*. Based on the satellite-based services in the Norwegian market, including the maritime industry, Telenor established a technical and market platform in the 1990s that laid the foundation for international expansion, particularly in Scandinavia and selected parts of Europe.

› **Principal areas** › The *Broadcast area* had a total of 1.9 million paying households in the Nordic region to our different pay television services and sells distribution services to broadcasters. This area encompasses a number of companies. Telenor Avidi is Norway's largest distributor of television and radio signals through a cable network.

Telenor introduced digital services in early 2000. Gradually, as the cable television network is digitized, interactive services, Internet access and expanded programs will become available to a growing number of people. The Telenor-owned company Norkring AS owns and operates the terrestrial network in Norway. Canal Digital is Telenor's joint venture with Canal +, of which Telenor has a 50 % ownership interest. It is a leading company in the satellite distribution of television programs, as well as entertainment and other additional services, to pay television subscribers in the Nordic region. Telenor Vision resells television channels and services to over a million households in independent cable television networks (SMATV or Satellite

Master Antenna TV) and to hotels in Scandinavia. ColourSat distributes television channels to the expatriates who desire home language TV.

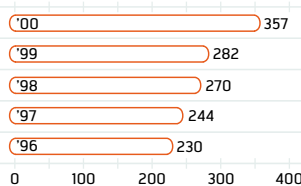
*Content and Interactive Services* area is a new key focus area which deals with the development of interactive services as well as the management of content and rights. Development, implementation and overall coordination of Telenor's strategy for content and services to broadband users is within this area. This unit negotiates with major content providers in the Nordic region and manages Telenor's portfolio of ownership interests in content providers such as A-pressen, Cee-TV, Metropol, etc. This area will develop and offer interactive digital services to consumers, such as online games, e-commerce, betting and e-mail, through its Zonavi venture. Telenor Conax AS delivers systems for encryption, access control, subscriber administration and billing for both our analog and digital services.

*Satellite Mobile* is one of the world's largest providers of satellite-based voice and data services to the maritime and land mobile markets, as well as the aviation industry. Telenor is a service provider for the INMARSAT satellite company. **10\***

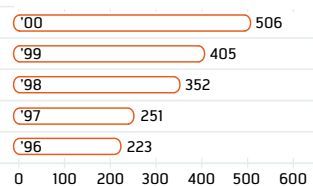
*Satellite Networks* delivers satellite-based communications networks and services to global niche markets. Telenor offers fixed network services based on VSAT (Very Small Aperture Terminal) technology, with industry specific solutions. This unit consists of several businesses: Taide AS, which provides IP services via satellite; Telenor Satellite Tracking AS, which is a specialist in wireless applications for global position and condition reporting for fixed and mobile assets; Telenor Satellite Polska, which offers communications solutions to the lottery and gaming industry, and Telenor Slovakia. Other companies focus on solutions for selected major international businesses.

Telenor's Broadband Services business area introduced the goal of becoming the leading player in the broadband services market in the Nordic region in 2000. The business area reinforced its focus on pay television services and various forms of satellite-based communications at the same time.

**Cable television subscribers in in Nordic region, 1996–2000**  
Telenor (000s)



**DTH subscribers (satellite transmission direct to private subscribers in the Nordic region), 1996–2000**  
Canal Digital (000s)



› **Infrastructure** › Telenor owns and operates three satellites, Thor I, II and III, and leases additional capacity through Intelsat. Thor I will be phased out in 2002, and Telenor has an option to build a new Thor satellite. The satellites are positioned at 1° west. Thirty analog and 70 digital television channels are distributed via these satellites to the Nordic region and major parts of Central and Eastern Europe. The Telenor company Norkring is Norway's largest distributor of television and radio signals through its terrestrial network. The company has introduced Digital Audio Broadcasting (DAB) to Norway, and it expects to achieve 95 % coverage by the end of 2004. Telenor Avidi's cable television network will be upgraded together with the terrestrial network and the ordinary telecommunications network.

› **YEAR 2000**

› **National** › Telenor strengthened its position as Norway's largest cable television company through the acquisition of local cable TV companies. Norkring presented digital terrestrial network on a permanent basis for the first time in Norway in 2000. As part of the effort to develop local content for distribution through the broadband network, Telenor invested in several media companies. Telenor acquired 29.2 % of A-pressen ASA, 14.1 % of the commercial television channel Metropol AS in 2000 and 2001 and 35 % of Cee.tv AS. Cee.tv AS specializes in the production of interactive content and program concepts. In order to secure, among other things, access to the distribution of sports and cultural events, Telenor acquired 12.7 % of the shares in Sponsor Service AS.

› **International** › Telenor increased its ownership stake in the INMARSAT satellite company in 2000 from 6.8 % to 15 % and is now the largest shareholder in the company. This demonstrates our focus on global mobile satellite services. Telenor acquired 25 % of the capacity available

**Key figures, Telenor Broadband Services, 1999–2000**

(in NOK millions)	2000	1999
Total revenues	3,497	2,897
EBITDA	644	530
EBITDA excl. gains and losses on disposal of fixed assets and operations	673	527
Operating profit	4	8
Associated companies	(244)	(140)
Investments	4,008	919
Number of full-time equivalent employees	1,184	944

from INTELSAT's new satellite, which is planned to be launched in 2003.**11\***

In May, Telenor was awarded one of three licenses to establish a satellite network (VSAT) in Morocco. The Zonavi concept was launched in June as an important part of Telenor's Scandinavian focus on interactive television. Telenor expanded its offer in 2000 through ColourSat AS, by adding, for example, several leading Asian channels. Telenor entered into an agreement in November 2000 to sell its hotel television operations to Otrum Electronics ASA. A private placement will also make Telenor the company's largest owner.**12\***

› **MARKET**

Nationally, Telenor reinforced its position in 2000 as the largest provider of cable television in Norway, with 357,000 subscribers at the end of the year, corresponding to 42 % of the market. Telenor is the only operator in Norway with a nationwide cable network.

› **International** › Telenor has maintained its position as the largest distributor of analog and digital television services in the Nordic region and it is a leading satellite broadcaster of television channels and multimedia services to the Nordic region. Moreover, Telenor is one of the world's leading provider of mobile communications via satellite. Telenor is also a leading provider of satellite networks and services

based on VSAT technology in selected markets in Europe and Africa. Telenor is the world's largest provider of global mobile communications services through INMARSAT, which focuses primarily on land and maritime mobile markets.

› **STRATEGY**

Telenor's goal is to become the leading provider of broadband services in the Nordic region and selected European markets. An offensive strategy to the develop of the infrastructure and technological platform, as well as the development of advanced interactive services therefore is implemented to accelerate the development of local content. This will be carried out through alliances with several of the most important national and international content providers.

[ See financial review, pp. 46–48]

› **Zonavi** › **Interactive TV through broadband**

The Telenor company Zonavi offers entertainment, communication and e-commerce based on the broadband distribution of sound and live pictures for interactive television. The concept opens up the possibility of a dialog between the user and distributor, in which user themselves can choose the program content.

› **More:** [www.telenor.com/reports/2000/x6](http://www.telenor.com/reports/2000/x6)



**10\*** Telenor delivers several services and products based on Inmarsat, such as the satellite mobile phone, Mobiq, and the total communications solution, SeaLink.

**11\*** This acquisition ensures Telenor the beneficial use of the two satellite beams covering Europe with the capacity to transmit around 100 digital television and radio channels.

**12\*** Otrum Electronics ASA is listed on the Oslo Stock Exchange.

# TELENOR INTERNET

## › INTRODUCTION

Telenor Internet is the business area for Internet services and IP-based communications in the Telenor Group. Telenor is the leading provider of such services in Norway to both residential and business customers. The business area is divided into two divisions: *Telenor Internet* covers the residential market in Norway and *Nextra* services the business market nationally and internationally.

Telenor's investment in the Internet originates from the establishment of a nationwide campaign to the residential and business markets in the early 1990s. A strong position in one of the world's most demanding user markets laid the foundation which was necessary for Telenor's offensive investments in Europe – with a focus on small and medium-sized companies. Telenor has been one of Scandinavia's leading Internet portal providers since 1998.<sup>13\*</sup>

Telenor is in the process of developing into a < **CSP** > (Communications Service Provider) from an ISP (Internet Service Provider). A broad foothold as a business-oriented ISP in Europe was early secured. At the start of 2001, this establishment period was over and emphasis was placed on consolidation. Conversion from Internet companies are now focused on access to complete Communications Service Providers (CSPs) based on common service platforms.

The business area has also prepared for a new phase in the development of services for the residential market. From focusing on basic access services, more emphasis will now be placed on following the users' demands for more integrated communications services with an increasing amount of multimedia content.

› **Principal areas** › Telenor offers an increasing number of Internet products and

services. The principal areas are access, hosting and communications. Internet access is the business area's largest product, which offers number of different solutions. Integrated communications packages for e-mail is the most important service in the communications area, and Telenor offers a range of solutions including the most advanced electronic mail services in the market. Telenor's hosting services range from storage of simple web pages to advanced multimedia and e-commerce solutions.

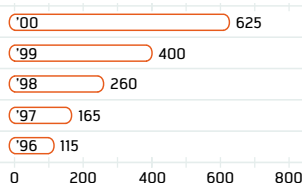
› **Infrastructure** › Telenor leases capacity for its backbone network based on flexible contracts. The network was expanded in 1999 to secure a high capacity and ensure control, so that IP (Internet Protocol) services and value added services could be offered. Nextra currently has a seamless, logical IP network, Nextbone, with multimegabit capacity, ten access points and its own network routers in Europe and New York. New access points and additional high-speed lines between Europe and the US were established in 2000.<sup>14\*</sup> Preparation of the IP network for ADSL (Asymmetrical Digital Subscriber Line) connections started in 2000.

## › YEAR 2000

› **National** › Telenor secured its position through the introduction of several new services. Nextra launched, for example, a new e-commerce solution for small and medium-sized companies in cooperation with Compaq, which is designed to offer the efficient establishment of a presence on the Web.<sup>15\*</sup> In June "Nextra 100 percent Internet" was launched for the Norwegian business market as a reliable Internet access solution aimed at the banking sector in particular. We worked throughout the year on the development of new VPN (Virtual Private Net) services. VPN is expected to be the new platform for secure business communications.

The Telenor Internet business area strengthened its position in 2000 nationally and internationally, and it had established a presence in 11 countries by the end of the year. At the same time as Telenor is positioning itself as a leading Communications Service Provider (CSP) to the European business market, the company will secure its position in the residential market in Norway.

**Number of Internet access subscriptions and registered users in Norway (residential market), 1996–2000**  
Telenor (000s)



**13\*** Telenor's largest engagement in an international portal is Scandinavia Online AB, which was listed on the in Oslo and Stockholm stock exchanges in 2000. The company owns a Nordic network of leading portals in Denmark, Finland, Norway and Sweden.

**14\*** In order to satisfy the increased demand, additional links and new access points will be installed in 2001, and additional high-speed lines between Europe and the US are being planned at the same time.



The launch of ADSL in 2000 was an important residential market milestone. In addition to offering the users higher Internet speeds, ADSL and the coming xDSL technologies will provide new opportunities for the distribution of content. Cooperation with the leading global content network Content Bridge 16\* from January 2001 is part of this strategy.

› **International** › During the first six months, Nextra was introduced as the brand name for Internet operations outside of Norway. At the end of the year, Telenor had Internet operations in 11 countries, including Norway. Growth in 2000 was attributed to the acquisition of companies in Italy (3), Russia (1), Slovakia (2), UK (2), Sweden (1), the Czech Republic (1), Germany (3) and Austria (1).

Nextra reinforced its core operations in 2000 and established two niche focused product ventures that are to serve Nextra, in addition to having ambitions of achieving leading positions in their respective areas. The subsidiary TTYL (Talk To You Later) is aimed at the European market for messaging services, while Aspectra in Switzerland is a hosting operation aimed at the ASP area.

› **MARKET**

› **National** › Telenor Internet maintained its strong market position in all its key focus areas in Norway, and it was the market leader in both the residential and the business market. Both the number of paying subscribers and users of Frisurf (Freesurf) increased considerably, and there were 377,000 registered Telenor Internet access subscriptions and 248,000 registered Frisurf users at the end of the year.

Online.no and startsiden.no are among the most frequently visited portals in Norway. Startsiden had an average of 313,000 daily readers in the fourth quarter. The first ADSL customers were connected in 2000 after its launch in December. A gradual and con-

**Key figures, Telenor Internet, 1999–2000**

(in NOK millions)	2000	1999
Total revenues	1,126	886
EBITDA	(744)	(27)
Operating profit	(1,025)	(138)
Associated companies	252	14
Investments	1,096	442
Number of full-time equivalent employees	1,656	735

trolled rollout of ADSL to the residential market in Norway is expected in 2001.

In addition, Telenor was also the largest provider of Internet services to business customers in Norway in 2000, with a market share of over 40 %. Telenor reinforced its position in web-hotel and other hosting services in 2000, and it is clearly the largest provider of IP-based communications solutions in Norway.

› **International** › Telenor Internet has acquired over 20 ISP businesses and has started up two business operations in Europe since 1998. All companies are wholly owned with the exception of the operations in Italy, Russia, the Czech Republic and the UK. All Telenor's ISP businesses operate under the Nextra brand. A great deal of resources have been invested in relation to the integration and reintroduction of these companies.

Nextra is the market leader in the Czech Republic and Slovakia, is among the five largest in Italy, Austria and Hungary and is one of the fastest growing ISPs in Germany.

› **STRATEGY**

Telenor's goal is to maintain and develop its leading position as a provider of Internet services in its home market while at the same time, reinforcing its position in Europe.

Nextra's intends to be one of the leading

providers of IP-based services for small and medium-sized businesses in Europe. A principal strategic task is to continue its evolution from a platform as a traditional ISP into a leading European CSP. Nextra intends to be a driving force in opening the market for network-based services. To provide companies more efficient channels for communication and interaction.

Nextra plans to create new opportunities in Business-to-Business and Business-to-Employee communication, based on access and VPN products, hosting and communications services, and applications management. In 2001 we will consolidate our existing operations with emphasis on increasing synergies as well as a clear reinforcement of the company's position in VPN and hosting.

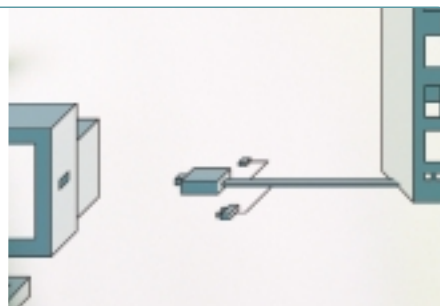
Telenor Internet intends to secure its leading position in the national residential market by developing new product areas in communications, creating new services based on broadband access and reinforcing its position in portals, especially with regard to multimedia.

[See financial review, pp. 48–49]

› **CSP** › gives added value to the Internet

As a Communications Service Provider (CSP), Nextra delivers complete communications packages and solutions for small and medium-sized companies based on IP technology. The CSP concept encompasses services such as Internet access, Virtual Private Network (VPN), hosting, messaging and mobile communications solutions. With a CSP contract the customer will only have to deal with one communications partner.

› More: [www.telenor.com/reports/2000/x7](http://www.telenor.com/reports/2000/x7)



**15\*** The platform is managed from Nextra's hosting center in Frankfurt, which opened in 2000.

**16\*** A number of major content providers will publish their content on Nextra's pan-European IP network through this cooperation.

# OTHER BUSINESSES

## › TELENOR MEDIA

Telenor Media AS is one of Norway's largest companies in the media and information business. Telenor is the leading supplier of directory information and advertising in Norway, and has developed extensive international operations since 1995. This has taken place through cooperation, the start-up of new businesses and the acquisition of directory companies in several European countries.

At the end of 2000 Telenor Media had operations in 10 countries: Finland, Estonia, Iceland, Latvia, Lithuania, Russia, Poland, Czech Republic, France and Spain. **17\*** In February 2001, Telenor Media established operations in the Ukraine as well. The company has around 2,400 employees, 900 of which are in Norway. In January 2001, Telenor reported that it had started preparations for a possible initial public listing of Telenor Media.

Telenor Media develops information products and marketplaces for distribution through various printed and electronic medias. The main activity is the development and publication of user and advertiser paid < **directories** >, electronic database distribution, and electronic media products. Telenor publishes over a hundred different directories in Norway and a wide variety of directories for other European markets. Our total annual circulation of directories in 2000 was 23 million, 9 million of which was circulated in Norway.

Telenor Media has a very strong position in the directory market. The company is responsible for a number of brands, such as Telefonkatalogen, Gule Sider, Ditt Distrikt and BizKit. These brand name products are distributed through a variety of means (printed directories, the Internet, over the phone and CD-ROM).

In the fall of 2000, Telenor Media launched the new Internet portal

telefonkatalogen.no, which gives access via the Internet to the white and pink pages. The White Pages list all the private persons and the Pink Pages is an alphabetical list of companies, organizations and public enterprises and agencies in Norway. This service has attracted a large number of users within a short period of time and its functionality has attracted international attention.

Most of Telenor Media's revenues are advertising revenues from the directory products and services. The company had an operating profit of NOK 301 million in 2000, a reduction of NOK 705 million compared to 1999. The operating profit for 1999 included gains on the sale of businesses of NOK 683 million. Total revenues in 2000 were NOK 1,655 million, as compared to NOK 2,368 million in the previous year. The international operations accounted for 11 % of the total revenues in 2000.

[See financial review, pp. 49–50]

## › BRAVIDA

Bravida ASA is the leading total technical supplier of installation and service in the field of information and communications technology, telecommunications and data networks, electrical wiring, ventilation and plumbing in the Nordic region. Bravida ASA is the result of the merger of the former Telenor IT-Service og Installasjon AS, which changed its name in March 2000 to Bravida AS, and the Swedish owned BPA AB. The merger was established as of November 1, 2000. Bravida has been accounted for as an associated company from the same time.

Bravida ASA is a Norwegian registered company with headquarters in Stockholm. Telenor's ownership stake was 49.7 % at the end of 2000. The ownership has now been reduced to 48 %. The owners of BPA hold 48 % of the shares, while the remaining 4 % is owned by the company's management. Bravida ASA had a total of 13,500

Telenor has significant operations outside its four core areas. The other activities are carried out by three major business areas, Telenor Media, Bravida and EDB Business Partner, as well as several smaller units.

**17\*** Telenor Media established the company Guías de Ciudad in 2000, with the object of publishing directories in several cities in Spain. The operations in France were expanded by the acquisition of 75 % of *Annuaire Téléphoniques de Bretagne*, a publisher of local directories.

employees as of January 1, 2001, with 7,400 employees in Norway, 5,800 in Sweden and 300 in Denmark.

Bravida is a provider of both total technical solutions and individual solutions in all its disciplines, and it offers planning, solution design, installation, service, operation and maintenance in the fields of ICT, networks, electrical wiring, ventilation and plumbing. Bravida also delivers intelligent solutions to ensure efficient management and operation of the technical solutions. Electronic documentation services are also supplied through the subsidiary Bravida Geomatikk AS. **18\***

Bravida had an operating loss of NOK 10 million for the period from January 1, to October 31, 2000. Total revenues for the same period were NOK 4,225 million.

[See financial review, pp. 50–51]

#### › EDB BUSINESS PARTNER

EDB Business Partner ASA is a competence based, listed IT group that focuses on software solutions, consulting and managed services. The group is the result of the merger between Telenor Programvare AS and EDB ASA in May 1999, and comprises four business areas: Managed Services, Consulting, Telecom and Banking/Finance. Telenor owns 52.6 % of the company. Although EDB Business Partner's principal operations are in Norway, the company also has operations in Sweden, Denmark, Ireland, France, the Netherlands, Poland, Switzerland, Spain and the US. The group had around 3,400 employees at the end of 2000, 3,200 of which are in Norway. EDB Business Partner is one of Norway's largest IT environments and a leading force in the Nordic market for managed services and solutions within telecommunications and banking/finance. Major companies and organizations in the private and public sector are the primary markets for EDB Business Partner.

In April 2000, EDB Business Partner acquired the Norwegian IT company Fellesdata AS, making the group one of the largest suppliers of managed services for IT systems in the Nordic region. EDB Fellesdata AS, which is the product of a merged between Fellesdata AS and EDB Novit AS, is a leading supplier of complete IT solutions and services for the banking and finance sector in Norway. **19\*** EDB 4tel AS is a leading European software supplier that specializes in the development of operational support systems for the telecom industry. EDB Business Consulting AS and several underlying companies comprise Business Partner a major IT consulting operation that offers consulting, system development services and application management. The partly owned company Ephorma AS makes EDB Business Partner a leading supplier of software and IT services to the public sector in Norway. EDB Business Partner and Telenor Business Solutions combined their operations related to hardware based ICT solutions in a new company called itworks AS as of January 1, 2001.

EDB Business Partner had an operating profit of NOK 167 million in 2000, as compared to NOK 127 million in 1999. Total revenues in 2000 were NOK 4,368 million, an increase of 45 % in relation to the previous year.

[See financial review, pp. 51–52]

#### › OTHER ACTIVITIES

› **Research and development** › Telenor Research and Development is Norway's largest research environment for information and communication technology with 324 full-time equivalent employees at the end of the year. Telenor R&D works on future communications networks and services, as well as the application of networks and services in various market arenas. Telenor Research and development's research help to keep the Telenor Group in the forefront in its core areas.

Telenor R&D cooperates extensively with leading research environments in Norway and abroad. The central research unit at Kjeller outside Oslo focuses primarily on problems with an intermediate or long-term perspective. Product development in relation to the business areas has a more short-term perspective.

In 2000 Telenor R&D was very involved in the development of an integrated services pilot network, and Telenor was one of the first companies in the world to establish such a network. Work related to the establishment of a nationwide UMTS network and the development of fixed mobile convergence continued. A great deal of importance was also attached to the project to development of hybrid broadband access with the integration of several access technologies. Consumer behavior in relation to the use of mobile communications and the visualization of future interfaces and services is another topic of research.

New services that are being tested are related to areas such as telemedicine (surgery through utilization of a broadband connection and home help through a data network), aviation and tourism. Developments in these and other areas will help make Telenor's services more user-oriented, so that users can communicate more effectively.

Long-term technological changes and the short-term growth of new types of products and services make it important to predict and understand new potential business models for the network operators of tomorrow. Telenor R&D utilizes various complementary skills in this work – a combination of network and software technology as well as economics and social studies. New price models, different models for virtual network operations and partner models are all examples of this type of activity.

Telenor is dependent on good cooperation

#### Complete < directories >

The telephone directories in Norway offer a complete list of the contact information for more than 2 million subscribers. 6000 changes are registered daily in the Norwegian directory database. Electronic distribution channels are becoming increasingly more popular and directory operations abroad are expanding.

› More: [www.telenor.com/reports/2000/x8](http://www.telenor.com/reports/2000/x8)



**18\*** Geoweb, an electronic map of underground infrastructure, is one of the company's products.

**19\*** EDB introduced its new Powered B@nk concept in 2000, which is an Internet banking system.

with providers, other operators, universities and others. Telenor therefore participated in more than 50 international projects in 2000, which helped us maintain a competent network within the telecommunications industry.

Telenor spent over NOK 500 million on research and development in 2000.

› **International Centre** › The International Center coordinates, supports and facilitates Telenor's international operations at the corporate level. The Centre has its headquarters in Oslo and local country offices in 12 cities in Europe and Asia. The country offices are established in countries which host operations from two or more of Telenor's business areas. The local country offices offer technical and administrative support to our international operations and monitor regulatory matters. They also perform analyses on issues related to political risk, as well as socio-cultural and macro-economic conditions.

In addition, the International Centre has a commercial responsibility for strategic projects that are not naturally a part of the business areas' portfolios. The Centre manages, for example, Telenor's ownership interests in the Swedish company Telenordia AB, which Telenor owns jointly with British Telecom, as well as its ownership interests in the Russian company CominCom/Combella.

› **Telenor Eiendom** › Telenor Eiendom's primary task is to ensure that the Telenor Group has the property that is required to perform the group's primary operations in a cost-effective manner. At the end of 2000, Telenor Eiendom controlled 834,700 square meters of floor space, divided among approximately 4,500 buildings. Telenor sold its headquarters in central Oslo for NOK 550 million in 2000.<sup>20\*</sup>

The sale of Telenor's headquarters is part of the process to move Telenor's operations in

the Oslo area to the company's new headquarters at Fornebu. Telenor's new building at Tyholt in Trondheim was opened in June 2000 and the second of several such landmark buildings was opened at Kokstad in Bergen in July.

Construction of the group's new headquarters is being managed by Telenor Eiendom Fornebu AS. A building complex with 137,000 square meters of floor space and room for over 6,000 employees is being erected at the old airport area. We will start to move into the building in the fall of 2001, and we expect that the process will take approximately one year.

Teleservice AS is responsible for our directory inquiry services and telephone conferencing, as well as Call Centre services. The company seeks to simplify technology in our daily lives and make information and communications service more easily available to the users.

Teleservice has its headquarters in Oslo and 25 local offices, 12 of which are directory assistance centers, plus subsidiaries. The company had around 1,800 employees (including subsidiaries) at the end of 2000, and revenues of NOK 700 million. Teleservice handled around 68 million calls in 2000, an increase of almost 3 % compared to the previous year. The company's database consists of more than 6 million listings,<sup>21\*</sup> and it is the largest and most up-to-date in Norway. The market for information services is huge, and information is offered through a number of different channels such as WAP, SMS, Smart-Phone and the Internet.

Teleservice acquired the remaining 49 % of the Swedish call centre company Kalix Tele AB 24 in April 2000.

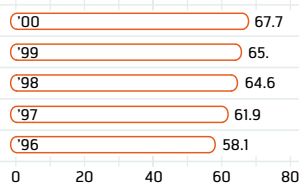
› **Other units** › Telenor Venture AS is among the group's other units. This investment company seeks to create value

through active ownership in profitable projects in the area of telecommunications and information technology. Telenor has a 63.7 % ownership stake in the company. A new company, Telenor Venture II AS, was established in September 2000 in order to continue and expand our investment activities.

Telenor Forsikring AS is the group's wholly-owned insurance company. The main object of the company is to secure satisfactory insurance terms and premiums for the subsidiaries of Telenor.

Two subsidiaries were sold in 2000: Telenor entered into an agreement with DnB Finans in August 2000 to sell Telenor Finans AS. In addition, an agreement was entered into with Lindorff with regard to the sale of Telenor Inkasso AS.

**Calls handled, Directory Assistance, 1996–2000**  
Telenor Teleservice AS (millions of calls)



**20\*** Telenor sold property for a total value of NOK 835 million in 2000.

**21\*** The database contains information from all of Norway's telecom operators for both the fixed and mobile networks.

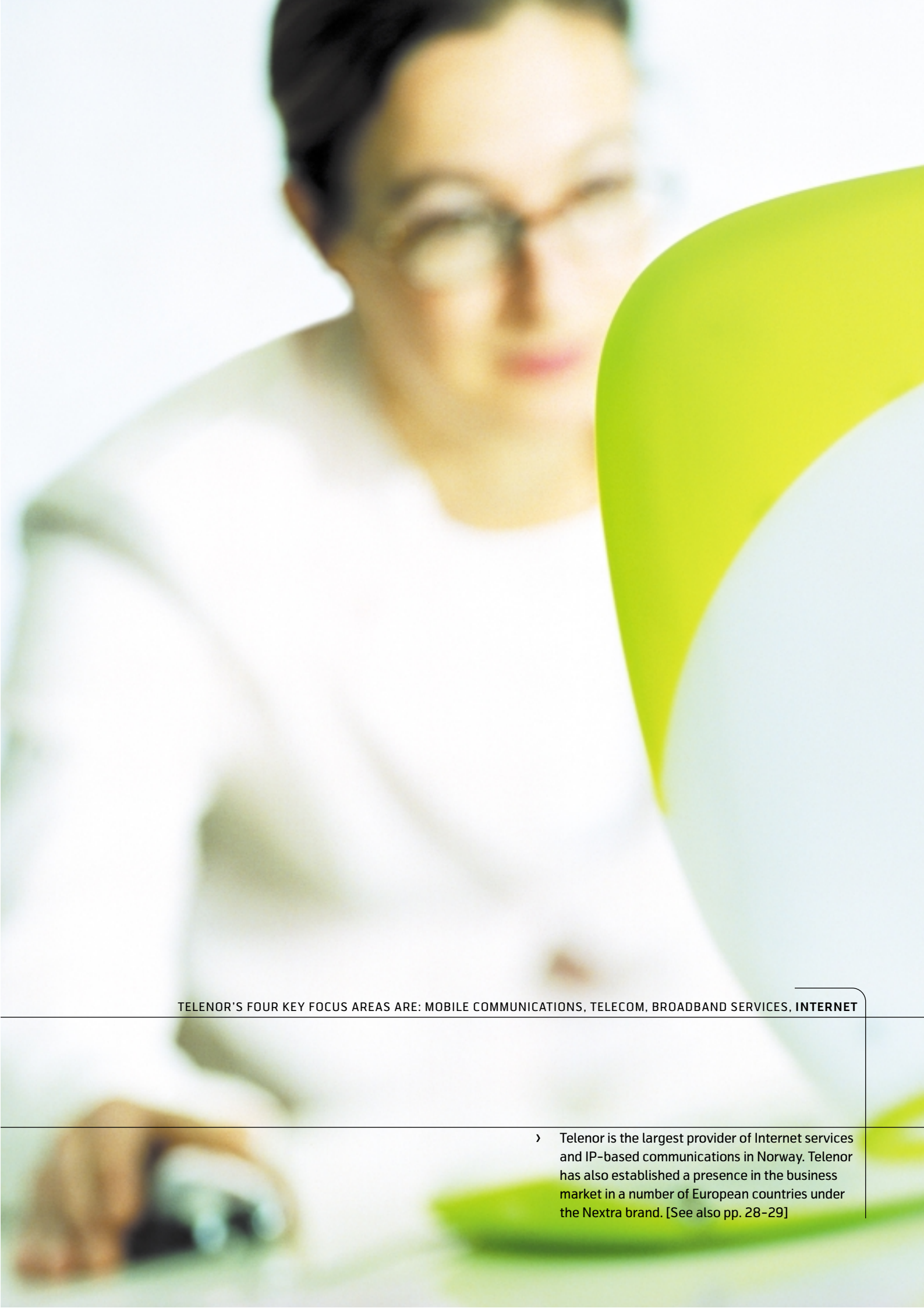


+ expertise  
+ technology  
+ capital  
= competitive power

note 1

note 1

Telenor is very dependent on a high level of skills and expertise in order to maintain and develop its position. The development of these skills takes place through many channels in Telenor, including the Telenor Corporate University.



TELENOR'S FOUR KEY FOCUS AREAS ARE: MOBILE COMMUNICATIONS, TELECOM, BROADBAND SERVICES, **INTERNET**

- › Telenor is the largest provider of Internet services and IP-based communications in Norway. Telenor has also established a presence in the business market in a number of European countries under the Nextra brand. [See also pp. 28-29]

# INNOVATION IN NETWORKS

Innovation is the key to Telenor's future success. Innovation is created where technology, people and the market meet – in networks. Here, the group's executive vice presidents in charge of technology and human resources. Berit Svendsen (executive vice president in charge of technology) and Gun Bente Johansen (executive vice president in charge of communications, human resources and framework conditions) speak out on the subject.

Can an engineer and a psychologist be on the same wavelength in an interview on the industry, company and market? The answer is yes. Convergence is more than a technological buzzword at Telenor – it appears here in many aspects to be an organizational philosophy that has virtually become a reality. Here their work has taken a course that is marked by an ever closer and more dynamic interaction between the technological basis, employees' efforts and the market's response.

## › DYNAMICS

The tempo of the telecommunications industry has probably never been higher, and never has there been so much happening at Telenor. Rarely have the challenges been greater. The dynamics are of vital importance in a highly competitive industry; a matter of course for the technology manager and a requirement from the human resources manager. They are each responsible in their own areas for two critical prerequisites for the success of the company and its future.

"We have to have a dynamic approach to human development, to the employees' continuous learning and the company's constant production of knowledge," says Gun Bente Johansen.

"Ideas arise when demanding customers meet competent employees. Our ability to innovate and improve is dependent on the continuous development of our human capital. The demand for a higher tempo is increasing."

"We must speed up our processes for the development of products and services, and reduce the time that elapses between the development of an idea and market exposure," Berit Svendsen adds.

"This is absolutely necessary in an industry and market where so much happens so quickly today. We must cultivate ideas, and advance the employees that live for these

ideas. Then we must realize the best ideas and commercialize them before any of our competitors if Telenor is to succeed."

## › DRIVE

There are also dynamics in the market, where the industry players and consumers drive each other in an accelerating process. New products and services and even sharper competition is the result of this.

Telenor has a relative lead over many of its competitors. From the middle of the 1970s the company has been a pioneer in many areas. It offered new services relatively early in a growing number of new areas. Today Telenor operates in one of the most demanding home markets in the world.

Norway has historically been in the forefront with regard to the development of technology and the use of new products and services, and therefore, it is today one of the most advanced telecommunications countries in the world.

This has been motivating and demanding, Berit Svendsen points out. "If we are to maintain our position, then not only Telenor as a company, but Norway as a nation must also continue to go for it," she adds. The required interaction between the telecommunications industry and the content providers in particular is of decisive importance. Other players have technology products; Telenor delivers communications services; and both require an increasing degree of a third component: content – and national content above all. This applies especially to third generation mobile telephony and broadband services.

"Telenor has maintained its strong position in a technologically mature home market. Nevertheless, Telenor needs, as does the rest of the telecommunications industry, to increase its understanding of consumer behavior," says Gun Bente Johansen. Historically, our industry has not had the same

Issues raised in the interview elaborated upon online: Telenor's technological pioneer role, importance of consumer intelligence, Telenor as an attractive employer, the company's intellectual capital.

› [www.telenor.com/reports/2000/fokus](http://www.telenor.com/reports/2000/fokus) ›



Berit Svendsen Gun Bente Johansen

degree of pressure on it to have an active relationship with its customers." This has, however, changed dramatically in recent years. "We are very conscious of the value of consumer intelligence, and we have built up our knowledge in this field, she added. "We are, for example, establishing projects that bring different environments – suppliers, consumers, research environments and ourselves – together in a network in order to exchange ideas and experience so that we can advance."

#### › NETWORKS

One word crystallizes as the heart of this interview: network. This is in various contexts and dimensions a key to understanding the Telenor of today and why the company is on a steady course in the right direction.

Technological networks are the very foundation for the service provider Telenor, whether they are analog or digital, fixed or mobile, copper or fiber-optic. They are the infrastructure that carries the services. However, ideas and innovation also flow in networks – at meetings and encounters between people and environments. "We have a decentralized organization with specialization in core areas. That in itself is an instrument for innovation," Ms. Johansen explains.

The exchange of employees and experience between various levels of the organization, business areas in Norway and companies in and outside Norway, is becoming increasingly important. "Arenas for learning and forums for creativity and innovation are being built for the production of knowledge," says Ms. Johansen.<sup>22\*</sup>

Telenor aims for a flexible, network-based form of work. The new headquarters at Fornebu, which we will gradually move into starting in the fall of 2001, is a physical manifestation of this. New office solutions and advanced technology offer new opportunities. Here, where around 6,500 employees will be united at a single address, everything has been designed to facilitate the building of networks across organizational affiliations. This is also the case of Telenor's new office complexes in Bergen, Trondheim, Stavanger and Kristiansand.

#### › KNOWLEDGE

"If we are to maintain our position in the forefront with regard to innovation and development, then there must be movement within the organization, with people who are receiving new impulses on the outside – and who are able to convey these impulses. This calls for an organization that is willing to change. The right people must meet," Gun

Bente Johansen stresses. "And it is incredibly important," Berit Svendsen adds. "We must have managers who can see the value in others having good ideas and who are willing to allow these employees to advance!"

The two concordant executive vice presidents also maintain that it is important to utilize the potential that lies in women and employees with a multicultural background. A major portion of our customers are in these categories, and they are also a very important recruitment base. Positive signals about career opportunities increase the attractiveness of the company in the competence market.<sup>23\*</sup>

"Telenor shall have an active and innovative relationship to network building and the exchange of knowledge over national borders as well."

"We seek in this manner to identify all the creativity and good ideas that exist throughout the entire organization," Ms. Johansen points out.

"All of this is part of our continuous production of knowledge and the development of the group's intellectual capital, where human capital and innovative power are two important elements" Ms. Johansen concludes.

<sup>22\*</sup> Telenor Corporate University (TCU) is an arena for knowledge production with a primary focus upon enhancing the Group's core strategic expertise. TCU cooperates with leading national and international academic institutions and companies.

<sup>23\*</sup> Telenor is working systematically to develop its "employee brand" and to systematically measure its attractiveness to relevant professional groups.



$$\begin{array}{r} \text{financial statements} \\ + \text{analysis} \\ \hline = \underline{\underline{\text{financial review}}} \end{array}$$



## Results of Operations – Group

See the Financial statements for further specifications

### › REVENUES

Revenues excluding gains on disposal of fixed assets and operations increased by NOK 3,818 million (11.6%) in 2000, compared to NOK 36,602 million in 1999. All the business areas, with the exception of Bravida, showed healthy growth during the year. Mobile Communications showed the highest level of growth. The reduction in Bravida is partly due to the fact that Bravida was accounted for as an associated company from November 1, 2000. New business has increased the revenues in several business areas.

Revenues increased in 1999 compared to 1998. Mobile Communications showed the highest revenue growth. Telecom increased its revenues significantly, and the sold subsidiaries Clarion and Storm accounted for NOK 419 million of this increase. New business has increased the revenues in several business areas.

The table below shows the revenues broken down by operations in and outside Norway. To illustrate the increased importance of our international investments, we have also included our proportional share of the revenues in our associated companies and joint ventures, even though we do not consolidate these in our revenues. The revenues in the table do not include gains on disposal of fixed assets and operations.

(in NOK millions)	2000	1999	1998
<b>Consolidated revenues<sup>1)</sup></b>			
Norway	33,269	29,861	26,783
Outside Norway	3,333	2,923	1,968
<b>Total revenues</b>	<b>36,602</b>	<b>32,784</b>	<b>28,751</b>

### **Our proportional share of revenues in associated companies and joint ventures<sup>1)</sup>**

Norway	1,491	748	560
Outside Norway <sup>2)</sup>	11,001	5,167	2,303
<b>Total proportional share of revenues in associated companies and joint ventures</b>	<b>12,492</b>	<b>5,915</b>	<b>2,863</b>

<sup>1)</sup> Excluding gains on disposal of fixed assets and operations

<sup>2)</sup> Based in part upon management's estimates used in preparation of the consolidated financial statements.

Gains on disposal of assets are primarily related to disposal of property (NOK 517 million) and disposal of the subsidiaries Storm Telecommunications Ltd (NOK 309 million), Telenor Inkasso AS and Telenor Finans AS (NOK 138 million combined). In 1999, gains on disposal of Lokaldelen AB and Telenor Företagsinfo AB totalled NOK 683 million.

### › OPERATING EXPENSES

See the notes to the consolidated financial statement for further specification of the operating expenses.

› **Cost of Materials and Traffic charges** › The increased cost of materials in 2000 compared to 1999 is mainly related to new business, primarily EDB Business Partner and Others as well as in Mobile Communications. This increase is partly offset by a reduction in the cost of materials related to the lower sales of customer equipment

and installation services. Increased traffic, especially in our Mobile Communications and Internet business areas, entailed higher network capacity costs in 2000. The network capacity costs for the sold subsidiaries Storm and Clarion totaled NOK 450 million in 1999. Increased satellite capacity costs are related to increased satellite revenues.

The increased cost of materials in 1999 compared to 1998 was attributed to the increased sale of customer equipment and the effect of the consolidation in part of 1999 of acquired companies. The increased costs in 1999 from traffic charges reflected expenses of Clarion and Storm. The increased costs also reflected higher interconnection costs in connection with increased traffic to other carriers. We realized savings in satellite capacity costs in 1999 compared to 1998 as a result of the launch of Thor III in the autumn of 1998, which reduced our requirements to lease transponder capacity externally.

› **Own Work Capitalized** › Own work capitalized is presented as a separate caption and is not netted against the related cost in the profit and loss statement. The various group companies consolidated in Telenor perform work on their own long lived assets, which is capitalized, if appropriate. The group companies expense the related costs in the line items cost of materials, salaries and personnel costs, or other operating expenses as appropriate. The costs that are capitalized are then reversed as change in own work capitalized. Several companies in the group perform work on, and deliver long lived assets to, other group companies. These long lived assets are capitalized by the purchasing company. For the group as a whole this is regarded as a change in own work capitalized, and the expenses recorded in the selling companies are reversed as a change in own work capitalized for the group. From November 1, 2000 Bravida is an associated company, and purchases from Bravida are now recorded directly on the balance sheet and not recorded as a change in own work capitalized. This has contributed to a reduction in the change of own work capitalized from 1999 to 2000. The increase in own work capitalized from the 1998 to 1999 reflects a higher level of investments, primarily in our own networks.

› **Salaries and Personnel Costs** › The increase in the salaries and personnel costs is attributed primarily to new businesses and wage inflation in general. The number of full-time equivalent employees declined by around 1,818 during the year. On November 1, 2000 the number of full-time equivalent employees was reduced by around 5,750 in connection with the deconsolidation of Bravida. There was an increase of around 2,300 full-time equivalent employees in 2000 from acquired businesses.

The increased average employer's social security tax in Norway for telecommunication businesses and the social security tax provisions made due to the share options for employees of EDB Business Partner ASA contributed to the increase in the social security tax in 2000. The pension costs increased in 2000, partly due to changes in estimates and assumptions. The increased number of employees also contributed to an increase in other personnel costs.

Salaries and personnel costs increased in 1999 compared to 1998. The number of full-time equivalent employees increased by 1,742 to 21,968. In addition, the higher salaries and personnel costs reflected increased salaries levels. The growth in the number of full-time

equivalent employees is partly due to the acquisition of EDB ASA, Relab AB and Norkring AS. In addition, there was a significant increase in the number of employees in our Internet operations, both in Norway and internationally.

› **Other Operating Expenses** › Other operating expenses increased in 2000 compared to 1999. Generally increased activity, the development of new products and services in Norway and internationally and the acquisition and establishment of companies contributed to this increase. The increased cost of premises, vehicles, office equipment, etc., was partly related to increased expenses for the rent of IT systems, which are invoiced to customers, in addition to higher costs related to the rental, operation and maintenance of properties. The increase in the advertising, marketing and sales commissions was attributed primarily to the Mobile Communications, Internet and Telecom business areas. This is a consequence of increase competition and stronger marketing efforts. The reduction in costs related to consultants and external personnel is due to the costs in 1999 related to the abandoned merger with Telia. Consultant and external personnel costs increased, however, for new businesses and products, and the acquisition of companies. Reduced need for provisions have contributed to the reduction in bad debt.

Other increased costs in 2000 was partly related to increased expenses for the development and operation of equipment, including IT systems, which to some extent are invoiced to customers, in addition to increased costs for maintenance, distribution, freight and telecommunications. Purchases from Bravida after November 1, 2000 increased other operating expenses, including cost of operations and maintenance in the Telecom business area. The group as a whole will still be in growth phase in 2001. Costs associated with the development of new services are expected to increase in 2001 compared to 2000.

Other operating expenses increased in 1999 compared to 1998. Marketing and sales commissions increased in 1999 compared to 1998. The increase in commissions relates primarily to our Telecom and Mobile Communications business areas. Our Mobile Communications business area experienced an increase due to higher gross subscription sales. Higher commissions in the Telecom business area are primarily a result of the heavy marketing of ISDN subscriptions in 1999. Other operating expenses increased in 1999, partly as a result of the costs associated with the abandoned Telia merger and the increased rental costs for properties and vehicles.

› **Loss on Disposal of Fixed Assets and Operations** › The loss on disposal of fixed assets and operations is primarily related to retirement of equipment in the Broadband business area in 2000 and the loss on the sale of the subsidiary Clarion (NOK 285 million) in 1999.

› **Depreciation and Amortization** › The increased depreciation and amortization in 2000 is primarily related to new companies, including the amortization of excess values, and higher investments in the Telecom business area, including investments in equipment with a relatively short economic life. The increased amortization of goodwill and intangible assets reflects the acquisition of new businesses during the period, primarily in our EDB Business Partner and Internet business areas, in addition to investments in software licenses in our Telecom business area. We expect that our depreciation and amortization will increase in the future as a result of the investments made in 2000 and a higher investment level.

Depreciation and amortization increased in 1999 compared to 1998. This increase is related to the acquisition of new companies and increased investments, including equipment with a relatively short economic life.

#### › OPERATING PROFIT

We achieved an operating profit of NOK 3,629 million in 2000, a reduction of NOK 373 million, or 9.3%, in relation to 1999. Our operating profit in 2000 includes net gains on the disposal of fixed assets and operations of NOK 984 million, compared to NOK 481 million in 1999. Excluding the effect of net gains, the operating profit in 2000 declined by NOK 876 million, or 24.9 %, compared with 1999. The Internet business area reduced the operating profit by NOK 887 million, primarily as a result of the increased international investments. Our operating profit was negatively affected by increased activities in developing new products and services, as well as increased costs associated with our international expansion, increased competition, and the depreciation of investments in the Telecom business area. Our operating profit was positively affected by the increased profitability of our Mobile Communications business area. Costs for the development of new services are expected to increase in 2001 in relation to 2000, while at the same time an improvement is expected in the underlying profitability measured by EBITDA.

Our operating profit of NOK 4,002 million in 1999 was NOK 205 million, or 5.4%, higher than in 1998. Our 1999 operating profit included net gains on disposal of fixed assets and operations of NOK 481 million in 1999, an increase of NOK 239 million compared to 1998. Our 1999 operating profit was also affected by external costs of NOK 250 million incurred in connection with the abandoned merger with Telia.

#### › ASSOCIATED COMPANIES

(in NOK millions)	2000	1999	1998
<b>Telenors proportional share of <sup>1)</sup></b>			
Revenues	12,492	5,915	2,863
EBITDA	1,213	(227)	(636)
Net income after taxes	(1,086)	(1,119)	982
Amortization of net excess values	(776)	(190)	(115)
Gain/loss on disposal of ownership interest	1,170	70	-
<b>Net results associated companies</b>	<b>(692)</b>	<b>(1,239)</b>	<b>(1,097)</b>

<sup>1)</sup> Based in part upon management's estimates used in the preparation of the consolidated financial statements. Telenor's share of the revenues and EBITDA from associated companies is not part of the consolidated financial statements. The profit and loss statement for the group only includes a single line for profit/losses attributed to associated companies.

Increased revenues from associated companies are related primarily to foreign mobile companies. Bravida was deconsolidated from November 1, 2000 and was recorded as an associated company during the last two months of 2000. Increased EBITDA from associated companies in 2000 compared to 1999 has been affected positively by increased revenues and economies of scale. Increased depreciation and financial costs in the associated companies explain the fact that net income after taxes does not show an increase that corresponds to the EBITDA increase. Telenor's share of earnings was negatively influenced in 2000 by costs related to the adopted restructuring plan for Bravida. Higher amortization of

Telenor's net excess values is mainly related to companies acquired in 2000. Telenor realized significant gains by reducing its ownership stake in connection with the stock exchange flotation of Cosmote and Scandinavia Online in 2000. Telenor's ownership stake in VIAG Interkom has been sold in 2001, and a decision has been made to exercise Telenor's option to sell its interest in Esat Digifone. When the Esat Digifone transaction has been completed after the approval by the relevant authorities, these transactions will give the group a combined gain before taxes of over NOK 20 billion in 2001.

Telenor's amortization of net excess values is expected to increase in 2001 as a result of the full-year effect of the investments in 2000. The results attributable to associated companies, excluding gains from the sale of assets, is expected to be significantly negative in 2001 as well, in spite of the sale of the ownership interest in VIAG Interkom.

The increase in our share of the revenues in 1999 compared to 1998 reflects the growth in the customer base of the associated companies. The increased losses from the associated companies in 1999 compared to 1998 reflects the growth in our international operations, primarily in mobile telephony. Many of these operations are in an early operational stage.

› **FINANCIAL INCOME AND EXPENSES** › The increased financial income in 2000 compared to 1999 is related to interest from loans to associated companies. Telenor's interest expenses increased in 2000 due to increased interest-bearing liabilities, higher interest rates in general, and a higher risk premium for the telecom industry. The reduction in net gains is related to the group's gain of over NOK 500 million on the sale of shares in Elkjøp ASA in 1999. The net foreign exchange loss in 2000 and net foreign exchange gain in 1999 is primarily related to liabilities and derivative contracts established to hedge net investments in foreign currencies.

Telenor raised NOK 15.2 billion from the issuance of new equity in December 2000. The proceeds were used to repay debt. Telenor's stake in Viag Interkom has been sold in 2001, and a decision has been made to exercise Telenor's option to sell its interest in Esat Digifone. When the Esat Digifone transaction has been completed after the approval by the relevant authorities, these two transactions will result in combined liquid assets of approximately NOK 30 billion. This will contribute to a reduction of Telenor's net interest-bearing liabilities and net financial expenses in the first half of 2001 compared to the second half of 2000.

The increase in net financial income in 1999 compared to 1998 is mainly due to the increased gain on the sale of financial assets, primarily the sale of shares in the listed company Elkjøp ASA as well as net foreign currency gains. The increased interest expenses related to higher interest-bearing liabilities during the period had an opposite effect.

#### › INCOME TAXES

The Norwegian statutory tax rate is 28%. Telenor's effective tax rate is, however, affected negatively by losses from our associated companies and subsidiaries outside of Norway and amortization of net excess values, which may not be recognized as deferred tax assets. As a result of the sale of VIAG Interkom, the tax effect of the accumulated negative share of VIAG's earnings has been recorded

as a deferred tax asset as of December 31, 2000. This has significantly reduced the effective tax rate that was calculated earlier, and is 43.0% of the profit before taxes and minority interests for 2000. Our effective income tax rate was 39.9% in 1999 and 42.7% in 1998.

#### › RESULTS OF OPERATIONS BY BUSINESS AREA

The following table sets forth selected financial data for our business areas for the period 1998–2000.

(in NOK millions)	2000	1999	1998
<b>Total revenues</b>			
Mobile Communications	9,778	8,033	6,793
Telecom	19,380	17,602	15,921
Broadband Services	3,497	2,897	2,591
Internet	1,126	886	469
Media	1,655	2,368	1,584
Bravida	4,225	6,057	5,507
EDB Business Partner	4,368	3,015	2,097
Others	5,651	4,467	3,985
Eliminations	(12,036)	(11,758)	(9,948)
<b>Total</b>	<b>37,644</b>	<b>33,567</b>	<b>28,999</b>

(in NOK millions)	2000	1999	1998
<b>EBITDA</b>			
Mobile Communications	2,720	2,161	1,569
Telecom	5,662	5,146	5,414
Broadband Services	644	530	484
Internet	(744)	(27)	(122)
Media	359	1,085	337
Bravida	80	147	202
EDB Business Partner	535	341	300
Others	816	(88)	225
Eliminations	(509)	(246)	(151)
<b>Total</b>	<b>9,563</b>	<b>9,049</b>	<b>8,258</b>

#### › MOBILE COMMUNICATIONS

(in NOK millions)	2000	1999	1998
External revenues	8,223	6,540	5,448
Internal revenues	1,532	1,493	1,345
Gain on disposal of fixed assets and operations	23	-	-
<b>Total revenues</b>	<b>9,778</b>	<b>8,033</b>	<b>6,793</b>
Operating expenses	8,184	6,927	6,089
<b>Operating profit</b>	<b>1,594</b>	<b>1,106</b>	<b>704</b>
Associated companies	(460)	(1,071)	(820)
Net financial items	(821)	(150)	(231)
<b>Profit before taxes</b>	<b>313</b>	<b>(115)</b>	<b>(347)</b>
EBITDA	2,720	2,161	1,569
EBITDA margin (%)	28 %	27 %	23 %
Proportional share of revenues in associated companies outside Norway (not consolidated)	8,915	4,186	1,629
Investments (in NOK millions)	32,843	6,183	3,670
<b>Total full-time equivalent employees (period end)</b>	<b>2,481</b>	<b>2,427</b>	<b>2,074</b>
Of which abroad (period end)	531	486	376

## › MOBILE COMMUNICATIONS – NORWAY

(in NOK millions)	2000	1999	1998
External revenues	7,543	6,179	5,143
Internal revenues	1,532	1,393	1,183
Gain on disposal of fixed assets and operations	-	-	-
<b>Total revenues</b>	<b>9,075</b>	<b>7,572</b>	<b>6,326</b>
Operating expenses	6,859	6,048	5,281
Operating profit	2,216	1,524	1,045
Associated companies	(1)	-	-
Net financial items	20	(32)	(52)
Profit before taxes	2,235	1,492	993
EBITDA	3,190	2,437	1,774
EBITDA margin (%)	35 %	32 %	28 %
Investments (in NOK millions)	1,485	1,128	1,204
Total full-time equivalent employees (period end)	1,777	1,727	1,458

› **EBITDA** › The increase in EBITDA in the Norwegian operations is due to higher traffic volume as the result of a greater number of subscriptions and an increase in the use of short text (SMS) messages and MobilInfo services, in addition to revenues from service providers. EBITDA has risen because the strong growth in revenues has not entailed an equally large increase in the operating expenses. We expect this trend to continue in 2001. Zalto recorded negative EBITDA of NOK 105 million for 2000.

The increase in EBITDA from 1998 to 1999 was due to growth in subscriptions as well as a significant upswing in the use of short text (SMS) messages.

### › Revenues

(in NOK millions)	2000	1999	1998
<b>External revenues</b>			
Mobile outgoing traffic	3,019	2,670	2,143
Mobile incoming traffic	348	169	101
Roaming	1,084	824	741
Short text/ MobilInfo messaging/CPA	739	400	80
Subscription and connection fees	1,318	1,248	1,289
Customer equipment	720	752	701
Service providers and others	315	116	88
External revenues	7,543	6,179	5,143
Internal revenues	1,532	1,393	1,183
Gain on disposal of fixed assets and operations	-	-	-
<b>Total revenues</b>	<b>9,075</b>	<b>7,572</b>	<b>6,326</b>

Revenues from mobile outgoing traffic in Norway rose in 2000 compared to 1999, due primarily to an increase in the number of subscriptions.

The increase in revenues from mobile incoming traffic is due to higher incoming traffic from other telecom operators, while the increase in roaming revenues is due to a greater number of subscriptions and increased number of roaming agreements. The total number of call minutes (analog and digital, outgoing and incoming) increased by 750 million to 4,021 million in 2000. Average monthly revenue per digital subscription declined from NOK 332 for 1999 to NOK 323 in 2000, due to the fact that new customers and prepaid customers

tend to have a lower average volume of call minutes and revenues per digital subscription.

The total number of short text (SMS) messages invoiced which includes messages generated from MobilInfo and CPA (Content Provider Access) was 849 million in 2000, representing an increase of 486 million messages compared to 1999. This sharp increase resulted in higher SMS/MobilInfo/CPA revenues.

External revenues from subscription and connection fees increased in 2000 due to the increase in contract subscriptions. In 2000 we initiated various campaigns to convert customers from prepaid services to contract subscriptions and to get new customers to choose contract subscription. Total number of subscriptions at the end of 2000 was 2,301,000. This number includes 1,013,000 prepaid subscriptions and 143,000 NMT (analog) mobile subscriptions. The increase in 2000 from 1999 was 301,000. The net number of new subscriptions in 2000 was 231,000 prepaid subscriptions and 143,000 contract subscriptions. The number of NMT mobile subscriptions declined by 73,000 in 2000.

Revenues from the sale of customer equipment consist primarily of revenues from the sale of handsets and computer equipment from our wholly-owned distributors. The decline in revenues from 1999 to 2000 refers in particular to the business market. External service providers were provided with access to our mobile network starting in the first quarter of 2000, and the revenues from this new service totalled NOK 157 million in 2000. We have entered contracts with 10 service providers and revenues from this type of service are expected to increase in the future.

We introduced per second charging on February 1, 2000. We also reduced the number of calling plans and further reduced our tariffs. In the first quarter of 2000, we lowered the price of sending a short text message to NOK 1.00 per message (including VAT) for both prepaid and contract subscriptions. Starting on August 1, 2000, we implemented a new price system for international tariffs, and, as a result, we reduced tariffs charged to 154 countries and increased tariffs charged to 80 countries. We have reduced tariffs for terminating traffic in our mobile network to NOK 0.85 per minute, (including VAT), from January 1, 2001, and reduced the calling price from GSM Primær and GSM Privat to fixed network subscribers during the day by NOK 0.09 and NOK 0.30, respectively, per minute.

The increase in internal revenues in 2000 is related to increased incoming traffic from Telenor's fixed network subscribers to mobile subscribers. We have reduced the termination price from January 1, 2001.

Our market share (GSM) at the end of 2000 is estimated to be 68% compared to 71% at the end of 1999. The decline is attributable to increased competition from service providers. In the same period the estimated penetration rate increased from 61% to 74%.

In 1999 the revenues from mobile outgoing and incoming traffic in 1999 increased compared to 1998, and this growth is primarily attributed to a combination of the increased number of subscriptions and increased traffic volume. The average revenue per digital subscription per month was NOK 332 in 1999, which was NOK 31

lower than in 1998. This decline is primarily due to price reductions and a higher proportion of prepaid subscriptions. The total number of invoiced short text (SMS) messages, including MobilInfo messages, was 363 million in 1999, which is an increase of 312 million as compared to 1998. This upswing resulted in significantly higher revenues from SMS and MobilInfo.

The migration from contract (NMT and GSM) to prepaid subscriptions contributed to a decline in subscription revenues in 1999. The total number of subscriptions at the end of 1999 was 2,000,000, which represents an increase of 429,000 over the end of 1998. The net number of new subscriptions in 1999 was 465,000 prepaid subscriptions and 59,000 contract subscriptions. The number of NMT mobile subscriptions declined by 95,000 in 1999. We did not change our subscription tariffs in 1999.

#### › Operating expenses

(in NOK millions)	2000	1999	1998
External cost of materials and traffic charges	1,888	1,534	1,327
Internal cost of materials and traffic charges	743	696	685
Total cost of materials and traffic charges	2,631	2,230	2,012
Own work capitalized	(14)	(18)	-
Salaries and personnel costs	888	752	633
Other operating expenses external	1,685	1,539	1,385
Other operating expenses internal	704	632	522
Depreciation and amortization	965	913	729
Loss on disposal of fixed assets and operations	-	-	-
<b>Total operating expenses</b>	<b>6,859</b>	<b>6,048</b>	<b>5,281</b>

The increase in operating expenses in 2000 is primarily attributed to increases in the number of subscriptions and traffic and related costs. Zalto had operating expenses of NOK 118 million in 2000.

In 2000, our cost of materials and traffic charges rose due to the increased traffic. Increased roaming revenues entailed additional traffic costs of NOK 168 million in 2000 compared with 1999. This increase is also due to increased termination of traffic in other national networks, as well as costs related to MobilInfo/CPA. Incoming traffic from other mobile operators does not generate any traffic costs. This traffic does, however, generate higher capacity costs. A higher proportion of traffic between Telenor Mobil subscribers has also limited the increase in traffic costs in relation to the increase in traffic revenues.

Commission charges fell by NOK 7 million, from NOK 679 million in 1999 to NOK 672 million in 2000, and NOK 41 million of these commissions were related to sales from Zalto. Gross sales increased by 11% from 1999 to 2000, while the average commission cost per subscription sold has declined by 11% from 1999 to 2000. The lower commission charges in 2000 are due in part to the fact that the subsidized sales of mobile subscriptions were lower than in 1999.

Salaries and personnel costs increased in 2000 due to an increase in the number of employees and a general increase in salaries. Consultant and temporary staff expenses rose by NOK 76 million to NOK 487 million in 2000. Sales and marketing expenses increased by NOK 99 million to NOK 293 million in 2000 as a result of launching several new services and more extensive branding due to the entry of new competitors. Expenses related to the external leasing and

operation of equipment and locations increased by NOK 87 million to NOK 649 million in 2000 due to higher activity in the mobile network and increased costs related to the leasing of premises for network equipment. Bad debt losses declined by NOK 31 million to NOK 32 million in 2000. This decline is due to better reminder routines and a higher success rate for collection cases. Other operating expenses increased in line with higher levels of activity. The increase in depreciation and amortization is primarily due to a higher level of investment in our digital network.

The increase in the cost of materials and traffic charges from 1998 to 1999 is due to an increase in traffic volume terminating in the networks of other operators, despite lower termination tariffs in 1999 than in 1998. More employees and a generally higher salaries level resulted in increased salaries and personnel costs. The increase in commission charges can be attributed primarily to higher gross subscription sales, which were 52% higher in 1999 than in 1998, while the average commission cost per subscription sold was reduced by 27% from 1998 to 1999. Other costs rose, mainly as a result of higher activity levels in 1999. The increase in depreciation and amortization is primarily due to a higher level of investment in our digital network, in addition to write-offs on our analog NMT 900 network and pager network.

#### › MOBILE COMMUNICATIONS

##### INTERNATIONAL OPERATIONS – mHORIZON AND mFUTURE

(in NOK millions)	2000	1999	1998
External revenues	680	361	305
Internal revenues	-	100	162
Gain on disposal of fixed assets and operations	23	-	-
Total revenues	703	461	467
Operating expenses	1,325	879	808
Operating profit	(622)	(418)	(341)
Associated companies	(459)	(1,071)	(820)
Net financial items	(841)	(118)	(179)
Profit before taxes	(1,922)	(1,607)	(1,340)
EBITDA	(470)	(276)	(205)
EBITDA margin (%)	(67 %)	(60 %)	(44 %)
Investments (in NOK millions)	31,358	5,055	2,466
Total full-time equivalent employees (period end)	704	700	616

› **EBITDA** › The year 2000 was marked by significant investments in new operations and new business concepts. Costs related to acquisitions, development of business concepts, and investments associated with UMTS licenses awarded in Europe contributed to a reduction in EBITDA from international operations to a loss of NOK 470 million in 2000.

› **Revenues** › Our external revenues consist mainly of revenues from our two consolidated subsidiaries, Grameen Phone in Bangladesh and Norcom in the USA. Revenues showed an increase of NOK 315 million, due primarily to Grameen Phone's growing customer base.

Norcom, which generated revenues of NOK 78 million in 2000, was sold in 2001, in exchange for shares in the listed Canadian company Wireless Matrix Corporation.

Revenues from international operations (internal and external) in 1999 were at approximately the same level as 1998. Lower revenues from the sale of equipment in Norcom and from hiring out our personnel to overseas mobile operations were largely offset by higher revenues from Grameen Phone.

› **Operating expenses** › Operating expenses in our international operations consist of project costs related to business development and investments, in addition to ordinary operating expenses in our consolidated foreign subsidiaries. Increased operating expenses can be attributed primarily to increased traffic in subsidiaries and higher costs in connection with investment projects, business and development concepts and UMTS license applications. Total operating expenses in mFuture were NOK 143 million in 2000, and apply primarily to the development and marketing of djuice.

The increase in operating expenses in 1999 in relation to 1998 is primarily attributable to higher project costs, resulting from an increase in the number of projects, more extensive marketing activities and rising administrative costs in foreign subsidiaries as a result of the higher level of activity.

› **Associated companies and joint ventures outside Norway**

(in NOK millions)	2000	1999	1998
<b>Telenors proportional share of<sup>1)</sup></b>			
Revenues	8,915	4,186	1,629
EBITDA	1,388	(105)	(214)
Net income after taxes	(690)	(910)	(726)
Amortization of net excess value	(689)	(161)	(94)
Gain/loss on disposal of ownership interest	920	-	-
<b>Net results associated companies</b>	<b>(459)</b>	<b>(1,071)</b>	<b>(820)</b>

<sup>1)</sup> Telenors proportional share of revenues and EBITDA from associated companies is not consolidated. There is only one line in the consolidated profit and loss statement for profit/loss attributed to associated companies.

Net results from associated companies and joint ventures outside Norway improved by NOK 612 million from 1999 to 2000. This improvement is primarily due to a gain from the disposal of shares in Cosmote, in which Telenor reduced its ownership interest to 18.0% in the fourth quarter. Amortization of net excess values increased as a result of the acquisitions of DiGi.com, Sonofon and TAC/UCOM.

The 10% stake in VIAG Interkom was sold to British Telecom in January 2001 for NOK 13.2 mrd. The sale will result in a pre-tax gain of approximately NOK 10.7 billion in the first quarter of 2001. VIAG Interkom contributed a negative result of NOK 695 million in 2000. Telenor's proportional share of the revenues and EBITDA of VIAG Interkom totalled NOK 1,160 million and NOK -495 million, respectively, in 2000.

Telenor has decided to exercise the option to sell its interest in Esat Digifone. The transaction upon approval from the relevant authorities will result in a pre-tax gain of approximately NOK 10 billion in 2001. Esat Digifone contributed a negative result of NOK 40 million after amortization of excess values Telenors proportional share of revenues and EBITDA in 2000 was NOK 1,780 million and NOK 380 millions, respectively.

Growth in revenues and EBITDA can be attributed to the successful commercial development of many of the companies. The customer base was generally larger, and the infrastructure was better developed than in 1999. Increased depreciation and amortization and financial expenses in these companies explains why net income does not have the same increase as the EBITDA. NOK 2,2 billion and NOK 0,7 billion, respectively of the increase in Telenor's share of the revenues and EBITDA is related to the acquisition of the companies DiGi.com, Sonofon and TAC/UCOM. Revenues increased sharply despite a decline in the average revenue per subscriber. Prepaid subscriptions represent a significant portion of the increase in the customer base. These customers generally have a lower usage level than customers with contract subscriptions. Of the total revenues in 2000, NOK 4,281 million is from companies in Western Europe, NOK 2,186 million is from companies in Central Europe, NOK 986 million is from companies in Eastern Europe, and NOK 1,462 million is from companies in Southeast Asia.

All of the companies experienced growth in the number of subscriptions and our proportional share of the total subscriptions in the companies totalled 3.6 million at the end of 2000, compared with 1.2 million at the end of 1999. Sonofon and TAC/UCOM accounted for 1.1 million of this increase.

Of the total growth of NOK 2,557 million in Telenor's proportional share of revenues in 1999 compared to 1998, acquisitions accounted for NOK 561 million. The increase in revenues is primarily due to growth in the number of subscribers.

The results attributed to associated companies in 1999 showed higher losses than in 1998. The primary reason for these higher losses is the fact that many of these companies were in an early development phase.

› **TELECOM**

(in NOK millions)	2000	1999	1998
External revenues	16,620	15,921	14,528
Internal revenues	2,440	1,681	1,393
Gain on disposal of fixed assets and operations	320	-	-
Total revenues	19,380	17,602	15,921
Total operating expenses	16,593	15,093	12,893
Operating profit	2,787	2,509	3,028
Associated companies	3	(26)	(17)
Net financial items	(131)	(2)	16
Profit before taxes	2,659	2,481	3,027
EBITDA	5,662	5,146	5,414
EBITDA margin (%)	29 %	29 %	34 %
Investments (in NOK millions)	5,037	3,377	3,156
Total full-time equivalent employees (period end)	5,598	5,172	5,104
Of which abroad (period end)	157	105	156

› **EBITDA** › Eliminating gains and losses on the disposal of subsidiaries, EBITDA fell by NOK 82 million in 2000, compared to 1999. The decline in EBITDA is primarily due to lower prices, change in traffic flow towards services with lower margins and increased operating expenses.

Competition in the market for fixed line telephony is intense, and we expect this to continue. The Telecom business area will continue to focus its efforts on defending its market shares.

The decline in EBITDA from 1998 to 1999 is attributed to a change in the traffic flow towards services with lower margins, higher installation costs and higher commissions for ISDN sales, in addition to the loss of NOK 285 million in connection with the sale of Clarion late in 1999.

#### › Revenues

(in NOK millions)	2000	1999	1998
<b>External revenues</b>			
<b>Telecom Solutions</b>			
Business customers	3,697	4,314	4,325
Residential customers	7,122	7,164	6,898
Wholesale	1,819	1,739	1,073
Leased lines	884	810	866
Datacom/other network activities	1,018	855	695
Other	356	256	260
<b>Total Telecom Solutions</b>	<b>14,896</b>	<b>15,138</b>	<b>14,117</b>
<b>Business Solutions</b>			
ASP and managed services	919	445	240
Value-added network services	269	188	118
Customer equipment	536	150	53
<b>Total Business Solutions</b>	<b>1,724</b>	<b>783</b>	<b>411</b>
Total external revenues	16,620	15,921	14,528
Internal revenues	2,440	1,681	1,393
Gain on disposal of fixed assets and operations	320	-	-
<b>Total revenues</b>	<b>19,380</b>	<b>17,602</b>	<b>15,921</b>

› **Total revenues** › Total revenues were higher in 2000 than 1999. The Telecom Solutions business unit achieved increases in revenues from the wholesale market and leased lines. Revenues from the sold Storm and Clarion operations totalled NOK 552 million in 1999 in the wholesale market. On the other hand, revenues in 2000 both in the residential and business market were negatively affected by price reductions in connection with the elimination of long distance rates on July 1, 1999 and loss of market shares.

Competition in the telecommunications market in Norway became even more intense in 2000. Our fixed network nevertheless generated 4.4% more traffic minutes in 2000 than in 1999. On November 1, 2000, we introduced phase II of carrier preselection, in which calls to 8xx numbers automatically become prefix traffic. This change also gives customers the opportunity to choose different operators for domestic and international calls. Telenor's market share measured in traffic minutes at the end of the year was 73% (included Telenor Internet) as opposed to 87% in the beginning of the year. Around 4 percentage points of the total market share loss of 14 percentage points was attributed to carrier pre selection phase II. Around 412,000 subscribers had selected another carrier through preselection as of the end of December 2000.

Increased revenues in Business Solution were attributable to the growth in the ASP-business and increased sale of customer equipment.

Internal revenues are primarily related to mobile incoming traffic from the Mobile Communications business area to the Telecom

business area, and prefix traffic to the Internet business area. The increased revenues are due to higher traffic volume from our mobile network to our fixed network, as well as non-network based services such as customer equipment and managed services.

#### › TELECOM SOLUTIONS

##### › External revenues

(in NOK millions)	2000	1999	1998
<b>Business market – fixed network</b>			
Analog (PSTN)/digital (ISDN)			
Subscriptions and connection fees	1,362	1,470	1,306
Fixed to fixed traffic domestic, excluding traffic to Internet service providers	886	1,142	1,374
Traffic to Internet service providers	240	190	85
Traffic to mobile	667	703	644
Traffic abroad	218	296	444
Other traffic	324	513	472
<b>Total business market – fixed network</b>	<b>3,697</b>	<b>4,314</b>	<b>4,325</b>
<b>Residential market – fixed network</b>			
Analog (PSTN)/digital (ISDN)			
Subscriptions and connection fees	2,991	2,869	2,636
Fixed to fixed traffic, excluding traffic to Internet service providers	1,384	1,602	2,042
Traffic to Internet service providers	522	418	218
Traffic to mobile	1,106	1,134	925
Traffic abroad	288	354	452
Other traffic	831	787	625
<b>Total residential market – fixed network</b>	<b>7,122</b>	<b>7,164</b>	<b>6,898</b>
<b>Wholesale market – fixed network</b>			
Domestic interconnect	705	329	184
International interconnect	1,114	1,410	889
<b>Total wholesale market – fixed network</b>	<b>1,819</b>	<b>1,739</b>	<b>1,073</b>
<b>Total fixed network</b>	<b>12,638</b>	<b>13,217</b>	<b>12,296</b>

› **Business market** › External fixed network revenues in the business market were lower in 2000 than in 1999. The increase in traffic volume was not sufficient to offset the tariff reductions implemented in 1999. External traffic revenues were NOK 2,335 million in 2000, a decline of NOK 509 million or 18% compared to 1999. Telenor has continuously adjusted services and prices to meet the increased competition. The elimination of long-distance rates on July 1, 1999 was the most significant contributing factor to the price reductions. Our market share in the business market, measured in number of traffic minutes declined from approximately 87% in the end of 1999 to 77% in the end of 2000. During 2000 traffic minutes in the business market increased 3.8% compared to 1999.

External revenues from subscription and connection fees declined in 2000 due to lower prices. We experienced an increase in these revenues in 1999, as customers switched from traditional analog (PSTN) to digital (ISDN) subscriptions with higher subscription fees.

In 1999, our network generated 13% more traffic minutes than in 1998. The largest increase was in Internet traffic, which grew by 115%, and in mobile traffic, which increased by 20% in 1998. Growth in the number of traffic minutes did not offset the price reductions made in 1999.



› **Residential market** › External revenues from subscription and connection fees continued to increase in 2000 as a result of wide-spread migration from analog (PSTN) to digital (ISDN) lines. In addition, we experienced increased subscription and connection fees resulting from the rebalancing of our price structure. Although traffic has continued to grow as well, this growth has been insufficient to offset the traffic price reductions that have been implemented. In addition, the change in product mix, lower prices and traffic trends resulted in reduced revenues from traffic.

In 2000, traffic minute volume in the residential market increased 4,7% over the corresponding period in 1999. Revenues from external traffic totalled NOK 4,131 million in 2000. This was NOK 164 million, or 4% lower than in 1999. Telenor has continuously adjusted services and prices to respond to these developments. Lower traffic revenues were largely attributable to the elimination of long-distance rates in Norway on July 1, 1999. Telenor's market share fell from 88 % at the end of 1999 to 68 % at the end of 2000. To respond to the increasing competition, we initiated a customer "win back" program in the summer of 2000.

At the end of 2000, approximately 305,000 subscribers in the residential market had established carrier pre-selection with our competitors following the introduction of this service on June 1, 1999. Telenor has entered into long-term agreements with housing cooperatives, under which we provide services to 230,000 residential customers at special discounts.

Revenues from subscription and connection fees in 1999 increased as a result of higher subscription prices from March 1999 and migration from analog (PSTN) to digital (ISDN) subscriptions. Revenues from external traffic were higher in 1999 than in 1998. Growth in the number of traffic minutes more than offset the price reductions in 1999. Price levels for telephone traffic were reduced considerably, and at the same time price structures were simplified and customer loyalty programs were developed for various customer groups.

› **Wholesale market** › Domestic interconnection revenues include the total amount we bill to other domestic fixed and mobile operators for interconnection with our fixed network. International interconnection revenues include the total amount we bill to international operators for interconnection with our fixed network as well as revenues from our foreign subsidiaries, Storm and Clarion, in 1998 and 1999.

International interconnection revenues decreased in 2000 due to the sale of our subsidiaries Storm and Clarion. Lower international tariffs also contributed to reduced revenues in 2000. However, international interconnection revenues, excluding Storm and Clarion, which contributed to NOK 552 million in revenues in 1999, increased mainly due to increased transit traffic. During the same period, revenues from domestic interconnection increased sharply due to increased traffic from other domestic fixed and mobile operators. The increase in domestic interconnection offset the decline in international interconnection, and total external revenues from fixed network services in the wholesale market rose in 2000.

External revenues from wholesale operations were higher in 1999 than in 1998. The altered competitive situation resulted in a tripling of interconnection traffic with external mobile and fixed network

operators, as measured in traffic minutes. NOK 419 million of the increase in international interconnection revenues was attributable to Storm and Clarion for the periods prior to the sale of these companies.

› **Other** › Our external revenues from leased lines increased by 9% in 2000. Competing network operators leasing lines from Telecom Solutions to fulfill their own capacity needs without establishing their own infrastructure contributed to the increased demand. Telenor has reduced leased line prices twice in 2000. Our external revenues from leased lines decreased in 1999 compared with 1998. Price reductions, in addition to a decline due to the increased use of data services, accounted for this reduction.

Data services are a growth area in which competitors are very active. Revenues from other network-based activities increased in both 2000 and 1999, as compared with the prior year. The increase in revenues is partly due to the growth in the market for high-speed services such as ATM and Frame Relay, which are based on the broadband Nordicom Network.

#### › **BUSINESS SOLUTIONS**

› **ASP and managed service** › ASP and managed services consist of operations and support services associated with the remote operation of telephony and data networks, consulting services and system integration. The growth in external revenues in 2000 and 1999, was due to increased revenues from outsourcing contracts, a license agreement with Computer Associates and organic growth. This growth is also a result of the increased demand for operation and support services. There has been a migration from traditional outsourcing to ASP services.

› **Value-added network based services** › The growth in external revenues for value-added network based services in both 2000 and 1999 is primarily due to an increase in the number of VIP Nett customers. The number of VIP Nett customers has grown 48% from 1999 to 2000. External revenues from our e-business unit in 2000 totalled NOK 13 million, an increase of NOK 3 million over 1999. Our e-business unit was established in the second half of 1999. This unit receives most of its revenues from other business areas in Telenor.

› **Customer equipment** › In 2000, we adjusted our sales practices so that external revenues from component sales were recognized by our Bravida business area. Sales to Bravida are external revenues from November 1, 2000. This has resulted in a sharp increase in external revenues in 2000.

From January 1, 2001, the customer equipment operations will be merged with EDB Intech. The merged company, itworks AS, will be consolidated within the Business Solutions business unit.

## › Operating expenses

(in NOK millions)	2000	1999	1998
External cost of materials and traffic charges	3,606	2,725	1,670
Internal cost of materials and traffic charges	2,468	2,657	2,321
Total cost of materials and traffic charges	6,074	5,382	3,991
Own work capitalized	(207)	(179)	(100)
Salaries and personnel costs	2,648	2,410	2,327
Other operating expenses external	1,935	1,625	1,630
Other operating expenses internal	3,262	2,932	2,659
Depreciation and amortization	2,874	2,638	2,386
Loss on disposal of fixed assets and operations	7	285	-
<b>Total operating expenses</b>	<b>16,593</b>	<b>15,093</b>	<b>12,893</b>

The increased cost of materials and traffic charges in 2000 reflected an increase in customer equipment sales, particularly in the lower-margin business market, and an increase in Internet and mobile traffic. External traffic costs in Storm and Clarion totaled NOK 450 million in 1999.

The remaining operating expenses increased in 2000 compared to the same period in 1999. Excluding losses on disposal of fixed assets and operations, the increase was NOK 1,086 million.

Salaries and personnel costs increased in 2000 due to higher salaries and an increase in the number of full-time equivalent employees compared to 1999. The Telecom business area workforce consisted of 5,598 full-time equivalent employees at the end of 2000. This represents an increase of 426 full-time equivalent employees from the end of 1999. Most of this increase was the result of a higher level of activity in Business Solutions. The number of full-time equivalent employees in Telecom Solutions increased by 141 employees in 2000. The increase in the workforce in Business Solutions was 285 full-time equivalent employees, and around 275 of these were in the ASP operations, of which 135 through acquisitions.

The increase in other operating expenses in 2000 is due to costs associated with the installation of digital (ISDN), relatively higher fault rates for digital (ISDN) than for analog (PSTN), and the increased use of service contracts, installers and consultants as the result of expanded activities in the Business Solutions business unit.

Major investments in recent years have resulted in increased depreciation in 2000, since these investments include a significant share of fixed assets with short economic useful lives.

Cost of materials and traffic charges in the Telecom business area increased in 1999 compared to 1998, primarily due to increased costs associated with outgoing mobile terminated traffic, interconnection traffic with other operators and Internet traffic. The growth in IT services and outsourcing also led to higher cost of materials.

Salaries and personnel costs also increased in 1999. The workforce of the Telecom business area consisted at the end of 1999 of 5,172 full-time equivalent employees, which is 68 employees more than the end of 1998.

Other operating expenses also increased in 1999. The increase in ISDN deliveries and the costs associated with the relatively higher fault rates for digital (ISDN) compared to analog (PSTN) were the main reasons for the cost increases from 1998 to 1999. IT related

costs increased due to preparations for the year 2000 and initiatives to refine IT- systems that are crucial to our operations.

Depreciation increased due to major investments in digital (ISDN) in recent years and a higher proportion of fixed assets with short economic useful lives.

## › BROADBAND SERVICES

(in NOK millions)	2000	1999	1998
External revenues <sup>1)</sup>	3,308	2,750	2,445
Internal revenues	176	143	146
Gain on disposal of fixed assets and operations	13	4	-
Total revenues	3,497	2,897	2,591
Total operating expenses <sup>1)</sup>	3,493	2,889	2,468
Operating profit	4	8	123
Associated companies	(244)	(140)	(122)
Net financial items	29	92	172
Profit before taxes	(211)	(40)	173
EBITDA	644	530	484
EBITDA margin (%)	18 %	18 %	19 %
Investments (in NOK millions)	4,008	919	1,069
Total full-time equivalent employees (period end)	1,184	944	617
Of which abroad (period end)	309	272	130

<sup>1)</sup> Revenues and cost of materials and traffic charges have been adjusted. Programming revenues and corresponding operating expenses are now recorded gross.

› **EBITDA** › EBITDA was NOK 644 million in 2000, which is an increase of NOK 114 million compared to 1999. Profitability in Broadcast improved, benefitting from increased transponder revenues. In addition, the consolidation of Norkring on June 1, 1999, has had a positive impact on EBITDA. On the other hand, higher development costs for broadband and interactive services, in addition to lower margins in Networks and Satellite Mobile, reduced EBITDA. Provisions of NOK 65 million that were regarded as necessary in 1999 were reversed in 2000.

EBITDA increased from NOK 484 million in 1998 to NOK 530 million in 1999 as a result of the consolidation of Norkring on June 1, 1999 and higher revenues in Broadcast.

## › REVENUES

(in NOK millions)	2000	1999	1998
<b>External revenues</b>			
Broadcast <sup>1)</sup>	2,104	1,655	1,429
Satellite Mobile	779	629	639
Satellite Networks	359	279	238
Customer equipment	28	134	83
Other	38	53	56
Total external revenues	3,308	2,750	2,445
Internal revenues	176	143	146
Gain on disposal of fixed assets and operations	13	4	-
<b>Total revenues</b>	<b>3,497</b>	<b>2,897</b>	<b>2,591</b>

<sup>1)</sup> Revenues have been adjusted. Programming revenues are now recorded gross.

External revenues increased by 20.3% in 2000 compared to 1999 mainly related to Broadcast. An increase in the sale of satellite capacity in Satellite Broadcasting contributed growth of NOK 114 million of the increase in external Broadcast revenues, reflecting an increase in the number of subscriber-based contracts in the Nordic market. In Broadcast, the consolidation of Norkring, which operates the terrestrial broadcasting network in Norway, increased revenues by NOK 175 million. Broadcast, including all the subscribers in our associated company, Canal Digital, had 1,949,000 subscribers at December 31, 2000. This is an increase of 20 % in relation to 1999. Our Telenor Avidi cable TV business recorded external revenues of NOK 442 million in 2000, an increase of NOK 67 million compared to the corresponding period in 1999. NOK 22 million of this amount is related to acquisitions. Avidi had 357,000 cable TV subscribers at December 31, 2000, an increase of 75,000 over 1999. Of these subscribers, 35,000 were the result of acquisitions. Telenor Avidi had a 42% share of the Norwegian cable TV market at the end of 2000. Telenor Vision's external revenues increased by NOK 78 million to NOK 245 million in 2000. The acquisition of companies accounted for NOK 14 million of this amount. Telenor Vision had 1,086,000 subscribers at December 31, 2000, which is an increase of 16% from 1999.

Satellite Mobile's external revenues rose in 2000 as a result of a higher US dollar exchange rate and changes in our price and traffic agreements. Despite stronger competition, we have maintained a market share of approximately 13% for traffic through the EIK terrestrial station in 2000.

Including the sale of customer equipment, Satellite Networks' external revenues fell by NOK 26 million in 2000. Revenues in 2000 were lower than in 1999 because of significant equipment deliveries to the Ministry of the Interior in Slovakia in 1999.

Internal revenues consist primarily of traffic and satellite revenues from companies in the Telecom business area.

Broadcast increased external revenues in 1999 compared to 1998. Norkring contributed external revenues of NOK 238 million in 1999. The transfer of operations to Canal Digital, which is accounted for in accordance with the equity method, reduced the external revenues from Satellite Broadcasting by NOK 130 millions. Telenor Avidi's external revenues increased by NOK 37 million to NOK 376 million in 1999.

Telenor Vision's external revenues from SMATV networks increased by NOK 41 million to NOK 167 million in 1999. External revenues from the sale of satellite capacity increased by NOK 161 million to NOK 784 million, primarily due to sales to Canal Digital.

The increased revenues, including customer equipment, in Satellite Networks from 1998 to 1999 were in part due to our delivery of a network of VSAT terminals to the Ministry of the Interior in Slovakia.

The lower revenues in Satellite Mobile were due to lower traffic levels in the land-mobile segment, as well as the transition from analog to digital traffic with lower prices.

### › Operating expenses

(in NOK millions)	2000	1999	1998
External cost of materials and traffic charges <sup>1)</sup>	1,428	1,222	1,304
Internal cost of materials and traffic charges	157	129	136
Total cost of materials and traffic charges	1,585	1,351	1,440
Own work capitalized	(35)	(31)	(20)
Salaries and personnel costs	534	370	259
Other operating expenses external	501	498	300
Other operating expenses internal	226	178	127
Depreciation and amortization	640	522	361
Loss on disposal of fixed assets and operations	42	1	1
<b>Total operating expenses</b>	<b>3,493</b>	<b>2,889</b>	<b>2,468</b>

<sup>1)</sup> Cost of materials and traffic charges have been adjusted. Programming expenses are now recorded gross.

The cost of materials and traffic charges increased in 2000 primarily due to higher usage of satellite capacity from INMARSAT, higher US dollar exchange rates, changes in the Satellite Mobile tariff and traffic agreements, and the acquisition of new companies. The increase in salaries and personnel costs in 2000 was primarily due to the recruitment of new employees and acquisition of new companies. The increase in other operating expenses in 2000 was due to the consolidation of Norkring, acquisition of businesses, and the development of new projects and interactive services, including NOK 58 million attributable to Zonavi. The disposal of operations and the reversal of provisions made for expenses in 1999 in the amount of NOK 65 million had a positive effect on the operating expenses. Depreciation and amortization increased in 2000 compared to 1999. This is due to the consolidation of Norkring, write-down of fixed assets in Satellite Networks and goodwill associated with the acquisition of companies. Losses on disposal of fixed assets and operations are related to Satellite Broadcasting and the retirement of equipment in Satellite Networks. We are expecting significant costs in the future in connection with the development of interactive TV services and the digitalization of cable TV and SMATV networks.

Total operating expenses increased in 1999 compared to 1998. The cost of materials and traffic charges were lower in 1999 than in 1998, primarily due to a reduction in the purchase of external satellite capacity. Salaries and personnel costs were higher in 1999 than in 1998, primarily because the total number of full-time equivalent employees increased by 327 in relation to the previous year. This increase is partly due to the acquisition and consolidation of Norkring in June 1999. Depreciation and amortization increased in 1999 in connection with investments in Thor III and the consolidation of Norkring.

### › Associated companies

(in NOK millions)	2000	1999	1998
<b>Telenors proportional share of<sup>1)</sup></b>			
Revenues	955	608	405
EBITDA	(91)	(101)	(89)
Net income after taxes	(231)	(137)	(121)
Amortization of net excess value	(18)	(3)	(3)
Gain/loss on disposal of ownership interest	5	-	2
<b>Net results associated companies</b>	<b>(244)</b>	<b>(140)</b>	<b>(122)</b>

<sup>1)</sup> Telenor's share of revenues and EBITDA from associated companies is not consolidated. There is only one line in the consolidated profit and loss statement for profit/loss attributed to associated companies.

Telenor's share of Canal Digital's losses totalled NOK 204 million in 2000, as compared to a loss of NOK 133 million in 1999. The increase in the loss is due to the fact that Canal Digital is in a development phase, in which analog services are being phased out and replaced by digital services, and the result of a onetime gain received in 1999 from Canal Digital's partial termination of its operations in Denmark. Canal Digital increased its total number of subscribers by 101,000 to 506,000, with 92,000 of the increase being digital subscribers. The number of card subscribers increased by 6% to 1.1 million. Our proportional share of Canal Digital's revenues rose 33% compared to 1999 to NOK 654 million in 2000.

The associated companies recorded a greater loss in 1999 than in 1998. Canal Digital's losses totalled NOK 134 million in 1999, which is an increase of NOK 4 million compared to 1998. Telenor's share of revenues from Canal Digital in 1999 increased by NOK 284 million from NOK 209 million in 1998 to NOK 493 million in 1999. The number of subscribers increased by 53,000 in 1999 compared to 1998.

#### > INTERNET

(in NOK millions)	2000	1999	1998
External revenues	914	566	342
Internal revenues	212	320	127
Total revenues	1,126	886	469
Operating expenses	2,151	1,024	655
Operating profit	(1,025)	(138)	(186)
Associated companies	252	14	(51)
Net financial items	(67)	(4)	(4)
Profit before tax	(840)	(128)	(241)
EBITDA	(744)	(27)	(122)
Investments (in NOK millions)	1,096	442	125
Total full-time equivalent employees (period end)	1,656	735	409
Of which abroad (period end)	1,153	361	69

> **EBITDA** > The Internet business area recorded an EBITDA loss of NOK 744 million in 2000, which is an increased loss of NOK 717 million in relation to 1999. Increased losses are primarily related to the development of the business area's international operations. At the end of 2000 the business area had operations in 10 European countries outside Norway, in comparison to 4 countries at the end of the first half year 1999 and 3 countries at the end of 1998. The EBITDA loss from international operations totalled NOK 724 million, including allocated group costs in 2000, as compared to a loss of NOK 136 million in 1999. The EBITDA loss is related to the buildup and operationalization of greenfield investments and companies that have been acquired with a view to future concentration and growth. Increased market activity in the international operations to support expected future growth in revenues negatively affected operating results in the end of the year. The EBITDA loss from the Norwegian operations, including allocated group costs, was NOK 20 million in 2000, as compared to positive EBITDA of NOK 109 million in 1999. The reduction is due to a decline in the prices per minute from the Telecom business area for Internet generated traffic, as well as costs in 2000 related to an investment in message services through the company TTYL as well as costs incurred to launch ADSL. Eliminating allocated group costs EBITDA in the Norwegian operations was positive.

#### > Revenues

(in NOK millions)	2000	1999	1998
<b>External revenues</b>			
Telenor Internett (residential Norway)	309	299	200
Nextra business (Norway)	242	184	141
Nextra business (outside Norway)	363	83	1
Total external revenues	914	566	342
Internal revenues	212	320	127
<b>Total revenues</b>	<b>1,126</b>	<b>886</b>	<b>469</b>

External revenues increased in 2000 compared with 1999. NOK 280 million of this increase is related to companies outside Norway, of which NOK 150 million is attributed to units that have been consolidated for the first time in 2000.

External revenues in Norway, which consist primarily of subscription revenues, grew in 2000 by 14% to NOK 551 million, due mainly to a higher number of subscriptions, primarily in the business market. Nextra launched a separate prefix, and traffic revenues from prefix customers contributed revenues of NOK 18 million in 2000.

The number of Telenor Internett subscriptions in the residential market in Norway increased from 355,000 at December 31, 1999 to 377,000 at December 31, 2000, while the number of registered FriSurf users increased during the year by 203,000 to 248,000. Our Norwegian operations also grew in the business sector in 2000, and the number of subscriptions increased by around 4000 to a total of 13,000 subscribers at December 31, 2000. Our international operations, which focus primarily on the business market and covered 10 European countries outside Norway at December 31, 2000, enjoyed growth in the number of subscriptions from approximately 57,000 at December 31, 1999 to approximately 104,000 at December 31, 2000. Around 66,000 of these are dial-up single users.

The reduction in internal revenues of NOK 108 million, or 34%, compared to 1999 is primarily due to a reduction in the price per minute from the Telecom business area for Internet generated traffic. The traffic volume generated in 2000 was 52 % higher than in 1999.

The increase in revenues in 1999 compared to 1998 can primarily be attributed to growth in the number of residential Internet subscriptions in Norway, in addition to an increase in the number of access and Internet hosting subscriptions in the business market. In addition, a major increase in the traffic volume contributed to the achievement of higher revenues for this business area.

Revenues from international operations grew in 1999 by NOK 82 million, primarily in the business market. Only a few of the subsidiaries abroad were part of the Internet business area for the entire fiscal year.

### › Operating expenses

(in NOK millions)	2000	1999	1998
External cost of materials and traffic charges	297	101	41
Internal cost of materials and traffic charges	181	162	99
Total cost of materials and traffic charges	478	263	140
Own work capitalized	-	-	-
Salaries and personnel costs	575	238	133
Other operating expenses external	724	372	257
Other operating expenses internal	93	40	61
Depreciation and amortization	281	111	64
<b>Total operating expenses</b>	<b>2,151</b>	<b>1,024</b>	<b>655</b>

The cost of materials and traffic charges corresponded to 42% of the revenues in 2000, as opposed to approximately 30% in 1999. This increase is due to lower margins as the result of considerable competition in the market, as well as low utilisation of leased line capacity due to the operations being in a development phase.

Salaries and personnel costs increased in 2000 compared to 1999, primarily as a result of the increased number of employees in our international operations. The number of full-time equivalent employees was 1,656 at the end of 2000, of which 1,153 employees abroad. The increase in the total number of full-time equivalent employees is attributable to the startup and acquisition of operations in Norway and abroad.

Other operating expenses were also higher in 2000 than the previous year. This increase is primarily due to the development of the business area's subsidiaries abroad, which entails costs related to marketing to increase awareness of and establish a market position for the various Nextra companies in the relevant markets. In addition, these costs include the development of production capacity, including the contracting of any required external consultants.

The higher cost of materials and traffic charges in 1999 compared to 1998 were in line with the increased revenues for the period. Salaries and personnel costs increased primarily as a result of increased international activity. At the end of 1999, 361 of the business area's 735 full-time equivalent employees were outside Norway, as opposed to 69 at the end of 1998. Total full-time equivalent employees at the end of 1998 was 409.

Other operating expenses were higher in 1999 than in 1998, mainly due to the business area's subsidiaries abroad, including the establishment and startup of international operations. The remainder of this increase can be attributed to increased activity in the Norwegian operations.

In 2000, the business area transferred its ownership interests in Scandinavia Online AS (SOL AS) to Scandinavia Online AB (SOL AB). SOL AB completed an initial public listing of its shares in June 2000, and the business area's ownership stake was reduced to approximately 17%. Net results from associated companies in the Internet business area totalled NOK 252 million in 2000, which is an increase of NOK 238 million compared to 1999. The improvement in the results is primarily related to the gain from reduced ownership in SOL AB in connection with the initial public listing and the sale of operations in SOL AS prior to the restructuring of our ownership interests, in addition to the gain on the sale of Schibsted Interactive AB.

### › MEDIA

(in NOK millions)	2000	1999	1998
External revenues	1,557	1,594	1,494
Internal revenues	98	91	89
Gain on disposal of fixed assets and operations	-	683	1
Total revenues	1,655	2,368	1,584
Total operating expenses	1,354	1,362	1,339
Operating profit	301	1,006	245
Associated companies	6	(3)	(15)
Net financial items	33	42	2
Profit before taxes	340	1,045	232
EBITDA	359	1,085	337
EBITDA margin (%)	22 %	46 %	21 %
Investments (in NOK millions)	102	71	31
Total full-time equivalent employees (period end)	1,908	1,407	1,460
Of which abroad (period end)	990	531	605

› **EBITDA** › After adjustment for the results and gains associated with operations that have been disposed, EBITDA for the Norwegian and international operations was NOK 5 million lower and NOK 24 million higher, respectively, than the preceding year. Considerable costs were charged to the Norwegian operations in 2000 in connection with the implementation of a complete customer information and billing system (DSMP).

### › Revenues

(in NOK millions)	2000	1999	1998
<b>External revenues</b>			
Directory activities in Norway	1,370	1,243	1,062
Directory activities outside Norway	187	351	432
Total external revenues	1,557	1,594	1,494
Total internal revenues	98	91	89
Gain on disposal of fixed assets and operations	-	683	1
<b>Total revenues</b>	<b>1,655</b>	<b>2,368</b>	<b>1,584</b>

Revenues from operations that have been disposed (Lokaldelen AB, our former directory operations in Sweden, and Företagsinfo AB) totalled NOK 221 million in 1999, while revenues from acquired operations totalled NOK 28 million in 2000. If the revenues from operations that have been disposed and acquired are eliminated, revenues from our international companies increased by NOK 29 million. The revenues in 2000 from the Norwegian directory operations rose by NOK 133 million as a result of the increased volume for printed and electronic products.

Revenues rose in 1999 compared to 1998. This increase is primarily related to higher advertising sales in the Norwegian directory operations. After adjustment for the sale of the Swedish directory operations, the operations outside Norway showed a moderate increase in revenues of NOK 6 million in 1999.

## › Operating expenses

(in NOK millions)	2000	1999	1998
External cost of materials and traffic charges	250	319	337
Internal cost of materials and traffic charges	5	-	-
Total cost of materials and traffic charges	255	319	337
Own work capitalized	-	(3)	-
Salaries and personnel costs	512	473	437
Other operating expenses external	389	371	356
Other operating expenses internal	141	123	117
Depreciation and amortization	57	79	92
Loss on disposal of fixed assets and operations	-	-	-
<b>Total operating expenses</b>	<b>1,354</b>	<b>1,362</b>	<b>1,339</b>

The comments below concern performance after adjustment for operations that have been acquired or sold in 2000 and 1999.

The cost of materials and traffic charges in 2000 are at the same level as the previous year in spite of a higher level of activity in Norway and internationally. This is a consequence of renegotiated printing agreements.

Salaries and personnel costs increased by NOK 95 million. The higher costs are due to growth in the number of employees, higher salaries levels, increased resource usage in sales resulting from higher activity levels and increased product development in the Norwegian directory operations. The costs rose in relation to the preceding year in spite of the fact that productivity improvements also generated significant cost reductions during the same period for the Norwegian directory operations.

Other operating expenses increased in 2000 as a result of the implementation of a customer information and billing system (DSMP), a higher level of marketing activities, greater utilisation of consultants, higher technical costs and higher charges to the Norwegian operations for intercompany IT costs.

The cost of materials and traffic charges were higher in 1999 than in 1998, primarily because we had to reprint volume 4 of the Norwegian telephone directory (NOK 7 million) and because the paper and printing costs were higher.

Salaries and personnel costs also increased in 1999. The salaries levels were generally higher during this period at the same time as the number of employees and utilization of resources increased.

A higher level of activity led to growth in other operating expenses.

### › BRAVIDA

› **Operations** › After the merger with the holding company of BPA AB, Bravida has been accounted for as an associated company in Telenor's financial statements from November 1, 2000.

(in NOK millions)	2000 <sup>1)</sup>	1999	1998
External revenues	1,797	2,888	2,743
Internal revenues	2,425	3,145	2,764
Gain on disposal of fixed assets and operations	3	24	-
<b>Total revenues</b>	<b>4,225</b>	<b>6,057</b>	<b>5,507</b>
<b>Total operating expenses</b>	<b>4,235</b>	<b>6,038</b>	<b>5,389</b>
Operating profit	(10)	19	118
Result November 1 – December 31, 2000 as an associated company <sup>1)</sup>	(148)	-	-
Net financial items	(11)	(22)	7
Profit before taxes	(169)	(3)	125
EBITDA	80	147	202
EBITDA margin (%)	2 %	2 %	4 %
Investments (in NOK millions)			
January 1 – October 31, 2000	158	240	165
Total full-time equivalent employees (period end)	-	5,966	5,889
Of which abroad (period end)	-	454	295

<sup>1)</sup> Bravida is consolidated in the period January 1 – October 31, 2000. Result in the period November 1– December 31, 2000 is presented on a separate line as an associated company.

› **EBITDA** › Bravida's EBITDA was NOK 80 million for the first ten months of 2000. This is a reduction of NOK 114 million compared to the corresponding period in 1999. The reduction in EBITDA in the 2000 period in relation to the 1999 period is due to lower revenues from both Bravida's Swedish and Norwegian operations, in addition to the costs associated with the restructuring of the Swedish operations, new operations, brand building and merger.

EBITDA in 1999 was NOK 55 million lower than in 1998. The lower results can be attributed to a fall in the price of services, increased cost of materials due to a change in the structure of the contracts with Telenor Telecom and lower margins for the sale of computer equipment.

### › Revenues

(in NOK millions)	2000 <sup>1)</sup>	1999	1998
<b>External revenues</b>			
Customer equipment	881	1,374	1,365
IT service and installations	889	1,406	1,302
Other	27	108	76
Total external revenues	1,797	2,888	2,743
Internal revenues	2,425	3,145	2,764
Gain on disposal of fixed assets and operations	3	24	-
<b>Total revenues</b>	<b>4,225</b>	<b>6,057</b>	<b>5,507</b>

<sup>1)</sup> 10 months.

Bravida had external revenues of NOK 2,439 million and internal revenues of NOK 2,491 million for the first ten months of 1999. The decline in revenues in the 2000 period can be attributed to the lower demand for customer equipment, IT services and installation services in Norway, which has only been partially offset by increased revenues from new operations.

External revenues from IT services and installation services fell in the 2000 period compared to the 1999 period, due to a lower demand in the market and increased competition in the residential market.

Better prices for deliveries to Telenor Telecom in 2000 in relation to the preceding year had a positive effect on internal revenues.

External revenues increased in 1999 compared to 1998. New operations contributed revenues of NOK 237 million in 1999. The decline in external revenues beyond this can be attributed to increased competition for installation contracts in the residential and business markets. The increase in internal revenues in 1999 compared to 1998 applies to increased customer equipment sales and higher revenues from installation as the result of a greater demand for digital ISDN, and increased development in connection with focusing on the access network.

#### › Operating expenses

(in NOK millions)	2000 <sup>1)</sup>	1999	1998
External cost of materials and traffic charges	1,130	2,541	2,053
Internal cost of materials and traffic charges	461	148	197
Total cost of materials and traffic charges	1,591	2,689	2,250
Own work capitalized	-	(8)	-
Salaries and personnel costs	1,712	2,151	1,909
Other operating expenses external	476	601	690
Other operating expenses internal	366	474	456
Depreciation and amortization	90	128	84
Loss on disposal of fixed assets and operations	-	3	-
<b>Total operating expenses</b>	<b>4,235</b>	<b>6,038</b>	<b>5,389</b>

<sup>1)</sup> 10 months.

Bravida's operating expenses totalled NOK 4,846 million for the first ten months of 1999. The cost of materials and traffic charges were considerably lower in 2000, which reflects lower customer equipment sales (external and internal sales) and a lower volume of IT services and installation services where the cost of materials are significant. The salaries and personnel costs in 2000 fell in relation to 1999 due to a decline in the number of employees. The reduction in other operating expenses is primarily due to lower sales, fewer employees and general cost savings. Depreciation and amortization also declined since certain major investments were fully depreciated in 1999.

The operating expenses increased in 1999 compared to 1998 due to a higher volume of customer equipment deliveries and a higher proportion of material costs for services delivered, operations, overtime costs and salaries increases. This was partially offset by a reduction in the use of contract personnel and general cost-cutting.

#### › Associated companies (period November and December 2000) ›

The merger agreement between Bravida AS and BPA AB stipulates that the parties shall restructure the operations of Bravida. At a meeting of December 20, 2000 the Board of Directors adopted a restructuring plan that included significant workforce reductions in business solution sales and Bravida AS's Swedish operations. It was decided to split up and integrate the operations in Sweden with companies in the former BPA AB, at the same time as it was decided to sell certain operations. A decision was also made to establish shared locations for the operations of Bravida and the former

BPA AB in Norway. Assets were also written down. Implementation of the restructuring plan started before the end of the year. Telenor's share of the profit for the period November and December 2000 includes total restructuring costs of NOK 123 million before taxes, NOK 48 million of which refers to write-downs.

After adjustment for restructuring costs, costs associated with brand building and merger costs, Telenor's share of EBITDA for these two months was close to zero.

#### › EDB BUSINESS PARTNER

(in NOK millions)	2000	1999	1998
External revenues	2,855	1,508	826
Internal revenues	1,492	1,507	1,242
Gain on disposal of fixed assets and operations	21	-	29
Total revenues	4,368	3,015	2,097
Operating expenses	4,201	2,888	1,987
Operating profit	167	127	110
Associated companies	(21)	(5)	2
Net financial items	(23)	(13)	(8)
Profit before taxes	123	109	104
EBITDA	535	341	300
EBITDA margin (%)	12 %	11 %	14 %
Investments (in NOK millions)	3,306	1,027	201
Total full-time equivalent employees (period end)	2,975	2,169	1,420
Of which abroad (period end)	148	154	53

EDB Business Partner encompasses the consolidated accounting figures for the former Telenor Programvare; EDB ASA, which was consolidated from May 1, 1999; Telesciences, Inc., which was consolidated from December 7, 1999; Fellesdata, which was consolidated from April 1, 2000; and BDC, which was consolidated from July 1, 2000.

› **EBITDA** › EBITDA shows significant growth from 1999 to 2000, a great deal of which is related to the acquisition of businesses. The development in the banking/finance, operation management and telecom sectors has been very good. The general consulting operations and infrastructure showed a decline in relation to 1999 after a very difficult start for the year.

› **Revenues** › The increase in revenues in 2000 was largely attributable to acquired companies. The revenues in 1999 included non-recurring sales in the PC sector of NOK 114 million and significant revenues related to the Y2K test center and operations.

The delivery of software, solutions and consulting services to the banking/finance sector grew primarily due to the acquisition of Fellesdata.

The telecommunications sector was marked in the beginning of the year by a certain degree of stagnation in the home market, but this improved in the second half of the year. Growth can be attributed to the acquisition of Telesciences.

In the managed services area, revenues related to acquired opera-

tions increased compared to the previous year. Revenues in 1999 included sales associated with the Y2K test center, which did not recur in 2000.

#### › Operating expenses

(in NOK millions)	2000	1999	1998
External cost of materials and traffic charges	461	331	160
Internal cost of materials and traffic charges	81	93	55
Total cost of materials and traffic charges	542	424	215
Own work capitalized	-	-	-
Salaries and personnel costs	1,722	986	683
Other operating expenses external	1,365	1,092	706
Other operating expenses internal	204	171	189
Depreciation and amortization	368	214	190
Loss on disposal of fixed assets and operations	-	1	4
<b>Total operating expenses</b>	<b>4,201</b>	<b>2,888</b>	<b>1,987</b>

The increase in operating expenses from 1999 to 2000 was primarily related to new companies. Consulting services etc. that are billed to our customers are included in other operating expenses.

The cost of materials arises from the sale of customer equipment in the infrastructure area.

Salaries and personnel costs increased in 2000, due primarily to new companies. Social security tax associated with the option plan for employees was NOK 46 million, as compared to NOK 14 million in the preceding year. This increase is primarily due to the higher share price of EDB Business Partner ASA.

Goodwill amortization totalled NOK 160 million in 2000. This is an increase of NOK 90 million, NOK 82 million of which is related to the acquisition of Fellesdata, while other goodwill amortization refers primarily to EDB ASA, Telesciences Inc. and EDB Novit AS.

› **Associated companies** › The share of the results from associated companies was a loss of NOK 21 million in 2000 as compared to a loss of NOK 5 million in 1999. This result was largely due to the performance of the partly owned company Ephorma AS, which has struggled in the public sector market throughout the year.

## Liquidity and capital resources

### › LIQUIDITY

See the cash flow statement in the financial statement for detailed figures related to the group's cash flow.

Net cash flow from operating activities declined in 2000 compared to 1999. This was primarily related to higher financial expenses due to the increased debt and higher payments of income taxes.

We increased our investments in 2000 compared to 1999. We paid NOK 39.3 billion to acquire subsidiaries (net of cash acquired) and interests in associated companies, and to contribute capital to associated companies (see also "Investments" below which also includes non cash investments and allocated values related to the acquisition of subsidiaries). Net cash flow from investment activities was also affected by other payments for investments in fixed assets and shares, in addition to the loans we have made to individual associated companies. Moreover, cash flow increased from the sale of associated companies, subsidiaries and operating assets (primarily real estate), in addition to the sale of other investments and shares. In 2000 a number of subsidiaries were sold, including Storm Communications Ltd, Telenor Inkasso AS and Telenor Finans AS. The sale of interest in associated companies refers primarily to Cosmote S.A. in which we reduced our ownership interest from 30% to 18%. The proceeds from the sale of the head office were received in 2001.

A net amount of NOK 15.2 billion in equity was received in December. The proceeds were used to repay debt. To finance a portion of our investments we have drawn down net debt of NOK 25.4 billion, while minority interests have contributed capital of NOK 1.6 billion. We paid dividends of NOK 500 million in 2000.

The increase in cash flow from operating activities in 1999 compared to 1998 is due to increased profits.

Net cash flow from investment activities fell in 1999 compared to 1998 despite a significant increase in payments for investments in shares. This is due to the fact that the investment of NOK 1.2 billion in VimpelCom in 1999 was paid in 1998 through a transfer of funds to a restricted bank account, and it was therefore recorded as cash flow in 1998, as well as the sale of subsidiaries and associated companies in 1999. See also "Investments" below.

Purchase and sale of other investments in 1999 and 1998 mainly relates to the purchase and sale of bonds used in liquidity management, which are not classified as cash equivalents and short-term shares. In 1999 we used a greater proportion of debt securities with maturities of less than three months compared to 1998 to manage our liquidity. These securities are not reported as the purchase or sale of securities, they are classified as cash equivalents. In 1999, we realized NOK 660 million related to the sale of Elkjøp.

Net cash flow from financing activities increased in 1999 compared to 1998 as a result of the increase in long-term debt to finance investments. In 1998, our sole shareholder contributed equity capital of NOK 2,000 million. In 1998 and 1999 we paid dividends of NOK 570 million and NOK 700 million, respectively.



## › INVESTMENTS

(in NOK millions)	2000	1999	1998
Fixed networks	4,240	3,817	2,834
Mobile networks	1,054	1,032	998
Satellite networks	15	23	972
Properties	1,094	475	592
Support systems (office and computer-equipment, software, cars etc.)	2,416	1,719	1,233
Goodwill	4,277	1,045	496
Other intangible assets	1,611	140	124
Work in progress (net additions) and other	785	(215)	(590)
Shares and participations (other than subsidiaries)	35,180	5,134	2,769
<b>Total</b>	<b>50,672</b>	<b>13,170</b>	<b>9,428</b>

In Norway NOK 3.3 billion was invested in the fixed network in 2000 (NOK 2.9 billion in 1999) and NOK 0.8 billion was invested in the mobile network in 2000 (0.9 billion in 1999). Investments outside Norway were NOK 36.9 billion (NOK 6.2 billion in 1999). Increased goodwill is primarily related to the acquisition of the subsidiaries, Fellesdata, Comincom/Combella, alfaNETT and XTML. The increase in other intangible assets is primarily related to the capitalization of committed software license purchases.

The table below lists our most significant investments in shares and participations (excluding subsidiaries) during the last three years.

(in NOK millions)	2000	1999	1998
VIAG Interkom	8,103	1,352	1,103
DiGi.com	599	1,661	-
VimpelCommunication	445	1,238	-
Esat Digifone	-	523	139
TAC/UCOM	6,548	-	-
Telenordia	1,313	113	89
Pannon GSM	-	-	406
Connect Austria	869	-	250
Cosmote	-	-	-
Canal Digital	324	62	147
Kyivstar	64	-	296
Satellite organizations	68	112	202
INMARSAT	1,546	-	-
A-pressen ASA	547	-	-
Sonofon	14,201	-	-
<b>Total</b>	<b>34,627</b>	<b>5,061</b>	<b>2,632</b>

In 2001 we expect that our investments in connection with our business areas will be between NOK 15 and 20 billion. These amounts do not include the possible acquisition of new business. The actual amounts and the timing of the investments may vary substantially from our estimates. We expect to incur lower level of investment in the years following 2001 for our existing operations. Committed investments are disclosed in Note 25 to the financial statements.

## › CAPITAL RESOURCES

To finance our future investments, we will use debt, equity financing, net cash flows from operations and possible sale of assets. See Note 20 in the financial statement for a summary of our debt financing, credit facilities, etc. Telenor raised NOK 15.2 billion through an issue of new shares in December 2000. The proceeds were used to repay

debt. Telenor's stake in VIAG Interkom has been sold in 2001, and a decision has been made to exercise Telenor's option to sell its stake in Esat Digifone. When the Esat Digifone transaction has been completed after approval by the relevant authorities, these transactions combined will contribute to the group liquid assets of approximately NOK 30 billion.

Telenor issue debt in the Norwegian and international capital markets, primarily through the issuance of commercial paper and bonds. In order to establish satisfactory access to funding, with regard to both volume and price, Telenor is dependent on maintaining a satisfactory credit rating. Telenor's long-term and short-term rating is currently A2/P-1, respectively, from Moody's and A/A-1 from Standard & Poor's, with a stable outlook.

At the extraordinary general meeting held on November 10, 2000 it was resolved to grant authority to the board of directors to increase the share capital by up to NOK 1,063,291,134 through the issuance of up to 177,215,189 ordinary shares of NOK 6 nominal value each in connection with possible future investments. Such authority lasts to July 1, 2002. The board of directors may waive the pre-emptive rights of shareholders to such shares. The authority includes the issuance of shares against considerations other than cash and the issuance of shares in a merger

## Disclosures about market risk

Reference is made to Notes 20 and 21 in the financial statements for a description of Telenor's market risk. The following tables summarize our market sensitive financial instruments, including fair values, maturity dates and terms. The discussion in the aforementioned notes and the following tables include forward-looking statements that involve risk and uncertainties. The fair values disclosed in the tables below do not include accrued interest as of December 31, 2000. Therefore, fair values deviate from note 21 to the financial statements.

### › INTEREST RATE RISK MANAGEMENT

The tables below summarizes the nominal and fair values, maturity and contract terms of the interest rate sensitive financial instruments that we held at December 31, 2000.

#### Liabilities and related derivative instruments subject to interest rate risk, December 31, 2000

(in NOK millions, except percentages)	Maturities						There- after	Total	Fair value
	2001	2002	2003	2004	2005				
<b>Long-term interest bearing liabilities</b>									
Fixed rate AUD							(61)	(61)	(56)
Average interest rate (%)							4.2		
Variable rate AUD	(121)							(121)	(125)
Average interest rate (%)	4.8								
Fixed rate CHF	(814)		(1,344)	(1,085)	(1,086)		(814)	(5,143)	(5,032)
Average interest rate (%)	2.8		2.2	3.3	3.6		4.4		
Variable rate EUR	(16,858)							(16,858)	(16,951)
Average interest rate (%)	5.0								
Fixed rate EUR		(1,183)						(1,183)	(1,185)
Average interest rate (%)		4.3							
Fixed rate GBP	(623)							(623)	(615)
Average interest rate (%)	6.2								
Fixed rate JPY	(77)		(658)	(774)	(696)		(580)	(2,785)	(3,048)
Average interest rate (%)	2.2		1.9	4.7	3.9		4.4		
Variable rate JPY	(387)							(387)	(387)
Average interest rate (%)	0.1								
Fixed rate NOK	(1,065)							(1,065)	(1,080)
Average interest rate (%)	7.5								
Variable rate NOK	(337)	(753)	(314)	(264)	(705)		(277)	(2,650)	(2,650)
Average interest rate (%) <sup>1)</sup>	8.5	8.5	8.5	8.5	8.5		8.5		
Fixed rate USD	(8,084)						(3,109)	(11,193)	(11,189)
Average interest rate (%)	6.5						5.5		
<b>Total long-term interest bearing liabilities</b>	<b>(28,366)</b>	<b>(1,936)</b>	<b>(2,316)</b>	<b>(2,123)</b>	<b>(2,487)</b>		<b>(4,841)</b>	<b>(42,069)</b>	<b>(42,318)</b>

<sup>1)</sup> Current variable interest rate as estimate of future rates.

Liabilities and related derivative instruments subject to interest rate risk, December 31, 2000

(in NOK millions, except percentages)	Maturities					There- after	Total	Fair value
	2001	2002	2003	2004	2005			
<b>Interest rate swaps</b>								
CHF receive fixed pay variable			981				981	(21)
Average pay rate (%)			1.7				1.7	
Average receive rate (%)			2.0				2.0	
EUR receive fixed, pay floating		761					761	8
Average pay rate (%)		3.6					3.6	
Average receive rate (%)		4.4					4.4	
EUR receive floating, pay fixed			826		1,240		2,066	(82)
Average pay rate (%)			5.4		5.5		5.5	
Average receive rate (%)			4.7		4.3		4.5	
JPY receive fixed, pay floating					387		387	49
Average pay rate (%)					0.8		0.8	
Average receive rate (%)					3.7		3.7	
NOK receive floating, pay fixed	500	300		400	500	467	2,167	53
Average pay rate (%)	6.2	7.7		6.4	6.7	5.9	6.5	
Average receive rate (%)	4.9	5.7		6.1	6.1	4.1	5.3	
SEK receive floating, pay fixed		220					220	(1)
Average pay rate (%)		5.0					5.0	
Average receive rate (%)		4.1					4.1	
USD receive fixed, pay floating <sup>1)</sup>	1,776		444			622	2,842	17
Average pay rate (%)	5.4		7.2			5.1	5.6	
Average receive rate (%)	5.8		6.5			5.5	5.8	
<b>Interest rate caps purchased</b>								
NOK contract amount		300					300	0
Average strike rate (%)		6.3					6.3	
<b>FRA purchased</b>								
NOK contract amount	(500)						(500)	(1)
Average interest rate (%)	7.5						7.5	

<sup>1)</sup>Except for 2003. For 2003: receive floating, pay fixed.

Liabilities and related derivative instruments subject to interest rate risk, December 31, 2000

(in NOK millions, except percentages)		Maturities					There- after	Total	Fair value
		2001	2002	2003	2004	2005			
<b>Cross currency interest swaps</b>									
Interest rate (%)									
Receive	USD	5.40	9				9	22	
Pay	NOK	4.60	(61)				(61)		
Receive	JPY	2.24	1,000				1,000	(5)	
Pay	USD	5.40	(9)				(9)		
Receive	CHF	1.48		81			81	18	
Pay	EUR	3.68		(51)			(51)		
Receive	USD	5.62		45			45	58	
Pay	NOK	4.21		(341)			(341)		
Receive	CHF	2.04		67			67	(47)	
Pay	USD	5.62		(45)			(45)		
Receive	JPY	5.34		3,000			3,000	38	
Pay	USD	5.71		(25)			(25)		
Receive	USD	5.71		25			25	63	
Pay	NOK	5.01		(158)			(158)		
Receive	USD	5.50				180	180	287	
Pay	EUR	3.82				(159)	(159)		
Receive	USD	5.14				70	70	87	
Pay	NOK	6.69				(536)	(536)		
Receive	USD	5.50				100	100	75	
Pay	NOK	6.51				(780)	(780)		
Receive	JPY	0.04		5,500			5,500	(14)	
Pay	EUR	3.56		(51)			(51)		
Receive	USD	5.44	200				200	499	
Pay	NOK	4.89	(1,285)				(1,285)		
Receive	CHF	2.76	150				150	(167)	
Pay	USD	5.42	(108)				(108)		
Receive	CHF	3.26			200		200	(121)	
Pay	USD	5.97			(133)		(133)		
Receive	AUD	4.15				12	12	(27)	
Pay	USD	5.37				(9)	(9)		
Receive	USD	5.37				9	9	23	
Pay	NOK	4.76				(61)	(61)		
Receive	JPY	0.11	5,000				5,000	(21)	
Pay	EUR	4.75	(49)				(49)		
Receive	CHF	4.38				150	150	45	
Pay	EUR	4.32				(95)	(95)		
Receive	CHF	3.63			200		200	68	
Pay	EUR	4.11			(125)		(125)		
Receive	JPY	4.20				2,500	2,500	22	
Pay	USD	5.66				(23)	(23)		
Receive	USD	5.66				23	23	53	
Pay	NOK	4.97				(153)	(153)		
Receive	JPY	4.50				5,000	5,000	36	
Pay	USD	5.65				(48)	(48)		
Receive	USD	5.65				48	48	109	
Pay	NOK	4.99				(314)	(314)		
Receive	CHF	1.81		100			100	43	
Pay	SEK	4.22		(534)			(534)		
Receive	AUD	4.82				25	25	(48)	
Pay	USD	5.53				(19)	(19)		
Receive	JPY	4.74			5,000		5,000	89	
Pay	NOK	6.69			(346)		(346)		

(in NOK millions, except percentages)			2001	2002	Maturities		2005	There- after	Total	Fair value
					2003	2004				
Interest rate (%)										
Receive	JPY	4.55				5,000			5,000	79
Pay	NOK	6.69				(352)			(352)	
Receive	USD	5.53						19	19	45
Pay	NOK	4.69						(126)	(126)	
Receive	JPY	0.78					5,000		5,000	49
Pay	NOK	5.52					(330)		(330)	
Receive	JPY	3.50					2,000		2,000	27
Pay	NOK	5.45					(141)		(141)	
Receive	JPY	4.50					2,000		2,000	(19)
Pay	USD	5.80					(22)		(22)	
Receive	USD	5.80					22		22	61
Pay	NOK	5.40					(135)		(135)	
Receive	EUR	3.56		26					26	(8)
Pay	SEK	3.99		(235)					(235)	
Receive	USD	5.42	108						108	261
Pay	NOK	3.49	(708)						(708)	

#### › FOREIGN EXCHANGE RISK

The tables below provides information about foreign currency debt and derivative instruments. The tables show only the net foreign currency exposure. When a currency swap eliminates all foreign currency exposures in the cash flows of a foreign currency-denominated debt instrument, neither the currency swap nor the currency-denominated debt instrument is shown in the table. However, both the currency swap and the foreign currency denominated debt instrument are disclosed in the interest rate risk exposure.

#### Liabilities and related derivative instruments subject to foreign exchange risk, December 31, 2000

(in NOK millions, except percentages)			2001	2002	Maturities		2005	There- after	Total	Fair value
					2003	2004				
Cross currency interest rate swaps										
Interest rate (%)										
Pay	Variable	EUR	3.68	(51)					(51)	(422)
Receive	Variable	CHF	1.48	81					81	440
Pay	Variable	USD	5.62	(45)					(45)	(403)
Receive	Fixed	CHF	2.04		67				67	356
Pay	Fixed	EUR	3.82					(159)	(159)	(1,285)
Receive	Fixed	USD	5.50					180	180	1,572
Pay	Variable	EUR	3.56	(51)					(51)	(434)
Receive	Fixed	JPY	0.04		5,500				5,500	420
Pay	Variable	USD	5.97	(133)					(133)	(1,205)
Receive	Fixed	CHF	3.26			200			200	1,084
Pay	Variable	EUR	4.75	(49)					(49)	(408)
Receive	Variable	JPY	0.11	5,000					5,000	387
Pay	Variable	EUR	4.32	(95)					(95)	(800)
Receive	Fixed	CHF	4.38					150	150	845
Pay	Variable	EUR	4.11	(125)					(125)	(1,039)
Receive	Fixed	CHF	3.63				200		200	1,107
Pay	Variable	SEK	3.99	(235)					(235)	(221)
Receive	Variable	EUR	3.56	26					26	213

(in NOK millions, except percentages)			Maturities					There- after	Total	Fair value
			2001	2002	2003	2004	2005			
<b>Foreign currency forward exchange rate contracts</b>			Contract rate (%)							
Pay	Fixed	USD	1.53	(41)					(41)	(7)
Receive	Fixed	GBP	27						27	
Pay	Fixed	NOK	8.17	(4)					(4)	0
Receive	Fixed	EUR	0						0	
Pay	Fixed	USD	8.79	(6)					(6)	(1)
Receive	Fixed	NOK	48						48	
Pay	Fixed	NOK	9.22	(184)					(184)	(6)
Receive	Fixed	USD	20						20	

#### Long-term interest bearing liabilities

Variable	EUR	(2,040)					(2,040)	(16,948)		
Coupon rate (%)	5.01									
Fixed	EUR	(2,040)	(143)					(2,183)	(1,193)	
Coupon rate (%)	4.29		4.32							
Fixed	CHF			(147)	(200)	(200)	(150)	(697)	(3,822)	
Coupon rate (%)			2.04	3.26	3.63	4.38				
Fixed	GBP	(27)					(27)	(354)		
Coupon rate (%)	6.39									
Variable	JPY	(5,000)	(5,500)						(10,500)	(807)
Coupon rate (%)	0.11		0.04							
Fixed	USD	(570)					(250)	(820)	(5,881)	
Coupon rate (%)	6.59						5.5			

#### › OTHER ISSUES

› **Inflation** › Our results in recent years have not been substantially affected by inflation. Inflation in Norway as measured by the consumer price index during the years ended December 31, 1998, 1999 and 2000 was 2.3%, 2.3% and 3.1% respectively.

› **Norwegian GAAP Compared with US GAAP** › Our consolidated financial statements have been prepared under Norwegian GAAP, which differs from US GAAP in several respects. We have prepared a reconciliation of our net income for the years ended December 31, 1998, 1999 and 2000, and of our shareholders' equity as of December 31, 1999 and 2000.

The most significant differences between Norwegian GAAP and US GAAP affecting our net income and shareholders' equity are described in note 30 to our audited consolidated financial statements.

Under US GAAP, net income for the years ended December 31, 1998, 1999 and 2000 would have been NOK 1,578 million, NOK 2,188 million and NOK 1,082 million, respectively, as compared to NOK 1,710 million, NOK 2,035 million and NOK 1,076 million, respectively, under Norwegian GAAP.

This report contains forward-looking statements with respect to certain growth initiatives, results of operations and certain strategies and objectives of Telenor. By their nature forward-looking statements involve risk and uncertainty that could cause actual results and developments to differ materially from those expressed or implied. The significant risks related to Telenor's business are discussed in Telenor's filings with the U.S. Securities and Exchange Commission, under the caption Risk Factors.

This Annual Report is also available in the original Norwegian version. In case of differing interpretation, the Norwegian version shall have priority.

# FINANCIAL STATEMENTS >

$$\begin{array}{r} \text{revenues} \\ + \text{expenses} \\ + \text{financing} \\ + \text{investments} \\ \hline = \underline{\underline{\text{financial statements}}} \end{array}$$



› CONSOLIDATED  
STATEMENT  
OF PROFIT  
AND LOSS

Telenor Group  
January 1  
– December 31

(in NOK millions, except per share amounts)	Note	2000	1999	1998
<b>Revenues</b>	2	36,602	32,784	28,751
Gains on disposal of fixed assets and operations	2	1,042	783	248
<b>Total revenues</b>		<b>37,644</b>	<b>33,567</b>	<b>28,999</b>
<b>Operating expenses</b>				
Cost of materials and traffic charges	4	9,847	9,115	7,444
Own work capitalized	5	(1,544)	(1,773)	(1,219)
Salaries and personnel costs	6, 7	10,513	8,961	7,880
Other operating expenses	8, 9	9,207	7,913	6,627
Loss on disposal of fixed assets and operations		58	302	9
Depreciation and amortization	14, 15	5,934	5,047	4,461
<b>Total operating expenses</b>		<b>34,015</b>	<b>29,565</b>	<b>25,202</b>
<b>Operating profit</b>		<b>3,629</b>	<b>4,002</b>	<b>3,797</b>
Associated companies	16	(692)	(1,239)	(1,097)
<b>Financial income and expenses</b>				
Financial income		828	677	553
Financial expenses		(1,985)	(761)	(565)
Net gain financial items		223	635	220
<b>Net financial items</b>	12	<b>(934)</b>	<b>551</b>	<b>208</b>
<b>Profit before taxes and minority interests</b>		<b>2,003</b>	<b>3,314</b>	<b>2,908</b>
Taxes	13	(861)	(1,323)	(1,242)
<b>Profit before minority interests</b>		<b>1,142</b>	<b>1,991</b>	<b>1,666</b>
Minority interests		(66)	44	44
<b>Net income</b>		<b>1,076</b>	<b>2,035</b>	<b>1,710</b>
Net income per share in NOK (basic and diluted)		0.754	1.454	1.293



› CONSOLIDATED  
BALANCE  
SHEET

Telenor Group  
at December 31

(in NOK millions)	Note	2000	1999
<b>Assets</b>			
Intangible assets	14	7,209	1,950
Tangible assets	15	29,770	25,868
Financial assets	16	43,902	9,799
<b>Total fixed assets</b>		<b>80,881</b>	<b>37,617</b>
Inventories		655	680
Current receivables	17	9,365	7,202
Short-term investments	18	478	403
Cash and cash equivalents	27	2,306	2,124
<b>Total current assets</b>		<b>12,804</b>	<b>10,409</b>
<b>Total assets</b>		<b>93,685</b>	<b>48,026</b>
<b>Equity and liabilities</b>			
Shareholder's equity		35,474	20,033
Minority interests		2,706	1,232
<b>Total equity and minority interests</b>		<b>38,180</b>	<b>21,265</b>
<b>Liabilities</b>			
Provisions	19	413	629
Long-term interest-bearing liabilities	20	42,069	14,942
Long-term non-interest-bearing liabilities	22	426	391
<b>Total long-term liabilities</b>		<b>42,495</b>	<b>15,333</b>
Short-term interest-bearing liabilities	20	743	127
Short-term non-interest-bearing liabilities	22	11,854	10,672
<b>Total short-term liabilities</b>		<b>12,597</b>	<b>10,799</b>
<b>Total equity and liabilities</b>		<b>93,685</b>	<b>48,026</b>
Mortgages	23	1,991	1,747
Guarantees	23	3,598	3,107

Oslo, March 14, 2001



Eivind Reiten  
Board Chairman



Åshild M. Bendiktsen  
Board Vice-chairman



Kari Broberg  
Board member



Mai Buch  
Board member



Bente Halvorsen  
Board member



Inge K. Hansen  
Board member



Per Gunnar Salomonsen  
Board member



Harald Stavn  
Board member



Irma Tystad  
Board member



Tormod Hermansen  
President & CEO

# › CONSOLIDATED CASH FLOW STATEMENT

Telenor Group  
January 1  
– December 31

(in NOK millions)	2000	1999	1998
Proceeds from sale of goods and services	41,535	37,544	33,168
Payments to suppliers of goods and services	(10,318)	(9,627)	(7,317)
Payments to employees, pensions, social security tax, tax deductions	(9,919)	(8,104)	(7,495)
Payment of other operating expenses	(8,851)	(7,148)	(6,750)
Interest etc. received	658	619	504
Interest etc. paid	(1,950)	(892)	(643)
Other proceeds and payments related to operating activities	439	(137)	74
Payment of taxes and public duties	(5,235)	(4,885)	(4,499)
<b>Net cash flow from operating activities<sup>1)</sup></b>	<b>6,359</b>	<b>7,370</b>	<b>7,042</b>
Proceeds from disposal of tangible and intangible assets	435	204	470
Purchase of tangible and intangible assets	(9,010)	(6,761)	(6,392)
Cash receipts from disposal of subsidiaries and associated companies, net of cash sold	3,032	1,063	113
Cash payments on purchase of subsidiaries and associated companies, net of cash acquired	(39,289)	(4,501)	(4,188)
Proceeds from disposal of other investments	759	1,350	1,874
Purchase of other investments	(3,679)	(560)	(1,896)
<b>Net cash flow from investment activities</b>	<b>(47,752)</b>	<b>(9,205)</b>	<b>(10,019)</b>
Proceeds from long-term liabilities	43,948	7,844	9,624
Proceeds from short-term liabilities	14,974	5,649	10,976
Payments on long-term liabilities	(18,512)	(4,251)	(7,458)
Payments on short-term liabilities	(15,027)	(5,689)	(11,011)
Paid in equity from minorities in subsidiaries	1,589	74	68
Paid in equity	15,168	-	2,000
Purchase of own shares from and dividends paid to minorities in subsidiaries	(82)	(13)	(1)
Payment of dividends	(500)	(700)	(570)
<b>Net cash flow from financing activities</b>	<b>41,558</b>	<b>2,914</b>	<b>3,628</b>
<b>Effect on cash and cash equivalents of changes in foreign exchange rates</b>	<b>17</b>	<b>2</b>	<b>7</b>
<b>Net change in cash and cash equivalents</b>	<b>165</b>	<b>1,081</b>	<b>658</b>
Cash and cash equivalents at January 1	2,124	1,043	385
<b>Cash and cash equivalents at December 31</b>	<b>2,306</b>	<b>2,124</b>	<b>1,043</b>
<b><sup>1)</sup> Reconciliation:</b>			
Net income	1,076	2,035	1,710
Minority interests	66	(44)	(44)
Taxes	861	1,323	1,242
<b>Profit before taxes and minority interests</b>	<b>2,003</b>	<b>3,314</b>	<b>2,908</b>
Taxes paid	(1,643)	(1,107)	(898)
Net gain/loss	(1,293)	(1,116)	(459)
Depreciation, amortization and results from associated companies	6,625	6,286	5,558
Changes in inventories	(38)	77	(85)
Changes in accounts receivable and prepayments from customers	(207)	(646)	(837)
Changes in accounts payable and prepaid expenses	529	536	181
Difference between expensed and paid pensions and other provisions	(111)	(129)	(244)
Change in other accruals	50	(163)	703
Net VAT and investment tax unrelated to operating activities	444	318	215
<b>Net cash flow from operating activities</b>	<b>6,359</b>	<b>7,370</b>	<b>7,042</b>

› CONSOLIDATED  
STATEMENTS  
OF SHARE-  
HOLDERS'  
EQUITY

Telenor Group

	Number of shares	Nom Amount (NOK)	Share Capital (NOK mill.)	Other paid capital (NOK mill.)	Other equity (NOK mill.)	Cumulative translation adjustment (NOK mill.)	Treasury shares (NOK mill.)	Total (NOK mill.)
<b>Balance as of December 31, 1997</b>	1,200,000,000	6	7,200	4,800	3,476	2		15,478
Net income for the year 1998					1,710			1,710
Dividends					(700)			(700)
Translation adjustment						27		27
Issuance of common shares	200,000,000	6	1,200	800				2,000
<b>Balance as of December 31, 1998</b>	1,400,000,000	6	8,400	5,600	4,486	29		18,515
Net income for the year 1999					2,035			2,035
Dividends					(500)			(500)
Translation adjustment						(17)		(17)
<b>Balance as of December 31, 1999</b>	1,400,000,000	6	8,400	5,600	6,021	12		20,033
Net income for the year 2000					1,076			1,076
Dividends					(532)			(532)
Translation adjustment						(349)		(349)
Share dividend issue	30,000,000	6	180	(180)				-
Share issue	372,151,899	6	2,233	13,013				15,246
Treasury shares				180			(180)	-
<b>Balance as of December 31, 2000</b>	1,802,151,899	6	10,813	18,613	6,565	(337)	(180)	35,474

The shareholders' meeting on November 10, 2000 approved a 1,666.67 to one split of the share capital and a share dividend issue. The share dividend issue increased the share capital from NOK 8,400,000,000 to NOK 8,580,000,000 by issuing 30,000,000 shares at a nominal value of NOK 6 each. The shareholder waived its right to receive the new shares, and these shares are held by Telenor as treasury shares. These shares will be used to grant additional bonus shares to retail investors.

Telenor issued 372,151,899 shares in an offering to institutional and retail investors on December 6, 2000.

The maximum number of bonus shares that retail investors are entitled to will not have an impact on net income per share for 2000. There were no other dilutive securities outstanding during the period presented.

The average number of outstanding shares in 2000 and 1999 was 1,426,509,450 and 1,400,000,000 respectively.

› **Minority interests**

(in NOK millions)	Minority share in % 12.31.00	Minority part of result -00	Minority part of result-99	Minority part of result -98	Minority interests 12.31.00	Minority interests 12.31.99
Telenor Venture AS	36.30	22	23	33	76	137
Telenor Venture II ASA	49.00	-	-	-	143	-
OJSC Comincom/Combella	32.50	3	-	-	174	-
Norcom Network Communication Inc	8.38	(8)	(9)	(8)	-	5
Grameen Phone Ltd <sup>1)</sup>	54.00	53	(52)	(50)	126	76
Storm Telecommunication Ltd	-	-	(23)	(22)	-	-
Clarion Inc	-	-	(5)	(11)	-	-
Lokaldelen AB	-	-	2	4	-	-
EDB Business Partner ASA	47.14	13	16	-	2,146	724
Telenor B-Invest AS	-	17	3	-	-	233
Nextra SPA	11.20	(20)	(3)	-	14	42
Other	-	(14)	4	10	27	15
<b>Total</b>		<b>66</b>	<b>(44)</b>	<b>(44)</b>	<b>2,706</b>	<b>1,232</b>

<sup>1)</sup> Telenor has a voting interest of 51% in Grameen Phone Ltd. The positive result allocated minority interests in Grameen Phone Ltd is mainly related to recorded deferred tax assets on accumulated losses.

## › SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

### Telenor Group

#### › General

When Telenor AS was established as a public company on October 31, 1994, assets and liabilities were transferred at their carrying values as recorded in the final records of the Norwegian State Administration, except for required adjustments to comply with Norwegian generally accepted accounting principles (Norwegian GAAP).

Telenor ASA was formed by the Norwegian Government in July 2000 to act as the holding company for the Telenor Group. In October 2000, the Norwegian Government contributed all of the shares of Telenor AS (subsequently renamed Telenor Communications AS), the former holding company for the Telenor Group, to Telenor ASA in exchange for all of the issued shares of Telenor ASA. Telenor ASA was formed with identical share capital as Telenor AS, and prior to its acquisition of Telenor AS had no assets or liabilities and conducted no operations other than incidental to its formation. For purposes of these financial statements, Telenor ASA is treated as if it had been the parent company of the Telenor Group for all periods presented.

The consolidated financial statements for Telenor ASA and its subsidiaries (the Group) are prepared in accordance with Norwegian GAAP. The Group's accounting principles differ, in certain respects, from United States generally accepted accounting principles (US GAAP). The differences and the approximate related effects on the Group's net income and shareholders' equity are set forth in note 30.

#### › Consolidation principles

The Group consolidated accounts include Telenor ASA and subsidiaries in which Telenor ASA has effective control, which generally exists where Telenor ASA has more than 50% ownership.

All significant intercompany transactions and balances have been eliminated.

Investments in joint ventures and entities in which Telenor has an equity ownership interest of 20 to 50% and exercises significant influence are accounted for using the equity method.

Investments considered to be of a temporary nature are accounted for at cost.

Increase in minority interest from a subsidiary's equity transactions and sale of shares in a subsidiary are recorded at fair value as minority interest. The difference between the minority interest measured at fair value and the recorded equity in the subsidiary is amortized through allocating results to minority.

#### › Net income per share

Net income per share have been retroactively adjusted for a share split.

#### › Goodwill and license costs

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations accounted for under the purchase method. Goodwill is amortized on a straight-line basis over the estimated useful economic life, based on an individual assessment.

License cost and goodwill relating to business with licenses are amortized over the term of the license.

#### › Revenues

Revenues are primarily comprised of traffic fees, subscription and connection fees, interconnection fees, fees for leased lines, fees for leased networks, fees for data network services, fees for TV distribution and satellite services, IT service, installation and software service fees and sale of customer equipment and directory advertising.

For PSTN/ISDN, mobile telephony, leased lines, TV distribution, satellite services and other network based services, traffic revenues and interconnection revenues are recognized based on actual traffic. Subscription fees are recognized as revenue over the subscription period. Revenues related to prepaid phone cards are deferred and recorded as revenue based on the actual use of the cards.

Revenues from connection fees that are received from the sale of new subscriptions are recognized at the time of sale to the extent of direct costs incurred. Direct costs incurred in connection with mobile connection revenues consist primarily of the first payment of distributor commission, costs for credit check, cost of the SIM card, and the cost of the printed new customer information package. For the fixed line connection revenues, the direct costs consist primarily of installation work and the cost of a printed telephone directory given to each new subscriber. To date, direct costs associated with mobile and fixed line connection fees have exceeded such revenues.

Revenues from customer equipment and IT service and installation are recognized when services are rendered or products are delivered to customers.

Revenues from directory advertising are recognized when the directories are published.

› **› Pensions**

Defined benefit plans are valued at the present value of accrued future pension benefits at the balance sheet date. Pension plan assets are valued at their fair value. Changes in the pension obligations due to changes in pension plans are recognized over the estimated average remaining service period. When the accumulated effect of changes in estimates, changes in assumptions and deviations from actuarial assumptions exceed 10 percent of the higher of pension benefit obligations and pension plan assets, the excess amount is recognized over the estimated average remaining service period. The net pension cost for the period is classified as salaries and personnel costs.

› **› Research and development costs**

Research and development costs are expensed as incurred.

› **› Software costs**

Direct development costs associated with internal-use software are capitalized, including external direct costs of material and services and payroll costs for employees devoting time to the software projects.

Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

› **› Leases**

Capital leases, which provide the Group with substantially all the rights and obligations of ownership are capitalized as fixed assets. Liabilities are valued at the present value of minimum lease payments.

› **› Foreign currency transactions**

Transactions involving foreign currencies are translated into Norwegian Kroner using exchange rates in effect at the time of the transactions. Financial instruments denominated in foreign currencies are translated using period end exchange rates. The resulting gain or loss is charged to financial items for the period, unless the financial instrument has been designated as a qualifying hedge.

› **› Foreign currency translation**

The financial statements of the Group's foreign operations are maintained in the currency in which the entity primarily conducts business. When translating financial statements for foreign entities (subsidiaries, associated companies and joint ventures) from local currencies to Norwegian Kroner, assets and liabilities are translated using year-end exchange rates and results are translated using the average exchange rates for the reporting period. The resulting translation adjustments, and the gains and losses on financial instruments designated as hedges of net foreign investments, are reported as a component of shareholders' equity.

For entities located in countries defined as highly-inflationary and with financial reporting in local currency, fixed assets and related depreciation are remeasured using the exchange rate at the date of acquisition. Other balance sheet items are remeasured at the year-end exchange rate. Other profit and loss items are translated using the average exchange rates for the reporting period. The gain or loss resulting from these remeasurements is charged to income for the period.

› **› Derivatives**

Telenor uses various derivatives (interest rate and foreign currency swaps and forwards, caps, FRAs and electricity price contracts) primarily to manage its exposure to fluctuations in foreign exchange rates, interest rates and electricity prices.

To qualify for hedge accounting, the instruments must meet defined correlation and effectiveness criteria, and be designated as hedges and generate financial statement effects, which substantially offset those of the position being hedged.

Gains and losses on foreign exchange contracts that are designated as hedges of foreign currency liabilities are included in the value of the hedged item. In the case of forward contracts being used, the premium or discount is amortized over the term of the contract, and classified as interest. Gains and losses on foreign exchange contracts that are designated as hedges of firm commitments are deferred and recognized in income at the same time as the related transactions.

Amounts to be paid or received under interest rate swaps that are designated and effective as a hedge of interest bearing assets or liabilities are accrued as interest income or expense, respectively.

Gains and losses on termination of hedge contracts are recognized in income when terminated in conjunction with the termination of the hedged position, or to the extent that such position remains outstanding, deferred and amortized to income over the original hedging period.

The Group does not normally hold derivatives for trading purposes. Derivatives that do not meet the hedging criteria are recorded at their market value with the resulting gain or loss reflected under financial items.

› **Taxes**

Deferred tax assets and liabilities are calculated with full allocation for all temporary differences between the carrying amount of assets and liabilities in the financial statements and for tax purposes, including tax losses carried forward. The enacted tax rates at the balance sheet date and nominal amounts are used. Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilized.

› **Cash and cash equivalents**

Cash and cash equivalents include cash, bank deposits, fixed rate bonds and commercial paper with original maturity of three months or less.

› **Investments**

For shares classified as current assets and managed as a whole, adjustments in the book value are only made if the aggregated holdings have a lower estimated fair value than the original cost. Other current shares are valued at the lower of cost and estimated fair value.

Long-term shares and other investments, excluding shares in associated companies and joint ventures activities, are valued at historical cost or estimated fair value if the fall in value is not temporary.

› **Inventories**

Inventories are valued at the lower of cost or market price. Cost is determined using the FIFO method.

› **Advertising costs, marketing and sales commissions**

Advertising costs, marketing and sales commissions are expensed as incurred.

› **Tangible assets, intangible assets and depreciation**

Tangible and intangible assets are carried at historical cost less accumulated depreciation and amortization. Impairment of tangible and intangible assets is assessed when changes in circumstances indicate that their carrying amount may not be recoverable. The assessment is made based on estimated undiscounted future cash flows for those assets to be held and used and sales price less cost to sell for assets to be disposed of. When such amounts are less than the carrying amount of the asset, a write down to fair value or sales price less cost to sell is recorded. Interest has been capitalized on assets under construction.

Tangible assets are, for the most part, depreciated on a straight-line basis over their expected economic useful lives using the following rates:

Office machinery and equipment, software:	20–33 %
Satellites, computer equipment, software at switches and other equipment:	10–20 %
Transmission and equipment related to switches:	10–20 %
Cable and power supply installations:	6–8 %
Buildings:	3–4 %

› **Use of estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Actual results could differ from those estimates.

› **Changes in Accounting Principles and classification**

In 2000 revenues and cost of materials related to programming revenues and expenses for TV distribution have been adjusted and are now recorded gross. Revenues and related cost of materials have been increased by NOK 1 04 million, NOK 99 million and NOK 89 million for 2000, 1999 and 1998 respectively.

The new Norwegian accounting act was implemented January 1, 1999. Telenor made changes in accounting principles and classification as a result of the new accounting act. Except for capitalized internal costs on software for internal use all comparable figures in the profit and loss statements, balance sheets and cash flow statements have been restated. No other material changes in accounting principles have been adopted during the period 1998–2000.

## › NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### › 1. ACQUISITIONS AND DISPOSALS

During the three years ended December 31, 2000, Telenor entered into the following significant acquisitions. Each acquisition was recorded using the purchase method of accounting. The summary does not include capital increases or other types of financing by Telenor.

#### › Significant Acquisitions in 2000

(in NOK millions) Company	Country	Change in ownership		Purchase price	Net excess value <sup>*)</sup>	Amortization period <sup>**)</sup>
		interest %	Business			
OJSC Comincom/Combella	Russia	67.5	Fixed network	806	721	5-20 years
Telenordia AB	Sweden	16.7	Fixed network, Internet	1,239	1,070 <sup>*)</sup>	10 years
DiGi.com bhd	Malaysia	2.9	Mobile telecommunication	393	329 <sup>*)</sup>	15 years
Fellesdata AS	Norway	100.0	Information Technology	2,528	2,421	20 years
Sonofon Holding A/S	Denmark	53.5	Mobile telecommunication	14,201	14,570 <sup>*)</sup>	5-20 years
Total Access Communication PCL	Thailand	29.9	Mobile telecommunication	4,828	3,350 <sup>*)</sup>	5-20 years
United Communication Industry PCL	Thailand	24.9	Mobile telecommunication	1,720	1,382 <sup>*)</sup>	5-20 years
Canal Digital Norge AS	Norway	16.0	TV distribution	170	172 <sup>*)</sup>	10 years
BDC AS	Norway	62.0	Information Technology	67	62	10 years
XTML Ltd	UK	80.9	Internet	229	337	5 years
CIX Ltd	UK	100.0	Internet	70	78	5 years
AlfaNETT AS	Norway	100.0	TV distribution	499	415	10 years
EuroCom Holding Aps	Denmark	75.0	Information Technology	83	83	5 years

\*) Net excess value of equity investments is included in the book value of associated companies and joint ventures.

\*\*) Preliminary evaluations and allocations.

#### › Significant Disposals in 2000

Telenor disposed of its ownership in Storm Communications Ltd in the beginning of the year. A gain of NOK 309 million before taxes was recorded. Furthermore, Telenor Inkasso AS and Telenor Finans AS were sold with a total gain of NOK 138 million before taxes.

Telenor has reduced its ownership in the associated company Cosmote S.A. to 18%. A gain of NOK 913 million before taxes was recorded. In connection with this transaction Telenor increased its ownership in Telenor B-invest to 100%. Telenor B-Invest owns Telenor's shares in Cosmote.

The ownership interest in Scandinavia Online AB was reduced and a gain of NOK 205 million before taxes was recorded.

Bravida AS was merged with a holding company of BPA AB and is being accounted for as an associated company from November 1, 2000. Telenor's ownership interest was 49.71% at the end of 2000. No gain was recorded in this transaction.

#### › Significant Acquisitions in 1999

(in NOK millions) Company	Country	Change in ownership		Purchase price	Net excess value	Amortization period
		interest %	Business			
VimpelCommunication	Russia	31.6	Mobile telecommunication	1,239	409 <sup>*)</sup>	10 years
Esat Digifone	Ireland	4.5	Mobile telecommunication	444	436 <sup>*)</sup>	12 years
DiGi.com bhd	Malaysia	30.0	Mobile telecommunication	1,661	1,327 <sup>*)</sup>	15 years
Narrowband Telecomm. Research Inc	Canada	100.0	Mobile telecommunication	80	79	3 years
Nextra SPA	Italy	70.0	Internet	84	84	5 years
OMNILINK Internet Service Center GmbH	Germany	100.0	Internet	95	91	5 years
e.comp engineering GmbH	Germany	100.0	Internet	81	78	5 years
Relab AB	Sweden	100.0	Installation and service	49	36	5 years
EDB ASA	Norway	66.0	Information Technology	547	414	20 years
Telescience Inc	USA	100.0	Information Technology	105	96	20 years
Norkring AS	Norway	60.0	TV distribution	579	-	-

<sup>\*)</sup> Net excess value of equity investments is included in the book value of associated companies and joint ventures.

› Significant Disposals in 1999

In October 1999 Telenor sold its ownership in Lokaldelen AB, Telenor Företagsinfo AB and Internordia AB. A gain of NOK 753 million before taxes was recorded.

In June 1999, Telenor reduced its ownership in Telenor Programvare AS (now EDB Business Partner ASA) by issuance of shares in a purchase business combination. Telenor later sold part of the shares in EDB Business Partner ASA. No gains were recorded on these transactions.

Telenor sold 26.67% of the subsidiary Telenor B-Invest AS that holds Telenor's investment in Cosmote S.A. The consideration was equivalent to the original cost price plus interest on the investment in Cosmote S.A. No gain was recorded.

Telenor disposed of its ownership in Clarion Inc. A loss of NOK 285 million before taxes was recorded.

› Significant Acquisitions in 1998

(in NOK millions) Company	Country	Change in ownership interest%	Business	Purchase price	Net excess value	Amorti- zation period
Kyivstar J.S.C	Ukraine	35.0	Mobile telecommunication	257	243 <sup>1)</sup>	15 years
Pannon GSM RT	Hungary	5.5	Mobile telecommunication	405	388 <sup>1)</sup>	10 years
Telehuset AS	Norway	30.0	Wholesales	109	53	5 years
Telenor Magnet GmbH	Austria	100.0	Internet	57	59	5 years
SF Vision AB	Sweden	100.0	TV distribution	85	81	10 years
Soleil Publicite SA	France	75.0	Directory services	44	56	5 years

<sup>1)</sup> Net excess value of equity investments is included in the book value of associated companies and joint ventures.

› Proforma information (unaudited) › The following unaudited pro forma financial information presents results as if the acquisition of the subsidiaries in the tables above for 2000 and 1999 had occurred at the beginning of the respective periods:

(in NOK millions, except per share data)	2000	1999
Pro forma revenues	38,277	35,970
Pro forma net income	788	1,516
Pro forma net income per share in NOK	0.553	1.083

The pro forma net income is adjusted for Telenor's interest expenses and amortization of excess values and the net income in the companies prior to the acquisitions. These pro forma figures have been prepared for comparative purposes only and are not necessarily indicative of the results of operations which actually would have resulted had the purchases been in effect at the respective periods or of future results.

› 2. REVENUES

(in NOK millions)	2000	1999	1998
Analog (PSTN)/digital (ISDN)	12,895	13,355	12,272
Mobile telephony	7,176	5,426	4,429
Leased lines	902	810	866
Satellite and TV distribution	3,245	2,584	2,318
Other network based activities	2,215	1,593	1,291
Customer equipment	2,836	2,940	2,265
IT service and installations	4,738	3,501	3,004
Advertising, etc	1,555	1,588	1,456
Other	1,040	987	850
<b>Revenues</b>	<b>36,602</b>	<b>32,784</b>	<b>28,751</b>
Gain on disposal of fixed assets and operations	1,042	783	248
<b>Total revenues</b>	<b>37,644</b>	<b>33,567</b>	<b>28,999</b>

*Analog (PSTN)/digital (ISDN)* includes revenues from traffic, subscription and connection for analog (PSTN) and digital (ISDN). Further, it includes revenues from incoming traffic from other telephone operators.

*Mobile telephony* includes revenues from traffic, subscription and connection for mobile telephones, paging incoming traffic from other mobile operators, text messages and content.



*Leased lines* includes revenues from subscription and connection for digital and analogue circuits.

*TV distribution* includes revenues from subscription, connection and distribution of TV channels through cable and satellite, and sale of program cards.

*Satellite* includes revenues from satellite broadcasting, distribution of TV channels to the Nordic market, satellite-based network, and revenues from maritime satellite communication.

*Other network-based activities* include leased networks, data network services, Internet subscriptions, etc.

*Customer equipment* includes sale of customer equipment (telephone sets, mobile phones, computers, PABXs, etc.).

*IT service and installations* includes revenues from installations, sales and running of IT-systems, together with consultancy services and sale of software.

*Advertising, etc.* Includes sale of advertising related to directory activities and sales of directories, etc.

*Other* includes revenues from contracting, rent, etc.

### › 3. BUSINESS AREAS

*Mobile Communications* is responsible for the Group's mobile communication comprising voice, data, Internet, content services and electronic commerce in the Norwegian and the international markets. *Telecom* operates the Group's fixed network, delivers services including analog (PSTN), digital (ISDN), broadband and leased lines to residential and business customers and to other network operators, and provides a range of business solutions. *Broadband Services* offers TV services mainly within the Nordic region, other satellite based services and fixed network services within global niche markets. *Internet* is a European supplier of Internet-based services and solutions. *Media* delivers directory service in Norway and abroad. *Bravida* delivers installation, maintenance and operating services to network operators and other customers. Bravida is consolidated for the first ten months of 2000. From November 1, 2000 Bravida is an associated company. *EDB Business Partner* is an Oslo Stock Exchange listed IT group which delivers solutions, consulting services and operating services. *Other* includes Group functions and other activities including OJSC Comincom/Combella, ND Holding Ltd, Teleservice AS and Telenor Venture and Telenordia AB.

The business areas and the amount of each business areas item reported below are consistent with reporting to the chief operating decision-maker. The primary measure used by the chief operating decision-maker for assessing performance and allocating resources is earnings before interest, tax, depreciation and amortization (EBITDA).

Deliveries of network-based regulated services within the Group are priced based on cost prices in negotiations between the units. For contracts-based services, product development, etc., prices are negotiated between the parties based on market prices. All other deliveries between the business areas are to be based on market prices.

Gain and loss from Group internal transfer of business, group contribution and dividends are not included in the profit and loss statements for the business areas.

#### › › Profit and loss 2000

(in NOK millions)	<sup>1)</sup> Revenues	<sup>1)</sup> External revenues	EBITDA	Operating profit	Associated companies and joint ventures	Net financial items	Profit before taxes and minority interests
Mobile Communications	9,778	8,246	2,720	1,594	(460)	(821)	313
Telecom	19,380	16,940	5,662	2,787	3	(131)	2,659
Broadband Services	3,497	3,321	644	4	(244)	29	(211)
Internet	1,126	914	(744)	(1,025)	252	(67)	(840)
Media	1,655	1,557	359	301	6	33	340
Bravida	4,225	1,800	80	(10)	(148)	(11)	(169)
EDB Business Partner	4,368	2,876	535	167	(21)	(23)	123
Other	5,651	2,072	816	82	(80)	39	41
Elimination	(12,036)	(82)	(509)	(271)	-	18	(253)
<b>Total</b>	<b>37,644</b>	<b>37,644</b>	<b>9,563</b>	<b>3,629</b>	<b>(692)</b>	<b>(934)</b>	<b>2,003</b>

<sup>1)</sup>Revenues include gains on disposal of fixed assets and operations

› Balance and investments 2000

(in NOK millions)	Fixed Assets	Associated companies	Current assets	Long-term liabilities		Short-term liabilities	Investments
				Total assets	incl. provisions		
Mobile Communications	6,261	36,426	8,633	51,320	24,384	20,303	32,843
Telecom	15,440	(2)	6,674	22,112	6,343	7,098	5,037
Broadband Services	7,555	758	2,047	10,360	6,836	2,004	4,008
Internet	1,767	16	1,066	2,849	63	3,175	1,096
Media	273	52	1,224	1,549	14	960	102
Bravida	-	167	-	167	-	-	158
EDB Business Partner	4,286	83	1,489	5,858	1,438	1,291	3,306
Other	42,073	1,585	14,806	58,464	37,439	9,188	4,122
Elimination	(35,956)	97	(23,135)	(58,994)	(33,609)	(31,422)	-
<b>Total</b>	<b>41,699</b>	<b>39,182</b>	<b>12,804</b>	<b>93,685</b>	<b>42,908</b>	<b>12,597</b>	<b>50,672</b>

› Profit and loss 1999

(in NOK millions)	Revenues	External revenues	EBITDA	Operating profit	Associated companies	Net financial items	Profit before taxes and minority interests
					and joint ventures		
Mobile Communications	8,033	6,540	2,161	1,106	(1,071)	(150)	(115)
Telecom	17,602	15,921	5,146	2,509	(26)	(2)	2,481
Broadband Services	2,897	2,754	530	8	(140)	92	(40)
Internet	886	566	(27)	(138)	14	(4)	(128)
Media	2,368	2,277	1,085	1,006	(3)	42	1,045
Bravida	6,057	2,912	147	19	-	(22)	(3)
EDB Business Partner	3,015	1,508	341	127	(5)	(13)	109
Other	4,467	1,020	(88)	(655)	(8)	559	(104)
Elimination	(11,758)	69	(246)	20	-	49	69
<b>Total</b>	<b>33,567</b>	<b>33,567</b>	<b>9,049</b>	<b>4,002</b>	<b>(1,239)</b>	<b>551</b>	<b>3,314</b>

<sup>1)</sup> Revenues include gains on disposal of fixed assets and operations.

› Balance and investments 1999

(in NOK millions)	Fixed Assets	Associated companies	Current assets	Long-term liabilities		Short-term liabilities	Investments
				Total assets	incl. provisions		
Mobile Communications	4,757	6,834	5,872	17,463	7,122	3,655	6,183
Telecom	13,400	15	6,565	19,980	3,976	7,797	3,377
Broadband Services	5,314	31	1,513	6,858	3,505	1,751	919
Internet	594	27	577	1,198	94	865	442
Media	250	38	958	1,246	23	574	71
Bravida	452	-	1,626	2,078	176	1,370	240
EDB Business Partner	1,288	80	1,123	2,491	569	798	1,027
Other	17,837	482	5,073	23,392	13,007	8,203	911
Elimination	(13,782)	-	(12,898)	(26,680)	(12,510)	(14,214)	-
<b>Total</b>	<b>30,110</b>	<b>7,507</b>	<b>10,409</b>	<b>48,026</b>	<b>15,962</b>	<b>10,799</b>	<b>13,170</b>

› › Profit and loss 1998

(in NOK millions)	<sup>1)</sup> Revenues	<sup>1)</sup> External revenues	EBITDA	Operating profit	Associated	Net	Profit be-
					companies and joint ventures		financial items
Mobile Communications	6,793	5,448	1,569	704	(820)	(231)	(347)
Telecom	15,921	14,528	5,414	3,028	(17)	16	3,027
Broadband Services	2,591	2,445	484	123	(122)	172	173
Internet	469	342	(122)	(186)	(51)	(4)	(241)
Media	1,584	1,495	337	245	(15)	2	232
Bravida	5,507	2,743	202	118	-	7	125
EDB Business Partner	2,097	855	300	110	2	(8)	104
Other	3,985	1,119	225	(308)	(74)	228	(154)
Elimination	(9,948)	24	(151)	(37)	-	26	(11)
<b>Total</b>	<b>28,999</b>	<b>28,999</b>	<b>8,258</b>	<b>3,797</b>	<b>(1,097)</b>	<b>208</b>	<b>2,908</b>

<sup>1)</sup> Revenues include gains on disposal of fixed assets and operations.

› › Geographic distribution of revenues based on customer location<sup>1)</sup>

(in NOK millions)	2000	1999	1998
Norway	31,538	27,736	24,816
Other Nordic	2,018	2,666	1,841
Western Europe	1,579	1,474	1,170
Central Europe	841	362	191
Eastern Europe	160	132	189
Asia	594	328	240
Other countries	914	869	552
<b>Total revenues</b>	<b>37,644</b>	<b>33,567</b>	<b>28,999</b>

› › Geographic distribution of revenues based on company location<sup>1)</sup>

(in NOK millions)	2000	1999	1998
Norway	34,307	29,961	27,031
Other Nordic	641	1,595	763
Western Europe	1,246	1,140	803
Central Europe	337	248	49
Eastern Europe	286	82	112
Asia	537	205	88
Other countries	290	336	153
<b>Total revenues</b>	<b>37,644</b>	<b>33,567</b>	<b>28,999</b>

<sup>1)</sup> Revenues include gains on disposal of fixed assets and operations. Gain on disposal of a foreign subsidiary is recorded as relating to the country in which the subsidiary was located.

› › Assets by geographical location of the company

(in NOK millions)	Tangible assets		Total assets	
	2000	1999	2000	1999
Norway	27,768	24,956	47,537	37,689
Other Nordic	62	41	16,538	759
Western Europe	227	209	12,359	3,696
Central Europe	270	97	4,029	1,698
Eastern Europe	683	3	3,302	1,467
Asia	706	497	9,405	2,431
Other countries	54	65	515	286
<b>Total assets</b>	<b>29,770</b>	<b>25,868</b>	<b>93,685</b>	<b>48,026</b>

› 4. COST OF MATERIALS AND TRAFFIC CHARGES	<b>(in NOK millions)</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	Traffic charges – network capacity	3,739	3,255	2,560
	Traffic charges – satellite capacity	805	623	722
	Costs of materials etc	5,303	5,237	4,162
	<b>Total cost of materials and traffic charges</b>	<b>9,847</b>	<b>9,115</b>	<b>7,444</b>
› 5. OWN WORK CAPITALIZED	<b>(in NOK millions)</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	Cost of materials etc	367	493	286
	Salaries and personnel costs	667	796	544
	Other operating expenses	510	484	389
	<b>Total own work capitalized</b>	<b>1,544</b>	<b>1,773</b>	<b>1,219</b>
› 6. SALARIES AND PERSONNEL COSTS	<b>(in NOK millions)</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
	Salaries and holiday pay	8,109	7,016	6,213
	Social security tax	1,212	991	831
	Pension costs including social security tax	538	428	434
	<b>Total salaries and personnel costs</b>	<b>10,513</b>	<b>8,961</b>	<b>7,880</b>
› 7. PENSION OBLIGATIONS	The average number of employees was 24,950 in 2000.			
	Telenor provides defined benefit pension plans for substantially all employees in Norway. In addition, social security payments are provided by the Norwegian government to all retired Norwegian citizens. Such payments are calculated by reference to a base amount annually approved by the Norwegian parliament. Benefits are determined based on the employee's length of service and compensation. The cost of pension benefits plans is expensed over the period which the employee renders services and becomes eligible to receive benefits.			
	Up until August 31, 1995 most of Telenor's employees were covered through the Norwegian Public Service Pension Fund. In 1995 Telenor Pensjonskasse was established as a defined benefit plan. 18,625 of the Group's employees are now covered through Telenor Pensjonskasse. In addition, the Group has a few group pension schemes with independent insurance companies, and a separate pension plan for executive employees. Plan assets consisting primarily of bonds and shares fund these pension plans. For employees abroad, contribution plans are dominant.			
	In addition Telenor has two early retirement pensions plans. The agreement-based early retirement plan (AFP) was established in 1997. Under this scheme employees may retire on reaching the age of 62 years or later.			
	The other plan is an early retirement plan that was offered to the employees within established criteria until the end of 1996. Telenor covers the cost of early retirement. The present value of the estimated pension obligation is included in the calculation of the pension obligation presented below. The early retirement plan does not have any plan assets.			
	<b>(in NOK millions)</b>	<b>2000</b>	<b>1999</b>	
	<b>Change in benefit obligation</b>			
	Benefit obligation at the beginning of the year	2,836	2,234	
	Service cost	375	288	
	Interest cost	189	158	
	Actuarial gains and losses	106	298	
	Acquisitions and sale	(336)	104	
	Benefits paid	(225)	(246)	
	<b>Benefit obligations at the end of the year</b>	<b>2,945</b>	<b>2,836</b>	
	<b>Change in plan assets</b>			
	Fair value of plan assets at the beginning of the year	1,779	1,231	
	Actual return on plan assets	136	161	
	Acquisitions and sale	(153)	96	
	Pension premium	478	365	
	Benefits paid	(84)	(74)	
	<b>Fair value of plan assets at the end of the year</b>	<b>2,156</b>	<b>1,779</b>	

<b>(in NOK millions)</b>		<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>Funded status</b>		<b>789</b>	<b>1,057</b>	
Unrecognized net actuarial loss		(251)	(271)	
Unrecognized prior service costs		(327)	(316)	
Prepaid social security tax		16	39	
<b>Total provision for pensions</b>		<b>227</b>	<b>509</b>	
<b>Assumptions as of December 31</b>		<b>2000</b>	<b>1999</b>	<b>1998</b>
Discount rate in %		6.5	6.5	7.0
Expected return on plan assets in %		7.5	7.5	8.0
Rate of compensation increase in %		3.5	3.5	3.5
Expected increase in the social security base amount in %		3.0	3.0	3.5
Annual adjustments to pensions in %		3.0	3.0	2.5
<b>Components of net periodic benefits cost</b>		<b>2000</b>	<b>1999</b>	<b>1998</b>
Service cost		375	288	278
Interest cost		189	160	151
Expected return on plan assets		(148)	(111)	(89)
Amortization of prior service costs		23	24	32
Amortization of actuarial gains and losses		25	-	-
Social security tax		59	43	43
<b>Net periodic benefit costs</b>		<b>523</b>	<b>404</b>	<b>415</b>
Contribution schemes		15	24	19
<b>Total pension costs charged to profit for the year</b>		<b>538</b>	<b>428</b>	<b>434</b>

› **8. OTHER OPERATING EXPENSES**

<b>(in NOK millions)</b>		<b>2000</b>	<b>1999</b>	<b>1998</b>
Cost of premises, vehicles, office equipment, etc		1,939	1,416	1,076
Travel and travel allowances		772	641	607
Marketing and sales commission		1,413	1,239	945
Advertising		596	423	456
Bad debt		191	351	231
Consultancy fees and rent of personnel <sup>1)2)</sup>		2,222	2,259	1,936
Other		2,074	1,584	1,376
<b>Total other operating expenses</b>		<b>9,207</b>	<b>7,913</b>	<b>6,627</b>

<sup>1)</sup> Includes fees for consultants and hired personnel, which perform services that are sold to external customers or capitalized on fixed assets.

<sup>2)</sup> Includes expenses (mainly consultancy fees) related to the abandoned merger with Telia of NOK 250 million in 1999.

› **9. BAD DEBT**

<b>(in NOK millions)</b>		<b>2000</b>	<b>1999</b>	<b>1998</b>
Provisions as of January 1		538	371	271
Provisions as of December 31		462	538	371
Change in provisions for bad debt		(76)	167	100
Realized losses for the year		318	230	163
Recovered on amounts previously written off		(51)	(46)	(32)
<b>Total bad debt</b>		<b>191</b>	<b>351</b>	<b>231</b>

› **10. RESEARCH AND DEVELOPMENT COSTS**

Research and development costs amounted to NOK 524 million, NOK 528 million and NOK 414 million for 2000, 1999 and 1998, respectively.

Research and development activities relate mainly to new technologies, new products, security in the network and new usages of the existing network.

It is expected that research and development costs will create future profitability.

› 11. RE-STRUCTURING

In connection with the establishment of Telenor AS as a limited company in 1994, Telenor recorded a restructuring provision of NOK 1,100 million. This provision was made to cover the costs of staff reductions and eliminate other operating redundancies. The provision has been utilized during the subsequent periods and had no balance remaining at December 31, 1998.

In 1996 a restructuring provision of NOK 39 million was recorded to cover certain costs to restructure the dealer network in Telenor Telehuset. The provision was utilized by NOK 32 million in 1997 and NOK 7 million in 1998.

In 1997 a restructuring provision of NOK 95 million was recorded mainly relating to workforce reductions in Telenor Bedrift and Telenor Privat, and NOK 87 million in Telenor International was recorded to withdraw from paging activities abroad. The provisions were utilized in the amount of NOK 150 million in 1998, and NOK 27 million in 1999.

In 1998 a restructuring provision of NOK 14 million was recorded relating to workforce reductions. The provision was utilized in 1999.

In 1999 and 2000 provisions to exit certain activities were recorded.

The following table displays roll forward of the accruals from December 31, 1997:

	Dec 31, 1997	1998 Add-itions	1998 Amounts utilized	Dec 31, 1998 Balance	1999 Add-itions	1999 Amounts utilized	Dec 31, 1999 Balance	2000 Add-itions	2000 Amounts utilized	Dec 31, 2000 Balance
(in NOK millions)	Balance			Balance			Balance			Balance
Redundancy provision	45	-	45	-	-	-	-	-	-	-
Restructure Telenor Telehuset	7	-	7	-	-	-	-	-	-	-
Workforce reduction	95	14	85	24	-	19	5	-	5	-
Withdraw paging	87	-	65	22	-	22	-	-	-	-
Exit activities	-	-	-	-	69	-	69	9	20	58
<b>Total</b>	<b>234</b>	<b>14</b>	<b>202</b>	<b>46</b>	<b>69</b>	<b>41</b>	<b>74</b>	<b>9</b>	<b>25</b>	<b>58</b>

› 12. FINANCIAL INCOME AND EXPENSES

(in NOK millions)	2000	1999	1998
Dividends from satellite organizations	196	235	253
Interest income	573	245	262
Other financial income <sup>1)</sup>	59	197	38
<b>Total financial income</b>	<b>828</b>	<b>677</b>	<b>553</b>
Interest expenses	(1,965)	(812)	(594)
Other financial expenses <sup>1)</sup>	(160)	(63)	(102)
Capitalized interest	140	114	131
<b>Total financial expenses</b>	<b>(1,985)</b>	<b>(761)</b>	<b>(565)</b>
Gain on sale of financial assets	376	680	303
Loss and write-downs of financial assets	(153)	(45)	(83)
<b>Net gain on financial assets</b>	<b>223</b>	<b>635</b>	<b>220</b>
<b>Net financial items</b>	<b>(934)</b>	<b>551</b>	<b>208</b>

<sup>1)</sup> In 2000 a net currency loss of NOK 64 million was included in other financial expenses. In 1999 a net currency gain of NOK 104 million was included in other financial income. In 1998 other financial expenses included a net currency loss of NOK 73 million. The main part of net currency gains and losses relates to the situation where a portion of liabilities or other financial instruments designated as a hedge of a net investment in foreign currency exceeds the book value of the investment. Currency gain or loss related to this excess portion is recorded as financial income or expense.

› 13. TAXES

› Income tax expenses

(in NOK millions)	2000	1999	1998
<b>Profit before taxes and minority interests</b>			
Norway	3,300	4,720	4,350
Outside Norway <sup>1)</sup>	(1,297)	(1,406)	(1,442)
<b>Total profit before taxes and minority interests</b>	<b>2,003</b>	<b>3,314</b>	<b>2,908</b>

(in NOK millions)	2000	1999	1998
<b>Current taxes</b>			
Norway	1,184	1,638	1,129
Outside Norway	12	20	25
<b>Total current taxes</b>	<b>1,196</b>	<b>1,658</b>	<b>1,154</b>
<b>Deferred taxes</b>			
Norway	81	(289)	82
Outside Norway	(416)	(46)	6
<b>Total deferred taxes</b>	<b>(335)</b>	<b>(335)</b>	<b>88</b>
<b>Total income tax expense</b>	<b>861</b>	<b>1,323</b>	<b>1,242</b>

<sup>1)</sup> Includes associated companies and subsidiaries outside Norway. Gains from disposal of companies are related to the countries in which the disposed companies were located. The gains and losses are, however, to a large extent liable to tax in Norway.

› **Effective tax rate**

(in NOK millions)	2000	1999	1998
Expected income taxes according to statutory tax rate (28%) <sup>1)</sup>	561	928	814
Net losses from associated companies and subsidiaries abroad	674	380	371
Non-deductible expenses/ Non-taxable income	(79)	2	22
Amortization of goodwill	100	58	41
Previous not recognized deferred tax assets	(410)	(24)	(76)
Realization of tax assets from business combinations	-	-	56
Other	15	(21)	14
<b>Total income tax expenses</b>	<b>861</b>	<b>1,323</b>	<b>1,242</b>
<b>Effective tax rate in %</b>	<b>43.0</b>	<b>39.9</b>	<b>42.7</b>

<sup>1)</sup> Norwegian nominal statutory tax rate is 28%.

In 2000 deferred tax assets related to accumulated losses from VIAG Interkom and Esat Digifone are recorded, as these companies are decided sold in 2001. Further, the gain on sale of Storm Communication Ltd is not taxable.

In 1998 tax losses carried forward in Telehuset were utilized, and goodwill relating to the purchase of Telehuset was correspondingly reduced.

Tax losses carried forward is primarily related to foreign subsidiaries. Amounts carried forward expire as follows:

› **Tax losses carried forward**

(in NOK millions)	
2001	66
2002	46
2003	26
2004	74
2005	116
2005 and later	1,141
Not time-limited	927
<b>Total tax losses carried forward</b>	<b>2,396</b>

› Deferred taxes as of December 31

(in NOK millions)	Assets 2000	Liabilities 2000	Assets 1999	Liabilities 1999
Tangible and intangible assets	551	(91 6)	658	(884)
Associated companies	1,185	(15)	673	(19)
Other long-term items	269	(162)	195	(63)
<b>Total long-term assets and liabilities</b>	<b>2,005</b>	<b>(1,093)</b>	<b>1,526</b>	<b>(996)</b>
Current assets	140	(99)	186	(49)
Short-term liabilities	150	(4)	105	(18)
<b>Total current assets and liabilities</b>	<b>290</b>	<b>(103)</b>	<b>291</b>	<b>(67)</b>
<b>Tax losses carried forward</b>	<b>786</b>		<b>384</b>	<b>-</b>
Deferred taxes/tax assets	3,081	(1,196)	2,201	(1,033)
Valuation allowances	(1,443)		(965)	-
<b>Net deferred taxes/tax assets</b>	<b>442</b>		<b>203</b>	

Deferred taxes have not been recognized on undistributed earnings from domestic entities which can be remitted tax-free as dividends, or undistributed earnings from investments in foreign subsidiaries that are considered essentially permanent in nature.

Valuation allowances relate mainly to associated companies and subsidiaries abroad.

Preliminary RISK for 2000 is calculated to NOK 0.83 per share.

› 14. INTANGIBLE ASSETS

(in NOK millions)	Accumul. cost 12.31.99	Add- itions 2000	Foreign exchange adjustm. 2000	Dis- posals 2000	Amort- ization 2000	Acc. amort- ization 12.31.00	Book value 12.31.00	Book value 12.31.99
Goodwill	2,413	4,277	15	(252)	(496)	(1,272)	5,181	1,548
Other intangible assets	324	1,611	2	(99)	(137)	(252)	1,586	199
Total <sup>1)</sup>	2,737	5,888	17	(351)	(633)	(1,524)	6,767	1,747
Deferred tax assets							442	203
<b>Total intangible assets</b>							<b>7,209</b>	<b>1,950</b>

<sup>1)</sup> Amortization of intangible assets was NOK 327 million in 1999 and NOK 283 million in 1998.

Other intangible assets are amortized over the expected economic lifetime. Of the additions in 2000, committed purchase of software license constitutes NOK 1,006 million (amortized over 7,5 years), and UMTS lisenca in Norway constitutes NOK 200 million.

› Goodwill relates to the following subsidiaries and operations<sup>\*)</sup>

(in NOK millions)	Book value 12.31.00	Amortization period	Year of purchase
Fellesdata AS	2,088	20 years	2000
EDB Stradec AS	52	20 years	2000
OJSC Comincom/Combella	306	10 years	2000
alfaNETT AS	401	10 years	2000
BDC AS	77	10 years	2000
EuroCom Holding Aps	76	10 years	2000
Nextra Czech Republic s.r.o – purchase of operations	118	5 years	2000
XTML Ltd	315	5 years	2000
CIX Ltd	76	5 years	2000
EDB Teamco AS – purchase of operations	145	10 years	2000
Telesciences Inc	100	20 years	1999
OMNILINK Internet Service Center GmbH	73	5 years	1999
e.comp engineering GmbH	63	5 years	1999
Nextra SPA	63	5 years	1999
EDB Business Partner ASA	340	20 years	1999
EDB Novit AS	193	10 years	1996/1997
Other	695	3–10 years	
<b>Total</b>	<b>5,181</b>		

<sup>\*)</sup> The allocation of goodwill and net excess values are preliminary estimates for some of the investments.



› 15. TANGIBLE ASSETS

	Accumul. cost 12.31.99	Add- itions 2000	Foreign exchange adjustm. 2000	Dis- posals 2000	Depreci- ation 2000	Acc. depreci- ation 12.31.00	Book value 12.31.00	Book value 12.31.99
Local, regional & trunk networks	28,957	2,170	-	(36)	(1,558)	(22,590)	8,501	7,921
Mobile telephone network and switches	6,041	1,054	14	(24)	(753)	(3,880)	3,205	2,890
Subscriber equipment	1,271	95	-	(1,057)	(61)	(171)	138	104
Switches & -equipment	13,093	1,578	-	(248)	(1,081)	(9,721)	4,702	4,244
Radio installations	1,592	56	-	-	(9)	(615)	1,033	984
Cable TV equipment	722	341	-	-	(64)	(419)	644	367
Land	714	22	-	(62)	-	-	674	714
Buildings	6,924	1,072	1	(495)	(297)	(3,654)	3,848	3,334
Support systems	5,356	2,416	11	(1,906)	(1,313)	(3,824)	2,053	1,572
Satellites	2,163	15	-	-	(165)	(739)	1,439	1,588
Total <sup>1)</sup>	66,833	8,819	26	(3,828)	(5,301)	(45,613)	26,237	23,718
Work in progress <sup>2)</sup>	2,150	1,381	2	-	-	-	3,533	2,150
<b>Total</b>	<b>68,983</b>	<b>10,200</b>	<b>28</b>	<b>(3,828)</b>	<b>(5,301)</b>	<b>(45,613)</b>	<b>29,770</b>	<b>25,868</b>

<sup>1)</sup> Includes book value of approximately NOK 3,050 million for capital leases as of December 31, 2000, mainly switches, GSM Mobile telephone network and satellites

<sup>2)</sup> Net additions

Accumulated capitalized interest (cost) was NOK 657 million as of December 31, 2000.

The Group has entered into Cross Border Tax Benefit Leases for digital telephony switches and for GSM Mobile network with a book value as of December 31, 2000 of approximately NOK 1,600 million. The agreements called for the prepayments of all amounts due by both parties under the leases to financial institutions. The financial institutions then release the payments over the life of the leases in accordance with their contractual terms. During the course of the lease, Telenor maintains the rights and benefits of ownership of the equipment. Telenor has received benefits of NOK 320 million since the parties can depreciate the equipment for tax purposes. The amount has been deferred over the expected lease periods.

Depreciation of tangible assets was NOK 4,720 million in 1999 and NOK 4,178 million in 1998.

› 16. FINANCIAL ASSETS

(in NOK millions)	2000	1999
Long-term receivables <sup>1)</sup>	1,383	1,152
Shares and other investments <sup>2)</sup>	3,337	1,183
Associated companies and joint ventures <sup>3)</sup>	39,182	7,464
<b>Total financial assets</b>	<b>43,902</b>	<b>9,799</b>

› › \*) Long-term receivables

(in NOK millions)	2000	1999
<b>Interest bearing</b>		
Receivables from associated companies and joint ventures	885	96
Loans to employees	25	24
Other long-term receivables	340	918
Provision for bad debt	(5)	(6)
<b>Non-interest bearing</b>		
Receivables from associated companies and joint ventures	22	41
Loans to employees	-	8
Other long-term receivables	133	82
Provision for bad debt	(17)	(11)
<b>Total long-term receivables</b>	<b>1,383</b>	<b>1,152</b>

› › \*\*) Shares and other investments

(in NOK millions)	Book value	
	2000	1999
Satellite organizations <sup>1)</sup>	524	601
Other shares <sup>2)</sup>	2,813	582
<b>Total shares and other investments</b>	<b>3,337</b>	<b>1,183</b>

<sup>1)</sup> Satellite organizations 2000

(in NOK millions)	Share Owned in %	Total max. Capital	Share of actual max. capital (guarantee)	Book value
INTELSAT	4.48	44,150	1,977	474
EUTELSAT	0.67	20,750	140	50
<b>Total</b>			<b>2,117</b>	<b>524</b>

Telenor is a member of the satellite organizations, INTELSAT and EUTELSAT. These satellite organizations are financed in part by capital contributed by the members and in part by external loans. Telenor is liable for its portion of the individual satellite organization's obligations, which primarily comprise contracts/orders for new satellites. The obligations are reflected in the satellite organizations' actual maximum capital, which is the upper limit for the satellite organizations' commitments.

<sup>2)</sup> Specification of other shares in 2000

(in NOK thousand)	No. of shares owned by Telenor	Share owned in %	Book value
Extend AS	119	18.40	6,567
Whitebird AS	1,500	12.00	7,500
Norsk Helseinformatikk AS	40	18.00	3,000
MyLuckyWorld AS	227,900	9.00	4,499
Sponsorservice ASA	700,000	12.70	56,020
Screen Communications AS	5,152	24.00	5,000
INMARSAT Ltd	1,500,000	15.00	1,857,098
New Skies BV	4,709,400	3.65	224,901
Intergame AS	33	13.75	9,900
EHAND AB	211,780	7.28	4,355
Energiverkenes avregningsentral AS	328,572	28.57	3,857
Industream AS	125,000	7.94	5,000
A-team International AS	209,976	18.00	22,466
Scandinavia Online AB	7,612,000	16.74	281,423
Voenna – Promyshlenny Bank	22,000	19.50	3,914
Sørlandets teknologi AS	1,300	18.00	1,300
Smart Club ASA	2,500,000	2.14	50,000
Expert Eilag ASA	3,190,000	9.97	175,450
Cosmoholding Albania S. A.	48,000	3.00	11,552
North West GSM	394,940	12.74	38,890
Other			40,595
<b>Total other shares</b>			<b>2,813,287</b>

Scandinavia Online AB and Expert Eilag ASA are listed companies. The market value as of December 31, 2000 for Telenor's shares were NOK 251 million and NOK 1 31 millions, respectively.

› › \*\*\*) Associated companies and joint ventures

(in NOK millions)	2000	1999
Balance January 1	7,382	3,845
Investment	33,199	4,994
Transferred to/from other investments and disposal	(1,034)	(157)
Share of net income after taxes	(1,086)	(1,119)
Gains/losses from disposal <sup>1)</sup>	1,170	70
Amortization of net excess values	(776)	(190)
Equity and translations adjustments	233	(61)
<b>Balance December 31<sup>2)</sup></b>	<b>39,088</b>	<b>7,382</b>
Of which investments carried with a negative value (classified as provisions)	94	82
<b>Total associated companies and joint ventures</b>	<b>39,182</b>	<b>7,464</b>

Shares and investments are carried at negative values where Telenor has a corresponding liability above and beyond the capital contributed.

<sup>1)</sup> Specification of gains from disposal

(in NOK millions)	2000	1999
Cosmote S.A.	913	-
VimpelCommunication	7	-
Schibsted Interaktiv AB	18	-
Scandinavia Online AB	205	-
Intelli AS	7	-
Internordia AB	-	70
Other	20	-
<b>Total</b>	<b>1,170</b>	<b>70</b>

<sup>2)</sup> Specifications of investments in associated companies and joint ventures

(in NOK thousand)	Share owned in %	Book value 12.31.99	Investments /disposals during 2000	<sup>1)2)</sup> Share of result	Amortization of net excess values	Equity and translation adjustments	Book value 12.31.00	Net excess values 12.31.00
Pannon GSM RT	25.8	569,991	-	77,655	(39,891)	(39,066)	568,689	306,809
Esat Digifone Ltd	49.5	580,368	-	(1,211)	(38,753)	10,823	551,227	412,978
Connect Austria GmbH	17.5	74,371	868,715	(204,716)	-	(315)	738,055	-
Cosmote S.A.	18.0	553,881	(964,033)	1,017,614	(8,881)	(10,107)	608,688	119,166
Viag Interkom GmbH & Co	10.0	1,871,124	8,102,724	(685,062)	(10,481)	222,414	9,500,719	160,676
Kyivstar J.S.C	35.0	252,977	64,576	(18,381)	(18,695)	31,869	312,346	201,080
European Telecom S.A. (ProMonte) <sup>3)</sup>	40.1	47,775	-	39,967	-	2,166	89,908	-
StavTeleSot J.S.C	49.0	(34,877)	-	2,320	-	(2,665)	(35,222)	-
Extel Kaliningrad J.S.C.	49.0	(24,459)	-	6,067	(857)	(2,450)	(21,699)	5,063
VimpelCommunication	29.7	1,158,112	402,206	(82,045)	(31,403)	142,742	1,589,612	357,242
Sonofon Holding A/S <sup>3)</sup>	53.5	-	14,201,099	31,823	(354,587)	339,964	14,218,299	14,563,544
Total Access Communication Ltd	40.3	-	4,828,226	3,966	(45,285)	(418,577)	4,368,330	3,023,396
United Communications Industry Ltd	24.9	-	1,720,402	(16,283)	(19,445)	(152,063)	1,532,611	1,246,868
DiGi.com bhd	32.9	1,736,175	599,101	117,582	(143,407)	125,429	2,434,880	1,651,279
Telenordia AB	50.0	362,237	1,312,510	(26,927)	(43,191)	(30,820)	1,573,809	1,026,640
Bravida ASA	49.7	-	315,015	(147,924)	-	-	167,091	-
Starlight Communication LLC Ltd	50.0	1,837	-	(4,856)	-	(2,123)	(5,142)	-
Canal Digital (group)	50.0	18,817	325,306	(193,376)	(10,126)	-	140,621	163,461
World Wide Mobile Communications AS	40.0	-	66,000	(4,086)	-	-	61,914	-
A-pressen ASA	29.2	-	547,016	(4,088)	(7,707)	-	535,221	300,606
Cee.TV AS	35.0	-	13,504	(1,167)	(180)	-	12,157	5,191
Logan-Orviss Int Inc.	44.0	3,333	-	5,412	(331)	167	8,581	973
Ephorma AS	50.0	53,184	-	(8,225)	(13,257)	(621)	31,081	7,976
European Medical Solutions Group AS	42.0	-	5,045	(1,413)	(617)	-	3,015	-

(in NOK thousand)	Share owned in %	Book value 12.31.99	Investments /disposals during 2000	<sup>1)2)</sup> Share of result	Amortization of net excess values	Equity and trans- lation adjust- ments	Book value 12.31.00	Net excess values 12.31.00
Axon AS	30.0	-	25,091	-	-	-	25,091	-
Business Data Consulting AS <sup>4)</sup>	-	23,159	(15,850)	705	(1,741)	(6,273)	-	-
TIBE Reklame Holding AS	30.0	-	16,000	(150)	(1,451)	-	14,399	12,834
Polskie Dsiaski Telefontyczne Sp.z.o.o	50.0	27,282	-	8,427	(4,593)	3,121	34,237	26,885
Guias de Ciudad S. A.	50.0	-	3,750	(1,181)	-	(30)	2,539	-
DM-Huset AS	34.0	11,958	-	3,615	-	-	15,573	-
Etellus AS	33.9	-	12,400	(2,109)	-	-	10,291	-
Scandinavia Online AS	-	50,156	(92,231)	42,075	-	-	-	-
Schibsted Interaktiv AB	-	(11,590)	(6,259)	17,849	-	-	-	-
Scandinavia Online AB	-	(473)	(193,997)	194,470	-	-	-	-
WebSite AS	25.0	-	5,500	(44)	-	-	5,456	-
Smart Club Telecom AS	48.9	-	978	(6,897)	-	-	(5,919)	-
Televenture Management	23.9	7,068	(20)	5,120	-	-	12,168	-
Intelli AS	42.5	1,372	5,000	1,047	-	-	7,419	-
Doorstep AS	50.0	-	12,500	(15,565)	-	-	(3,065)	-
Nordialog AS	48.0	4,928	480	2,201	-	-	7,609	-
Other		43,718	(16,075)	(68,433)	18,978	(708)	(22,520)	65
<b>Total</b>		<b>7,382,424</b>	<b>32,164,679</b>	<b>83,776</b>	<b>(775,901)</b>	<b>233,091</b>	<b>39,088,069</b>	<b>23,592,732</b>

<sup>1)</sup> Includes pretax gains on disposal and Telenor's share of the companies' net income after taxes.

<sup>2)</sup> Share of net income (after tax) are partly based on preliminary results from some of the companies. Actual figures may vary from the preliminary figures.

<sup>3)</sup> Jointly controlled according to a shareholders agreement.

<sup>4)</sup> During 2000 the ownership interest has increased. The company is now a subsidiary.

<sup>5)</sup> European Telecom S. A. has an ownership share of 91.1 % in ProMonte GSM and Telenor owns 44 % of European Telecom.

Telenor's ownership interest in VIAG Interkom was sold in 2001 and a decision has been made to exercise Telenor's option to sell its interest in Esat Digifone.

## › 17. CURRENT RECEIVABLES

(in NOK millions)	2000	1999
<b>› Accounts receivables</b>		
Accounts receivables	6,137	5,096
Provision for bad debt	(380)	(505)
<b>Total accounts receivables</b>	<b>5,757</b>	<b>4,591</b>
Due to the large volume and diversity of the Group's customer base, concentrations of credit risk with respect to trade accounts receivables are limited.		
<b>› Other current receivables:</b>		
<b>Interest bearing</b>		
Receivables from associated companies and joint ventures	651	193
Receivables from others	35	65
<b>Non-interest bearing</b>		
Receivables from associated companies and joint ventures	208	80
Receivables on employees	54	23
Other short-term receivables	574	365
Provision for bad debt	(60)	(16)
<b>Total other current receivables</b>	<b>1,462</b>	<b>710</b>
<b>› Prepaid expenses and accrued revenues:</b>		
Prepaid expenses	437	367
Accrued revenues	1,709	1,534
<b>Total prepaid expenses and accrued revenues</b>	<b>2,146</b>	<b>1,901</b>
<b>Total current receivables</b>	<b>9,365</b>	<b>7,202</b>

› 18. SHORT TERM INVESTMENTS	(in NOK millions)	2000	1999
	Bonds/Commercial paper <sup>1)</sup>	10	13
	Shares <sup>2)</sup>	468	390
	<b>Total short term investments</b>	<b>478</b>	<b>403</b>

<sup>1)</sup> Bonds and commercial paper are used for short-term placement of liquidity.

› › Specification of shares classified as current assets:

(in NOK thousand)	No. of shares owned by Telenor	Share owned in %	Book value
Blue Chip Communication AS	968,720	32.97	15,831
ClustRa Invest AS	46,434	65.31	13,533
ClustRa Systems Inc.	588,235	1.26	9,160
Data Respons AS	481,600	36.02	13,380
E-Hand AB	604,220	21.04	15,498
E-Line Group ASA	2,000,000	12.15	54,000
Eye Control Technique AB	12,212,210	44.99	1,955
GetUpdated.com Sweden AB (publ.)	19,600	5.23	3,116
Hegel AS	142,999	39.89	8,054
HubShop AS	2,047,299	26.42	7,225
Incatel AS	72,091	68.31	17,102
Incom ASA	579,454	13.02	4,750
Lycos Europe N.V.	946,390	0.50	45,528
MagCom AS	167,655	16.80	20,666
Maritech AS	365,000	26.07	6,625
Melody Interactive Solutions AB	283,408	15.27	8,793
MODE International Ltd.	4,345	34.28	34,337
MRT Micro ASA	25,829,041	9.67	2,549
MRT MPiRE Inc.	200,000	20.00	2,028
Nordisk Språkteknologi AS	47,185	19.76	22,469
PolyDisplay ASA	2,959,515	19.19	11,755
Q-Free ASA	105,934	6.64	5,890
Roxen AB	41,683	22.67	7,559
SevenMountains Software AS	1,994,144	13.68	12,570
Techno Venture AS	1,500	100.00	18,175
TeleNostra AS	57,348	27.74	5,635
Telepost Inc.	1,067,354	11.03	24,980
Travis AS	1,845,455	22.15	14,084
Utel AS	94,832	21.80	1,231
ZoomOn AB	847,200	10.52	6,448
Crest Computer AB	944,951	22.00	14,199
Virtual Garden AS	2,009,820	16.92	20,535
Trøndelag Vekst AS	19	2.90	3,000
Other			22,669
<b>Total shares classified as current asset</b>			<b>468,250</b>

The above shares are mainly owned by Telenor Venture AS. E-Line group ASA, Lycos N.V. and Get Updated.com Sweden AB are listed companies. The market values as of December 31, 2000 for Telenor's shares were NOK 28 million, NOK 34 million and NOK 2 million, respectively.

› 19. PROVISIONS	(in NOK millions)	2000	1999
	Provisions for pensions	227	509
	Deferred tax liability	-	-
	Other provisions	186	120
	<b>Total provisions</b>	<b>413</b>	<b>629</b>

Other provisions include associated companies and joint ventures with a negative book value of NOK 94 million and NOK 82 million at year-end 2000 and 1999, respectively.

› 20. INTEREST BEARING LIABILITIES

(in NOK millions)	2000	1999
Euro Commercial paper loans	3,263	829
Norwegian commercial paper loans	1,065	1,200
US Commercial paper loans	3,797	-
Euro medium-term note loans	28,628	9,500
Loans from Japanese investors	1,304	1,304
Satellite leasing	1,362	1,499
Other liabilities in subsidiaries	2,650	610
<b>Total long-term interest bearing liabilities</b>	<b>42,069</b>	<b>14,942</b>
<b>Short-term interest bearing liabilities</b>	<b>743</b>	<b>127</b>
<b>Total interest bearing liabilities</b>	<b>42,812</b>	<b>15,069</b>

A short-term Euro Commercial Paper program (ECP) was established in 1996, with a US\$ 500 million limit. As of December 31, 2000, commercial paper outstanding under this program had an average maturity of 1.0 month. In addition, Telenor made commercial paper issuances in the Norwegian market during 2000 which as of December 31, 2000, had an average maturity of 2.0 months. In 2000 the company established a US Commercial Paper Program (USCP). As of 31 December 2000, outstanding commercial paper under this programme had an average maturity of 1.7 months. All commercial paper is linked to an underlying long-term credit facility with a US\$1,000 million limit, established in 2000. The credit facility matures in 2005, and commercial paper is treated as long-term, irrespective of the actual maturity date.

In 1996, Telenor established its Euro Medium Term Note Program (EMTN). The program has been increased during the year to a US\$6,000 million limit as of December 31, 2000. As of December 31, 2000, notes issued under the program had remaining terms between three months and eight years.

Loans from Japanese private investors were established in 1994 and 1995 with terms of ten years.

Telenor established a syndicated multi-currency revolving credit facility of DKK 14,000 million in July 2000. The loan facility has a 364-day term with a one year term out option for the outstanding amount on the execution date. There was no outstanding amount under the facility as of December 31, 2000.

The above mentioned interest bearing debt issued by Telenor Communication AS (NOK 38,057 million as of December 31, 2000) is unsecured and contains provisions restricting the pledge of assets to secure future borrowings without granting a similar secured status to the existing lenders (negative pledge).

Telenor established lease financing agreements for the two satellites, Thor II and Thor III, in 1997 and 1998. Both lease agreements are amortized over 12 years, with final maturity in 2010.

Telenor entered into Cross Border Tax Benefit Leases for digital telephony switches and for GSM Mobile telephone network in 1998 and 1999. The agreements called for the prepayments of all amounts due by the parties under the leases to financial institutions. The leasing obligations and the unused prepayments are netted in the balance sheet, and are not reflected in the tables.

The average weighted term (maturity) of outstanding interest bearing liabilities issued by Telenor Communication AS (NOK 38,057 million as of December 31, 2000) was 1.91 years as of December 31, 2000 with corresponding average (interest) duration, including interest rate swaps of 0.56 years.

› › Maturities of the Group's long-term interest bearing liabilities as of December 31, 2000

(in NOK millions)	Installment
<b>Year</b>	
2001	28,366
2002	1,936
2003	2,316
2004	2,123
2005	2,487
After 2005	4,841
<b>Total long-term interest bearing liabilities</b>	<b>42,069</b>

› › Distribution of long-term funding in originated currencies as of December 31

(in millions, except percentages)	Average fixed interest rate in % 12.31.00	Foreign currency 12.31.00	NOK 12.31.00	NOK 12.31.99
<b>Commercial paper (ECP and USCP)</b>				
CHF	-	-	-	52
GBP	6.65	10	132	-
USD	6.63	753	6,928	777
<b>Norwegian commercial paper</b>				
NOK	7.52	1,065	1,065	1,200
<b>EMTN loans</b>				
AUD	3.39	36,930	182	186
CHF	3.15	948	5,184	3,537
EUR	4.97	2,183	16,707	1,086
JPY	2.36	22,000	1,696	687
USD	5.59	550	4,859	4,004
<b>Loans from Japanese investors</b>				
JPY	4.26	19,000	1,304	1,304
<b>Satellite leasing</b>				
GBP	7.97	108	1,362	1,499
<b>Other</b>				
Other liabilities in subsidiaries	Between 7–24		2,650	610
<b>Total long-term interest bearing liabilities</b>			<b>42,069</b>	<b>14,942</b>

› 21. FINANCIAL  
INSTRUMENTS AND  
RISK MANAGEMENT

Telenor is exposed to interest rate risk and foreign exchange rate risk associated with the Group's underlying assets, liabilities and anticipated transactions. To manage these risks Telenor issues debt in foreign currencies and enters into derivative financial contracts. These contracts are entered into with major financial institutions, with the objective of minimizing the Group's credit risk. Telenor has established policies to address the use of derivative financial instruments, including the approval of counterparties, setting of limits and investment of excess liquidity. Telenor has established an internal bank (Group Treasury) with the responsibility for foreign currency, interest rate risk and liquidity risk management. Telenor is also exposed to equity price risk on our investments in equity instruments.

- › › **Foreign exchange risk management** › In order to take advantage of favorable nominal interest rates of certain foreign debt markets, Telenor incurs liabilities denominated in foreign currencies. To manage the related exposure to unfavorable currency fluctuations, Telenor uses various financial instruments, principally cross currency interest rate swaps and foreign currency forward contracts.

Functional currencies in foreign subsidiaries, foreign associated companies and joint ventures differ from the Norwegian Kroner, giving rise to conversion exposure. To manage these foreign exchange exposures, Telenor generally attempt to match the foreign currency assets and liabilities, and maintain foreign currency debt and foreign currency contracts (swaps and forwards) for hedging purposes in major currencies up to an amount corresponding to the original net investment. The criteria is however that a well functioning capital market is in place for the relevant currency debt and the foreign currency contracts.

- › › **Interest rate risk management** › To manage the exposure to changes in interest rates and to lower the overall costs of financing Telenor utilizes interest rate swaps, interest rate caps and forward rate agreements (FRA). Interest rate swaps are used to exchange the real interest rate exposure on the underlying assets or liabilities from a fixed interest rate to a 6 month floating interest rate in the same currency or vice versa.

- › › **The notional amounts of foreign currency swaps and foreign currency forward contracts as of December 31, 2000**

(in local currency millions)	Currency		Norwegian Kroner	
	Buy	Sell	Buy	Sell
CHF	-	(4)	-	(22)
DKK	10	(13,894)	11	(15,379)
EUR	970	(110)	8,017	(908)
GBP	47	(36)	623	(473)
NOK	12,233	(2,278)	12,233	(2,278)
SEK	-	(1,563)	-	(1,461)
USD	205	(269)	1,825	(2,390)

All the swap contracts mature within one year.

› Interest rate instruments outstanding as of December 31, 2000

Telenor pays	Telenor receives	Instrument	Average years to maturity	Currency	Amounts in millions (currency)	Amounts in NOK millions
Fixed	Floating	Interest rate swap	3.57	EUR	250	2,075
Fixed	Floating	Interest rate swap	3.47	NOK	2,167	2,167
Fixed	Floating	Interest rate Cap	1.59	NOK	300	300
Fixed	Floating	Interest rate swap	1.61	SEK	235	220
Fixed	Floating	Interest rate swap	2.27	USD	50	442
Floating	Fixed	Interest rate swap	2.31	CHF	181	988
Floating	Fixed	Interest rate swap	1.65	EUR	92	764
Floating	Fixed	Interest rate swap	4.67	JPY	5,000	385
Floating	Fixed	Interest rate swap	1.52	USD	270	2,386

› Cross currency and interest rate swaps outstanding as of December 31, 2000

Telenor pays currency	Telenor pays interest	Telenor receives currency	Telenor receives interest	Average years to maturity	Amounts in NOK millions
EUR	Floating	CHF	Floating	2.18	420
EUR	Floating	CHF	Fixed	5.83	1,826
EUR	Floating	JPY	Fixed	1.95	426
EUR	Floating	JPY	Floating	0.33	408
EUR	Floating	USD	Fixed	5.06	1,322
NOK	Floating	JPY	Fixed	3.70	840
NOK	Floating	JPY	Floating	4.54	330
NOK	Floating	USD	Floating	2.10	3,878
NOK	Floating	USD	Fixed	5.06	780
SEK	Floating	CHF	Floating	2.18	500
SEK	Floating	EUR	Floating	1.48	220
USD	Floating	AUD	Fixed	5.11	84
USD	Floating	AUD	Floating	5.23	169
USD	Floating	CHF	Fixed	2.27	2,531
USD	Floating	JPY	Fixed	4.21	1,121

All floating interest rates (NIBOR, LIBOR and STIBOR) are 6 months.

Some interest rate swap contracts which were used for hedging were sold in 1998 and 1999. The net realized losses are amortized over the original lifetime of the contracts. Deferred net losses as of December 31, 2000 were NOK 30 million (NOK 42 million as of December 31, 1999)

› **Forward rate agreements (FRA)** › FRA contracts are generally used as hedging instruments for interest rate risk management. Telenor had a long position in FRA contracts outstanding at December 31, 2000 with a total notional amount of NOK 500 million. The contracts had an average remaining lifetime of 0.5 years and average interest of 7.54%. Telenor occasionally uses FRA contracts which do not meet the established hedging criteria. As of December 31, 2000 there were no such contracts.

› **Commodity price risk management** › Telenor uses electricity futures and forward contracts to manage price risk related to the expected use of electricity. The contracts are traded through the Nordic electricity exchange, Nor Pool ASA. The contracts fulfill the criteria of hedge accounting, and profit and loss from the contracts are not recognized in the profit and loss statement. The nominal amount of the contracts as of December 31, 2000 was NOK 15 million with maturity in 2001.

› **Liquidity and credit risk management** › Telenor has limited surplus liquidity invested in short-term interest bearing instruments with limited credit risk. The exposure limit for each counterpart is set according to the creditworthiness of that party.

Telenor accepts only creditworthy counterparts in financial transactions, such as swaps and derivatives. The exposure limit for each counterpart is set according to the rating of that party. We enter into derivative transactions with a number of counterparties in order to attempt to diversify and limit credit risk. The aggregate amount of the derivatives with positive market value as of December 31, 2000 was NOK 2.5 billion.

Procedures established to monitor the liquidity flows of the Telenor Group and the Group's credit facilities shall ensure that the credit risk is low.



- › **Fair value of financial instruments** › The estimated fair value of the Group's financial instruments is based on market prices and the valuation methodologies described below. However, prudence is recommended in interpreting market data to arrive at an estimated fair value. Accordingly, the estimates presented herein may only be indicative of the amounts the Group could realize at this date.

At December 31, 2000 and at December 31, 1999 the book value for financial instruments approximates fair value with the following exceptions:

(in NOK millions)	2000		1999	
	Book value	Fair value	Book value	Fair value
<b>Financial assets:</b>				
Listed shares	561	447	36	302
<b>Financial liabilities:</b>				
Long-term interest bearing liabilities	(42,069)	(43,603)	(14,942)	(15,875)
Currency swaps linked to debt instruments	-	1,614	-	1,116
Interest rate swaps linked to debt instruments	-	60	-	28
Other derivatives				
Currency swaps	(175)	(175)	-	-
Interest rate swaps	-	(33)	-	-
FRA contracts	-	(1)	-	-
<b>Instruments used to manage commodity price risk</b>				
Loss on electricity future and forward contracts	-	-	-	(5)

The following methods and assumptions were used to estimate the fair value of financial instruments, shown in the table above.

- › **Listed shares** › The table above includes listed shares which are not consolidated or accounted for using the equity method in the Telenor Group. The fair values are based on quoted prices at the end of the relevant years.
- › **Long-term interest bearing liabilities** › The fair value of long-term interest bearing liabilities is based on discounted cash flows included accrued interest. Interest rate and currency derivatives have not been taken into account in determining the fair values of the long-term interest bearing liabilities. The cash flows have been discounted using current interest rate swap curves and are converted to NOK using quoted exchange rates as of December 31, 2000 and December 31, 1999, respectively.
- › **Instruments used to manage interest rate and foreign exchange exposure** › The fair value is based on discounted future cash flows using quoted exchange rates and interest rates at the end of the relevant years, and includes accrued interest.
- › **Instruments used to manage commodity price risk** › The fair value is based on quoted electricity prices at the end of the relevant years.

› **22. NON-INTEREST BEARING LIABILITIES**

(in NOK millions)	2000	1999
Accounts payable	3,277	3,085
Government taxes, tax deductions etc	2,127	1,981
Dividends payable	532	500
Dividends payable to minority interests in subsidiaries	56	6
Current taxes	1,115	1,676
Accrued expenses	2,786	1,708
Prepaid revenues	1,099	1,002
Provision for restructuring	6	36
Other current liabilities	856	678
<b>Total current non-interest bearing liabilities</b>	<b>11,854</b>	<b>10,672</b>
Long-term non-interest bearing liabilities	426	391
<b>Total non-interest bearing liabilities</b>	<b>12,280</b>	<b>11,063</b>

› 23. MORTGAGES AND GUARANTEES

(in NOK millions)	2000	1999
<b>Mortgages</b>		
Inventories, receivables, tangible assets, etc	1,991	1,747
<b>Total mortgages</b>	<b>1,991</b>	<b>1,747</b>
<b>Guarantees</b>		
Satellite organizations	2,117	1,812
Other guarantees	1,481	1,295
<b>Total guarantees</b>	<b>3,598</b>	<b>3,107</b>

› 24. COMMITMENTS AND CONTINGENCIES

In December 1997 Teletopia AS filed a complaint against Telenor Communications AS before the Oslo City Court claiming that an agreement from 1995 between the two companies still should be valid, demanding that Telenor was to supply Teletopia with a large number of telecommunications connections for free. Teletopia also claimed that Telenor should be ordered to pay damages to be set at the discretion of the court, but estimated by Teletopia to approximately NOK 100 million. Negotiations started March 5, 2001 .

In March 1998, NetCom GSM ASA filed a complaint against Telenor Telecom Solutions AS before the Oslo city court. NetCom claims that Telenor's prices on leased lines in the years 1993 through 1996 were not in accordance with the official telecommunications regulations requiring cost oriented pricing of leased lines. NetCom claims approximately NOK 150 million in reimbursement, including interest, alleging that it paid excess fees for leased lines. Proceedings starts in Oslo city court in April 2001 .

In July 2000, Enitel ASA filed a complaint against Telenor Telecom Solutions AS before an arbitration court. Enitel ASA claims damages for loss of revenues, increased expenses and damage to customers due to late implementation of carrier preselection as directed by the Norwegian Post and Telecommunications Authority (PT) in 1999. On the basis that carrier preselection is an interconnection service, Enitel ASA claims that Telenor Telecom Solutions AS breached the interconnection agreement, and that their maximum economic loss is NOK 120 million. The arbitration started March 12, 2001 .

In October 2000, Tele 2 Norge AS also filed a complaint against Telenor Telecom Solutions AS before an arbitration court on similar grounds as Enitel ASA alleging damages of NOK 78 million. This arbitration starts May 2, 2001 . In addition Tele 2 Norge has filed complaints against Telenor Bedrift AS, Telenor Privat AS and Telenor Communication AS before the Oslo city court claiming that these companies shall repay the alledged enrichment of these companies due to late delivery of carrier preselection by Telenor to Tele 2 . Tele 2 claims NOK 14.4 million. Negotiations in this case is preliminary set to October 9, 2001 .

Tele 1 Europe AS has also filed a complaint before an arbitration court on the same basis as Enitel ASA and Tele 2 Norge AS alleging damages of NOK 30 million. No date has been set for the arbitration.

Telenor originally filed a complaint against Nettet Kommune, a Norwegian municipality in the local city court disputing real-estate taxes levied on Telenor Telecom Solutions' infrastructure. On November 1 , 2000 Telenor won a judgment on this case in the appeals court after having initially lost in the lower court. Nettet Kommune sought November 30, 2000 a review of the decision by the Norwegian Supreme Court, and the Appeal Committee of the Norwegian Supreme Court has approved the case to be presented for the Norwegian Supreme Court. So far 21 of Norway's municipalities have assessed real estate tax on Telenor Telecom Solutions' infrastructure.

In a letter of February 21 , 2001 Norges Statsbaner BA (NSB) claims that an agreement between Telenor and NSB as of December 9, 1998 in which the parties agreed on the final settlement for preparation of a property in Lillestrøm for creosote from Telenor's pillar preservation activities is not binding for NSB, and that Telenor is responsible for the total expenses for the preparation, claimed to be in the amount of NOK 150 million.

Telenor is also involved in other disputes arising in the ordinary course of business. Provisions have been made to cover the expected outcome of the disputes to the extent that negative outcomes are likely and reliable estimates can be made. While acknowledging the uncertainties of litigation, management believes that these matters will be resolved without a material effect on our financial position.

› 25. CONTRACTUAL OBLIGATION

The Group has entered into agreements with fixed payments in the following areas as of December 31, 2000.

(in NOK millions)	2001	2002	2003	2004	2005	After 2005
Rent of premises	666	545	377	282	253	485
Rent of cars, office equipment, etc	190	135	76	32	15	5
Purchase of energy	46	46	1	-	-	-
Rent of satellite capacity, etc	494	321	287	155	102	343
IT-related agreements	384	183	82	38	34	3
Other contractual obligations	2,689	137	72	71	69	-
<b>Committed investments <sup>1)</sup></b>						
Associated companies	1,531	1,111	1,013	-	-	-
Properties and equipment	1,663	316	33	9	10	-
Other contractual investments	108	25	1,059	1	1	-
<b>Total contractual obligation</b>	<b>7,771</b>	<b>2,819</b>	<b>3,000</b>	<b>588</b>	<b>484</b>	<b>836</b>

<sup>1)</sup> Do not include future investments due to the UMTS license in Norway awarded to Telenor.

› 26. RELATED PARTIES

Telenor ASA is 79% owned by the Norwegian state.

The Norwegian telecommunications market is governed by the Telecommunications Act and other regulations issued pursuant to this Act, as well as by concessions (licenses) for certain activities. According to the concession on fixed network and the public telephony service, Telenor must provide and maintain Universal Service Obligations (USO) – PSTN telephony to all households and companies, public pay phones, services for the disabled, emergency services – and Special Service Obligations (SSO) – the defense of Norway, coastal radio, services concerning Svalbard, wire services for ships, provisions of emergency lines for the police, fire department and ambulances – at a certain level. Telenor receives no compensation from the state for the provision of USO services, whereas compensation is given to Telenor for the provision of SSO. In 2000, 1999 and 1998 Telenor received NOK 78 million, NOK 76 million and NOK 100 million respectively under this agreement. Telenor paid NOK 200 million to the Norwegian state for a UMTS licence in 2000.

In addition Telenor provides mobile and fixed telephony services, leased lines, customer equipment, Internet connections, TV distributions and installation and IT operations/services to the state in the normal course of business and at arms-length prices. In 1999 Telenor acquired land on Fornebu for its new main office from the Norwegian state. The total consideration was NOK 471 million. In 2000 Telenor sold its headquarters for NOK 550 million to Entra Eiendom AS, a Norwegian government-owned entity and Selmer ASA. We lease back the administrative premises pending the completion of our new headquarters.

Telenor pays an annual fee to the Norwegian Post and Telecommunications Authority ("PT") for delivering telephony and mobile services. The fee was NOK 61 million in 2000, NOK 61 million in 1999 and NOK 47 million in 1998.

Canal Digital, a joint venture, owned 50% by Telenor, has agreements to purchase products and services from Telenor, mainly satellite broadcasting and cards for TV-decoders. The total amount invoiced for these products and services was NOK 282 million in 2000, NOK 188 million in 1999 and NOK 145 million in 1998.

Associated companies abroad hire personnel from Telenor. A total of NOK 24 million, NOK 49 million and NOK 78 million was invoiced for these services in 2000, 1999 and 1998, respectively.

Bravida is an associated company from November 1, 2000 and is not consolidated in the period from November 1 to December 31, 2000. NOK 491 millions was invoiced from Bravida to other group companies, mainly for installation and other services. NOK 173 million was invoiced from Telenor companies to Bravida mainly for sale of customer equipment and administrative services.

› 27. ADDITIONAL INFORMATION ABOUT CASH FLOW

With the exception of certain companies, the Group has established tax deduction guarantees for payment of the employees' tax deductions. The Group has established Group bank accounts with two banks. Under these agreements, Telenor Communication AS is the Group account holder, whereas the other companies in the Group are sub-account holders or participants. The banks can set off balances in their favor against deposits, so that the net position represents the net balance between the bank and the Group account holder.

› Restricted bank accounts			
(in NOK millions)	2000	1999	1998
For employees' tax deduction	24	35	18
Other	52	55	1
<b>Total</b>	<b>76</b>	<b>90</b>	<b>19</b>

› Material non monetary transactions			
(in NOK millions)	2000	1999	1998
Capital lease	-	-	1,611
Issuance of shares in subsidiaries in a business combination	-	619	-
Purchase of software licenses	1,006	-	-
<b>Total</b>	<b>1,006</b>	<b>619</b>	<b>1,611</b>

In addition, NOK 1,215 million of the investment in VimpelCommunication was reported as an investment in the cash flow statement in 1998.

## › 28. MANAGEMENT COMPENSATION ETC.

The total salary for the President and Chief Executive Officer Tormod Hermansen for 2000 was NOK 3,026,281. In addition Telenor paid pension premiums of NOK 5,330,377 and other remuneration of NOK 200,290.

Remuneration for the Board of Directors and the Corporate Assembly for 2000 was NOK 1,464,586 and NOK 297,919, respectively.

According to employment agreements, the members of the Group Management have the right to receive salary for six months beyond the agreed period of notice if Telenor terminates the employment, with the following exceptions. Three members of the Group Management; The President and Chief Executive Officer, the Executive Vice President and Chief Technology Officer, and the Executive Vice President and Chief Executive Officer of Telenor Broadband Services have no right to receive salary beyond the agreed period of notice. The Senior Executive Vice President and head of the business in Norway has the right to receive salary for twelve months beyond the agreed period of notice.

Two members of the Group Management; the Senior Executive Vice President and Chief Executive Officer of Telenor Mobile Communications and the Senior Executive Vice President and Chief Financial Officer both have agreements which entitle them to new engagements within the organisation with the right to compensation equivalent to half of their salary. These agreements relate to a specified time period up to the age of retirement. The future pension benefits are based on the salary at the time of transfer to new engagements.

Furthermore, the members of the Group Management, except for two members; the President and Chief Executive Officer and the Executive Vice President and Chief Technology Officer, have bonus schemes up to an amount corresponding to six months' salary (4 months' salary for the Executive Vice President, Communications, HR and framework). The Executive Vice President and Chief Executive Officer of Telenor Internet has in addition to the above mentioned bonus scheme an agreement over three years from and including the year 2000. This bonus agreement is tied to an annual growth in the value of the Internet business area (reduced by invested capital) of 50% which gives rise to a bonus up to NOK 1.5 million each of the three years.

Members of the Group Management have the right to retire at the age of 60/62 years with a supplementary pension, making their pension 66% of their salary at the date of retirement.

The suggested audit fee for 2000 to the auditor of the Group (Arthur Andersen & Co, Norway) is NOK 0.5 million for the parent company and NOK 13.0 million for the subsidiaries. For other services the auditor of the Group (Arthur Andersen & Co, Norway) has invoiced NOK 30.8 million, of which NOK 4.7 million relates to the parent company.

Total loans to employees were NOK 63.4 million as of December 31, 2000. The loans were mainly given to finance cars purchased by the employees as an alternative to company cars (at market conditions) and loans provided in connection with the purchase of shares in the employee offering in December 2000 (NOK 37.5 million). The loans for purchase of shares was limited to NOK 8,500 per employee. The three employee representatives in the Board of Directors and one member of the Group Management (the Executive Vice President, Communications, HR and Framework) had outstanding loans of NOK 8,500 each as of December 31, 2000, related to this share purchase arrangement. Loans for share purchase are not interest bearing and have terms of one year.

Telenor has no obligations pertaining to subscription rights, options and similar rights which entitle employees or Elected officers to subscribe for, buy or sell shares in Telenor ASA.

The number of shares owned by the members of the Board of Directors, the Corporate Assembly and the Group Management as of December 31, 2000 are shown below. Shares owned by the Board of Directors and the Group Management includes closely related parties.

<b>Board of Directors</b>	<b>No. of shares owned as of December 31, 2000</b>
Eivind Reiten	4,840
Åshild M. Bendiktsen	620
Kari Broberg	500
Inge K. Hansen	2,410
Bente Halvorsen	620
Harald Stavn	2,590
Per Gunnar Salomonsen	870
Irma Tystad	250
<b>Corporate Assembly</b>	<b>No. of shares owned as of December 31, 2000</b>
Ragnar Klevaas	620
Eystein Gjelsvik	250
Stein Erik Olsen	250
Berit Kopren	250
Ole Morten Olsen	250
Jan Riddervold	1,000
<b>Group Management</b>	<b>No. of shares owned as of December 31, 2000</b>
Tormod Hermansen	9,980
Torstein Moland	11,470
Berit Svendsen	3,090
Henrik Torgersen	1,870
Jon Fredrik Baksaas	11,470
Arve Johansen	23,890
Gun Bente Johansen	3,110
Jan Edvard Thygesen	13,850
Morten Lundal	7,230
Stig Eide Sivertsen	27,540

## › 29. NUMBER OF SHARES, SHARE-HOLDERS ETC.

Telenor ASA has a share capital of NOK 10,812,911,394 divided into 1,802,151,899 ordinary shares with a nominal value of NOK 6 each. All shares have equal voting rights and right to receive dividends. As of December 31, 2000 the company had 30,000,000 treasury shares which were issued through a transfer of capital from "other paid in capital" to share capital (a share dividend issue). The Kingdom of Norway waived its right to receive the new shares, which were issued to Telenor as treasury shares. The treasury shares will be used to grant additional bonus shares to retail investors in Norway pursuant to the global offering in December 2000.

At the extraordinary shareholders meeting held on November 10, 2000 it was resolved to grant authority to the board of directors to increase the share capital by up to NOK 1,063,291,134 through the issuance of up to 177,215,189 ordinary shares of NOK 6 nominal value each in connection with possible future investments. Such authority lasts to July 1, 2002. The board of directors may waive the pre-emptive rights of shareholders to such shares. The authority includes the issuance of shares against consideration other than cash and the issuance of shares in a merger.

The following shareholders had 1% or more of the total number of the 1,772,151,899 outstanding shares (excluding the 30 million treasury shares) as of December 31, 2000.

<b>Name of shareholders</b>	<b>Number of shares</b>	<b>%</b>
Ministry of Trade and Industry	1,400,000,000	79.00
Bank of New York	23,331,295	1.32
National Insurance Scheme Fund	20,238,095	1.14
Goldman Sachs International	18,145,950	1.02
Credit Suisse First Boston	17,714,961	1.00

› 30. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Group's consolidated financial statements have been prepared under Norwegian GAAP, which differs in certain respects from US GAAP. The principal differences between the Group's accounting principles under Norwegian GAAP and US GAAP are set out below:

› Reconciliation of net income from Norwegian GAAP to US GAAP

(in NOK millions)	Note	2000	1999	1998
Net income in accordance with Norwegian GAAP		1,076	2,035	1,710
<b>Adjustments for US GAAP:</b>				
Capitalized interest associated companies	1	-	-	57
Depreciation of previously capitalized interest	1	(4)	(5)	(4)
Restructuring costs and employee termination benefits	2	-	-	(234)
Pensions	3	(25)	(18)	(18)
Amortization of license costs and related goodwill	4	(3)	(3)	30
Temporary investment in entities	5	(38)	(53)	(20)
Gains on subsidiaries equity transactions and disposal of shares in subsidiary	6	393	307	-
Stock compensation	8	(194)	(30)	-
Sale and lease back of properties	9	(153)	-	-
Tax effect of US GAAP adjustments	10	(48)	(64)	53
Minority interests	6	78	19	4
<b>Net income in accordance with US GAAP</b>		<b>1,082</b>	<b>2,188</b>	<b>1,578</b>
Net income (basic and dilutive) per share in accordance with US GAAP		0,759	1,563	1,194
Weighted average number of shares outstanding		1,426,509,450	1,400,000,000	1,322,166,667
<b>Revenues in accordance with US GAAP</b>		<b>36,553</b>	<b>32,716</b>	<b>28,670</b>

› › Reconciliation of shareholders' equity from Norwegian GAAP to US GAAP

(in NOK millions)	Note	2000	1999
Shareholders' equity in accordance with Norwegian GAAP		35,474	20,033
<b>Adjustments for US GAAP:</b>			
Dividends	11	532	500
Gains on subsidiaries' equity transactions and disposal of shares in subsidiary	6	700	307
Capitalized interest associated companies	1	79	79
Depreciation of previous capitalized interest	1	(13)	(9)
Pensions	3	165	190
Amortization of license costs and related goodwill	4	49	52
Temporary investments in entities	5	(153)	(115)
Equity and debt securities	7	(82)	192
Stock compensation	8	(224)	(30)
Sale and lease back of properties	9	(153)	-
Tax effect of US GAAP adjustments	10	(188)	(141)
Minority interests	6	118	(23)
<b>Shareholders' equity in accordance with US GAAP</b>		<b>36,304</b>	<b>21,035</b>
<b>Total assets in accordance with US GAAP</b>		<b>99,776</b>	<b>53,787</b>
Long-term interest bearing liabilities in accordance with US GAAP		47,185	19,252

› › The following table reflects the components of comprehensive income under US GAAP

(in NOK millions)	2000	1999	1998
Net income in accordance with US GAAP	1,082	2,188	1,578
Other comprehensive income			
– Unrealized gain/loss on available for sale securities	(210)	52	(36)
– Translation adjustment	(349)	(17)	27
<b>Total other comprehensive income</b>	<b>(559)</b>	<b>35</b>	<b>(9)</b>
<b>Comprehensive income</b>	<b>523</b>	<b>2,223</b>	<b>1,569</b>

- › › **(1) Capitalized interest** › Under Norwegian GAAP the Group has expensed interest incurred in connection with the financing of associated companies.
- Under US GAAP interest incurred on equity funds, loans and advances to associated companies, under a period which the associated company is undergoing activities necessary to start its planned principal operations and such activities include the use of funds to acquire qualifying assets for its operations, shall be capitalized. Depreciation started in 1998 since those companies started their principal operations in 1998.
- › › **(2) Restructuring costs and employee termination benefits** › In 1997, under Norwegian GAAP, the company recorded certain provisions for restructuring, redundancy and liquidation of operations costs, which were to be incurred in 1998.
- Under US GAAP, a liability for the cost of employee termination benefits can only be recognized if, before the date of the financial statements, management has authorized and committed to a plan, the arrangement has been communicated to employees and the number and type of employees to be terminated have been identified. A provision for restructuring costs can not be made if these costs are not incremental to other costs the Group incurs.
- As a result of not meeting such criteria under US GAAP, an adjustment has been reflected to record the restructuring cost in 1998, under US GAAP.
- › › **(3) Pensions** › In 1995 the Group began to account for pensions according to the Norwegian accounting standard which is substantially consistent with US GAAP. The change in accounting principle was offset directly against shareholder's equity.
- Under US GAAP the effect of adopting SFAS 87 would be amortized over the remaining average service period.
- › › **(4) Amortization of license costs and related goodwill** › Up to the end of 1997 the Group amortized license costs and goodwill related to acquired licenses over a period not exceeding 10 years. With effect from 1998 the amortization period has been changed to the term of the license. In accordance with Norwegian GAAP this change has been accounted for as a change of estimate, with no retroactive restatement of prior periods.
- Under the US GAAP reconciliation, this revision in the amortization period was accounted for retroactively.
- › › **(5) Temporary investment in entities** › Investments in entities in which the Group has an ownership that are considered to be temporary in nature are recorded at cost or written down to fair value. The Group invests periodically in companies for the purpose of making profits.
- Under US GAAP, all temporary investments with an ownership greater or equal to 20% are accounted for under the equity method or consolidated. The effect on the financial statements of temporary investments consolidated under US GAAP are immaterial.
- Total assets accounted for under the equity method for US GAAP was NOK 7,705 million for the year ended December 31, 1999 and NOK 39,361 million for the year ended December 31, 2000
- Total assets accounted for under the cost method for US GAAP was NOK 130 million for the year ended December 31, 1999 and NOK 104 million for the year ended December 31, 2000.
- › › **(6) Gain from subsidiaries equity transactions, disposal of shares in a subsidiary and minority interest** › Under Norwegian GAAP, no gains from subsidiary's equity transactions and disposal of shares in a subsidiary are recognized.
- Under US GAAP, the Group records gains from subsidiary equity transactions (SAB 51 transactions) and disposal of shares in a subsidiary through income.
- Under Norwegian GAAP, the minority interest is measured at fair value of the consideration paid from the minority. The difference between the recorded equity in the subsidiary and value of the consideration paid by the minority will be amortized through allocating results to minority.
- This allocation is not consistent with US GAAP.
- The following information relates to the issuance of subsidiary shares in 1999 and 2000 under US GAAP:
- Telenor's 100% owned subsidiary Telenor Programvare AS (now EDB Business Partner ASA) and the listed company EDB ASA

merged in a purchase business combination in 1999, where the shareholders in EDB ASA received 34% of the shares in Telenor Programvare AS in exchange for its ownership in EDB AS. The total consideration was NOK 547 million based on the quoted price of EDB ASA at the date the transaction was announced. Recognized gain was NOK 192 million. In September 1999 Telenor sold 4.1 million of its shares in EDB Business Partner ASA. The total consideration was NOK 144 million. The resulting gain was NOK 94 million. In November 1999, Telenor B-Invest issued shares to a minority shareholder for cash, reducing Telenor's ownership stake in the company by 26.67%. The total consideration was NOK 230 million. Recognized gain was NOK 21 million.

Telenor reduced its ownership stake in EDB Business Partner ASA when EDB Business Partner ASA issued shares to minority shareholders for cash in two transactions in February and May 2000, reducing Telenor's ownership by 7.3%. In particular, EDB Business partner ASA issued 6.9 million shares in February 2000 at a price per share of NOK 137. Telenor did not participate in this issue, and Telenor's ownership was reduced from 59.6% to 54.2%. EDB Business Partner ASA issued another 10 million shares in May 2000 at a price per share of NOK 100. Also during May 2000, 2.7 million share option subscriptions by employees took place at an average price per share of NOK 37.73. Telenor's ownership was thereby reduced from 54.2% to 52.6%. Total consideration received from minority shareholders was NOK 1,449 million and recognized gain under US GAAP was NOK 393 million. Taxes have been accrued in the tax effect line item of US GAAP adjustments.

- › **(7) Marketable equity securities** › For investments in marketable equity securities classified as current assets that are managed as a portfolio adjustments in the book value are only made if the aggregate holdings have a lower estimated fair value than the original cost. Other marketable shares are valued at the lower of cost or fair market value. Investment in marketable equity securities classified as long-term are valued at historical cost or possibly fair value if the decline in value is not considered temporary.

Under US GAAP, marketable equity securities are valued at their fair value for each security. For marketable equity securities classified as available for sale, unrealized gains and losses after tax are recorded directly to shareholder's equity. All listed shares are classified as available for sale in accordance with SFAS 115.

As of December 31, 1999 and 2000, available for sale securities at cost amounted to NOK 36 million and NOK 561 million, respectively, with unrealized holding gains of NOK 266 million as of December 31, 1999 and an unrealized holding loss of NOK 114 million as of December 31, 2000. For the years ended December 31, 1999 and 2000, proceeds from the sale of available for sale securities was NOK 660 million and NOK 165 million, respectively, and the gross realized gain from such sales was NOK 509 million and NOK 129 million, respectively.

- › **(8) Stock compensation** › The subsidiary EDB Business Partner ASA has stock compensation plans for its employees. The exercise price is based on the share price when the option was granted and is increased by 1% for each subsequent month until the date of exercise. Most of the options that are not exercised according to the plan can be carried forward to the next year.

In accordance with Norwegian GAAP, the Group did not recognize expense for stock options with no intrinsic value that were granted to employees.

In accordance with US GAAP, the measurement date for determining compensation costs for stock options is the first date at which the number of shares the employee is entitled to receive and the exercise price of the options are known. When EDB Business Partner ASA granted stock options, the number of shares was known at the grant date; however, the exercise price to be paid was not known because it was not known when the employee would exercise the option. Accordingly, variable plan accounting would apply under US GAAP and the intrinsic value of the options at the end of each reporting period, based on the presumed exercise price and the quoted marked price of EDB Business Partner's stock, would be calculated and recorded as compensation expense over the vesting period.

The following information relates to the stock compensation plans for EDB Business Partner:

EDB Business Partner operated two stock incentive plans for its employees at the beginning of 2000:

1. An "old" share option plan, established in 1997, by what was then EDB ASA, that was consolidated by EDB Business Partner as of May 1999, and
2. A new universal share option plan established in 1999 for all employees of EDB Business Partner ASA (including employees of recently acquired companies).

The old plan expired in May 2000, when the last exercise of options granted took place. The new universal share option plan has the approval of the shareholders of EDB Business Partner to grant options for the year ended December 31, 2000. The continuation of the plan in the years 2001 and 2002 requires, and is subject to, additional shareholder approval. Norwegian law requires shareholder approval of share issues, and the Board of Directors can not obtain power of attorney to execute such



plans due to the longevity of the exercise period. For the purpose of these financial statements these grants should be considered effective.

As of December 31, 2000, EDB Business Partner's stock incentive plans have authorized the grant of options to employees for up to 12,324,478 shares of EDB Business Partner's common shares. Options granted had one to four year terms, where one-third of vested options become exercisable each year. Options vest over a one to three year period of continued employment. Vested but unexercised options can be carried forward to May 2004 or expire. Of the total options outstanding at year-end, options for 1.8 million shares have been accounted for as fixed plan awards. In fixed plan awards, the measurement date occurs on the grant date when both the number of shares of stock that may be acquired and the price to be paid by the employee are known. The options for the remaining 10.5 million shares of stock are considered variable plan grants because terms do not define the ultimate exercise price of the options.

EDB Business Partner has elected to continue to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options. However, pro forma information regarding net income and earnings per share is required by FASB Statement No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), and has been determined as if EDB Business Partner had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions. The assumptions for 2000 were risk-free interest rates of 6.61 %; dividend yield of zero; volatility factor of the expected market price of EDB Business Partner's common shares of 66 %; and a weighted-average expected life of the options of 3.3 years. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because EDB Business Partner's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. Had compensation cost for these plans been determined consistent with SFAS 123, the Group's net income would have been reduced to the following:

(in NOK millions)	2000	1999
<b>Proforma net income based on US GAAP</b>	<b>1,143</b>	<b>2,199</b>

EDB Business Partner would have recognized NOK 82 million in pro forma compensation expense under SFAS 123 for 2000.

The possible exercise of the stock options will have no dilutive effect on earnings per share since the options are only exercisable for EDB Business Partner ASA's shares. Thus, the exercise of options could not change the number of Telenor shares outstanding.

A summary of EDB Business Partner's stock option activity and related information for the years ended December 31 follows:

› **Options outstanding**

	Options	Weighted Average Exercise Price
<b>Balance as of December 31, 1998</b>	-	-
Options at the date of acquisition,	1,976,821	26.28
Options granted in 1999	7,383,739	62.00
<b>Balance as of December 31, 1999</b>	<b>9,360,560</b>	<b>54.46</b>
Options granted in 2000	6,277,134	179.07
Options exercised in 2000	2,722,448	30.79
Options cancelled in 2000	590,768	53.45
<b>Balance as of December 31, 2000</b>	<b>12,324,478</b>	<b>121.62</b>

The table below details EDB Business Partner's options outstanding by related option exercise price and is based on the final exercise dates. Some options under the new plan may be exercised prior to the termination of the plan.

Weighted average Exercise Price (in NOK)	Options Outstanding	Weighted Average Remaining Life	Options Exercisable
62.00	6,047,344	3.3	-
137.60	536,613	3.3	-
182.93	5,740,521	3.3	-
-	<b>12,324,478</b>	<b>3.3</b>	<b>-</b>

› **(9) Sale and lease back of properties** › Under Norwegian GAAP the Group recognizes gains from sale and lease back of properties when the lease back agreement is an operating lease agreement. Under US GAAP only gain from sale and lease back of properties that exceeds the net present value of the lease back agreement can be recognised as gains. The remaining gains must be deferred over the lease periods.

› **(10) Taxes** › The income tax effects of US GAAP adjustments are recorded as a deferred tax expense.

› **(11) Dividends** › Under Norwegian GAAP, dividends payable reduce shareholders' equity for the year in which they relate.

Under US GAAP, dividends payable are recorded as a reduction of shareholders' equity when approved.

› **(12) Cross border tax benefit leases** › The Group has offset the future lease obligations under the digital telephone switches and the GSM Mobile telephone network cross border tax benefit lease transaction against the unused prepayments on deposits at financial institutions.

Both under Norwegian GAAP and under US GAAP we have deferred the gain from the transactions since there is more than a remote possibility of loss of the gain due to indemnification or other contingencies.

Under US GAAP, assets and liabilities may not be offset except when there exists the legal right to offset the asset and liability. The legal right to offset the prepaid lease amount against the future lease obligations do not legally exist therefore, under US GAAP, the prepaid lease amounts and the Group's future obligations under the sales-leaseback transactions are recorded gross on the consolidated balance sheet as financial assets and long-term interest bearing liabilities in the amount of approximately NOK 4,902 million for the year ended December 31, 2000 and financial assets and long-term interest bearing liabilities of NOK 4,413 million for the year ended December 31, 1999. This does not affect the profit and loss statement or shareholder's equity.

At December 31, 2000 future minimum annual rental commitments under capital lease liability are as follows under US GAAP:

(in NOK millions)	As of December 31, 2000
2001	644
2002	607
2003	606
2004	763
2005	763
Later years through 2016	5,300
<b>Total minimum lease payments</b>	<b>8,683</b>
Less amount representing interest	2,419
Capital lease obligation under US GAAP	6,264
Capital lease obligation under Norwegian GAAP	1,362
Deferred gain (both Norwegian and US GAAP)	267

Capital leases are for switches, GSM mobile telephony network and satellites. Capital lease property is included in tangible assets as follows (at net book value):

(in NOK millions)	2000	1999
Switches	545	780
GSM mobile telephony network	1,066	1,430
Satellites	1,439	1,590
<b>Total</b>	<b>3,050</b>	<b>3,800</b>

› **(13) Revenue recognition** › Under Norwegian GAAP gains on the sale of fixed assets and operations are included in net revenues. Under US GAAP such gains would be included in other operating income.

Under Norwegian GAAP revenue from telecommunications installation fees and connection fees are recognized in revenues at the time of the sale and all initial direct costs are expensed as incurred. Under US GAAP, such connection and installation fees that do not represent a separate earnings process should be deferred and recognized over the periods that the fees are earned which is the expected period of the customer relationship. Initial direct costs to the extent of the deferred revenue should also be deferred over the same period that the revenue is recognized. The effect on net income of this difference is not material.

- › **SAB 101** › The Company has considered the effect of SAB 101 and determined that it would not have a material effect on net income for any period presented.
- › **New US Accounting Standards** › In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for derivative instruments and hedging activities" (SFAS 133). SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the item in the income statement or other comprehensive income (depending on the type of hedge). To adopt hedge accounting a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", addresses a limited number of implementation difficulties involved in applying SFAS 133.

Telenor adopted SFAS 133 on January 1, 2001. For Telenor, as of January 1, 2001 SFAS 133 effects derivative transactions entered into to manage foreign currency exchange rate and interest rate risk.

Derivatives, primarily interest rate swaps and cross currency swaps, are used to manage foreign exchange rate and interest rate risk. A significant portion of these derivative transactions are designated as hedging instruments in fair value hedging relationships, as defined in SFAS 133, as they are expected to be highly effective in mitigating interest – and foreign exchange rate risk on Telenor's debt instruments. The effect of marking interest rate and currency derivatives to market in the profit and loss statement and in the balance sheet is, to a great extent, accompanied by offsetting postings to outstanding debt instruments in the profit and loss statement and on the opposite side of the balance sheet. Any gains and losses posted on the hedging instruments, including interest accruals, are mirrored by recognition of changes in fair value of the hedged items due to the risk being hedged, provided the hedge is proven to be highly effective. Any ineffectiveness in the hedging relationships are recognized in earnings as a transition effect. Telenor has not designated any cash flow hedging relationships as of January 1, 2001.

Certain of the derivatives in the portfolio as of January 1, 2001 did not qualify as hedging instruments as defined in SFAS 133, although the transactions are viewed as economic hedges according to Telenors risk management policy. The fair value of these derivatives has been recognized in the balance sheet and posted to net income as a transition effect as of January 1, 2001.

There was no transition effect for Telenor arising from net investment hedging relationships.

The transition effect as of January 1, 2001 through net income and through other comprehensive income is assessed to be immaterial.

## › STATEMENT OF PROFIT AND LOSS

Telenor ASA  
July 21  
– December 31

(in NOK millions)	Note	2000
<b>Total revenues</b>		
<b>Operating expenses</b>		
Salaries and personnel costs		8
Other operating expenses		24
<b>Total operating expenses</b>		<b>32</b>
<b>Operating profit</b>	1	<b>(32)</b>
<b>Financial income and expenses</b>		
Interest income from Group companies		78
Group Contribution from Group companies		5,487
<b>Net financial items</b>		<b>5,565</b>
<b>Profit before taxes</b>		<b>5,533</b>
Taxes	2	1,549
<b>Net income</b>		<b>3,984</b>
Proposed dividends		532
Group Contribution distributed (net after taxes)		2,342

## › BALANCE SHEET

Telenor ASA  
as of December 31

(in NOK millions)	Note	2000
<b>Assets</b>		
Shares in subsidiaries	4	20,954
<b>Total fixed assets</b>		<b>20,954</b>
Interest-bearing receivables from Telenor Communication AS		15,377
Non interest-bearing receivables from Group companies		5,565
<b>Total current assets</b>		<b>20,942</b>
<b>Total assets</b>		<b>41,896</b>
<b>Equity and liabilities</b>		
Equity	3	37,309
<b>Liabilities</b>		
Liabilities to Group companies		3,495
Dividends payable		532
Accrued expenses		53
Current taxes		507
<b>Total short-term liabilities</b>		<b>4,587</b>
<b>Total equity and liabilities</b>		<b>41,896</b>
Mortgages		-
Guarantees		-

## › CASH FLOW STATEMENT

Telenor ASA  
July 21–December 31

(in NOK millions)	2000
Net cash flow from operating activities <sup>1)</sup>	-
Receivables from Group companies	(15,378)
<b>Net cash flow from investment activities</b>	<b>(15,378)</b>
Paid in equity	15,583
Paid costs in connection with the capital increase	(205)
<b>Net cash flow from financing activities</b>	<b>15,378</b>
Net change in cash and cash equivalents	-
Cash and cash equivalents at July 21	-
<b>Cash and cash equivalents at December 31</b>	<b>-</b>

### <sup>1)</sup>Reconciliation

Net income	3,984
Taxes	1,549
<b>Profit before taxes</b>	<b>5,533</b>
Change in accruals etc.	(5,533)
<b>Net cash flow from operating activities</b>	<b>-</b>

Payment of the remainder of the costs in connection with the capital increase and other payments have taken place through Telenor Communication AS.

## › NOTES TO THE FINANCIAL STATEMENTS

Telenor ASA

### › 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND GENERAL

Telenor ASA's accounting principles are similar to the Group's accounting principles, as described. Where the notes for the parent company are substantially different from the Group's, these are shown below. Otherwise refer to the notes to the consolidated financial statements for the Group.

Group contribution distributed (net after taxes) has increased the book value of subsidiaries.

Salaries and personnel costs mainly consist of employee discounts in the employee offering in December 2000. Other operating expenses includes service fee to Telenor Communication AS and expenses in connection with the share issue and the stock-exchange introduction. The Group's Chief Executive Officer and Board of Directors have the same positions in Telenor ASA. We refer to note 28 to the consolidated financial statements for the Group for further information on the management compensations etc. for the year 2000.

### › 2. TAXES

#### › Income tax expenses for the period July 21 – December 31, 2000

(in NOK millions)

**Profit before taxes in Norway** 5,533

**Current taxes in Norway** 1,549

The effective tax rate is 28%. The company had no temporary differences as of December 2000. The current taxes in the balance sheet is reduced with taxes on group contribution distributed and taxes on costs in connection with the capital increase.

### › 3. EQUITY

	Number of shares	Nom amount (NOK)	Share capital (NOK millions)	Other paid capital (NOK millions)	Other equity (NOK millions)	Treasury shares (NOK millions)	Total (NOK millions)
<b>Equity at establishment considering contribution in kind October 3, 2000</b>	1,400,000,000	6	8,400	5,600	4,611	-	18,611
Share dividend issue November 10, 2000	30,000,000	6	180	(180)	-	-	-
Treasury shares	-	6	-	180	-	(180)	-
Share issue December 2000	372,151,899	6	2,233	13,013	-	-	15,246
Net income for 2000	-	-	-	-	3,984	-	3,984
Dividends (excl. on treasury shares)	-	-	-	-	(532)	-	(532)
<b>Balance as of December 31, 2000</b>	<b>1,802,151,899</b>	<b>6</b>	<b>10,813</b>	<b>18,613</b>	<b>8,063</b>	<b>(180)</b>	<b>37,309</b>

› 4. SHARES IN SUBSIDIARIES

(in NOK thousand)	Office	The Company's share capital	Number of shares in the company	Share owned in %	Book value
Telenor Media Holding AS	Norway	100	100	100.0	100
Nye Telenor Communication I AS	Norway	100	100	100.0	100
Telenor Intercom Holding AS	Norway	100	100	100.0	100
Telenor Communication AS	Norway	8,400,000	840,000	100.0	20,953,523
<b>Total</b>					<b>20,953,823</b>
<b>Shares in subsidiaries owned through Telenor Communication AS</b>					
(in NOK thousand)	Office	The Company's share capital	Number of shares in the company	Share owned in %	
Telenor Bedrift AS	Norway	350,000	350,000	100.0	
Telenor Telecom Solutions AS	Norway	2,800,000	2,800,000	100.0	
Telenor Privat AS	Norway	150,000	150,000	100.0	
Telenor Mobil AS	Norway	300,000	300,000	100.0	
Telenor Mobile Communications AS	Norway	4,429,998	4,429,998	100.0	
Telenor Plus AS	Norway	29,799	29,799	100.0	
Telenor Broadband Services AS	Norway	819,593	819,593	100.0	
Telenor Satellite Services AB	Sweden	800	8,000	100.0	
Nextra AS	Norway	160,625	32,125	100.0	
EDB Business Partner ASA	Norway	156,081	89,189,286	52.6	
Telenor Ireland Ltd	Ireland	250	250,000	100.0	
Telenor Digifone Holding AS	Norway	200	200	100.0	
Itworks AS	Norway	500	500	100.0	
Nye Telenor Plus 1 AS	Norway	100	100	100.0	
Nye Telenor Mobile Communications I AS	Norway	100	100	100.0	
Telenor East Invest AS	Norway	50	50	100.0	
Telenor Russia AS	Norway	100	100	100.0	
Telenor Hellas SA	Greece	20,000	20,000	100.0	
Telenor Greece AS	Norway	100	100	100.0	
Norkring AS	Norway	504,000	504,000	100.0	
Telenor Vision International AB	Sweden	100	1,000	100.0	
Kalix Tele 24 AB	Sweden	500	5,000	100.0	
Telenor Innovasjon AS	Norway	31,000	31,000	100.0	
Telenor Multicom AS	Norway	1,000	1,000	100.0	
Telenor Forsikring AS	Norway	50,000	500	100.0	
Telenor Instrument AS	Norway	500	500	100.0	
Telenor Renhold & Kantine AS	Norway	1,000	510	51.0	
Investment Recovery Services AS	Norway	2,617	1,476	56.4	
Telenor Venture II ASA	Norway	30,050	150,500	50.1	
Telenor Svalbard AS	Norway	2,200	2,200	100.0	
Telenor Venture AS	Norway	100,000	637,210	63.7	
Telenor AB	Sweden	200	2	100.0	
Telenor Bruxelles SA	Belgium	124	124	98.4	
Telenor Kapitalforvaltning ASA	Norway	1,150	1,150	100.0	
Telenoraksjen AS	Norway	100	1,000	100.0	
Games AB	Sweden	100	1,000	100.0	
Telenor Eiendom Drift AS	Norway	100	100	100.0	
Telenor Eiendom Fornebu AS	Norway	100	100	100.0	
Telenor Eiendom Vest AS	Norway	50	50	100.0	
Telenor Eiendom Midt-Norge AS	Norway	100	100	100.0	
Telenor Eiendom Hareløkken AS	Norway	100	100	100.0	
Telenor Eiendom Sør AS	Norway	100	100	100.0	
TN Magyarorszag KFT	Hungary	470	1,490	99.3	
Argos Maroc S.A	Morocco	420	4,997	99.9	
CIMECOM S.A.	Morocco	8,615	103,000	100.0	
Telenor Link Holding AS	Norway	608	608	100.0	

Several of the companies above own shares in other companies as described in their respective annual reports.

AUDITOR'S REPORT FOR 2000

To the Annual Shareholders' Meeting of  
Telenor ASA

We have audited the annual financial statements of Telenor ASA as of 31 December 2000, showing a profit of NOK 3,984 million for the parent company and a profit of NOK 1,142 million for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements, included on pages 60–98, have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2000, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the directors' report, included on pages 11–18, concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with law and regulations.

ARTHUR ANDERSEN & CO.

Olve Gravråk (sig)  
State Authorised Public Accountant (Norway)

Oslo,  
March 14, 2001

› **STATEMENT  
FROM THE  
CORPORATE  
ASSEMBLY  
OF TELENOR**

In a meeting on March 14, 2001, the Corporate Assembly decided to recommend the Shareholders' meeting of Telenor ASA to approve the Board of Directors' proposed profit and loss statement and balance sheet for Telenor ASA and for the Group for 2000, and recommended that the Shareholders' meeting approve the suggested appropriation of the net income for the year 2000.



$$\begin{array}{r} \text{oslo børs (tel)} \\ + \quad \text{nasdaq (teln)} \\ \hline = \quad \underline{\underline{\text{telenor listing}}} \end{array}$$

note 1

note 1

The Telenor stock is parallel listed on the Oslo Børs (Oslo Stock Exchange) and on the Nasdaq Stock Market in New York; the latter via an ADR-program. One ADR equals three Telenor shares on the Oslo Børs.

# SHAREHOLDER INFORMATION

Telenor desires to establish and maintain a good and trusting relationship with its shareholders. Complete and adequate information will keep the stock market informed about any significant developments within the group. Telenor's goal is to promote value creation.

## › SHAREHOLDER POLICY

Telenor's principal objective is to create maximum value for its shareholders.

Telenor's shareholders shall earn a competitive return on their shares over time through a combination of dividends and price appreciation. The Telenor share shall emerge as a liquid and interesting investment opportunity.

Telenor's goal is to pay an annual dividend corresponding to 20-30 % of its net income, with a possible adjustment for one-time gains and losses. The size of the dividend may, however, vary from year to year.

Communication with owners, investors and analysts in Norway and abroad is a priority task for Telenor, which desires to establish an open dialogue with its shareholders and other players in the stock market. Our goal is to ensure that the financial markets always have adequate information on the company so that they can understand what the correct valuation of the share should be. Information that may be of significance to the shareholders and other players in the Norwegian and international stock markets is given in the form of notices to the **Oslo Stock Exchange**. Telenor has regular presentations in important financial centers in Europe and the USA.

## › SHARE CAPITAL

As of December 31, 2000 Telenor ASA had a share capital of NOK 10.8 billion, divided into 1,802,151,899 shares, each with a nominal value of NOK 6. The company holds 30,000,000 shares as treasury shares, and a maximum of around 2.0 million of these shares will be used as bonus shares for retail investors in accordance with the stipulated rules. The company may not dispose of any excess shares without the authorization of the Shareholders' meeting.

The Board of Directors has authorization up until the Annual General Meeting in 2002 to increase the company's share capital by a maximum of NOK 1,063,291,134, divided into 177,215,189 shares. The Board of Directors may determine that the shareholders' pre-emptive rights to subscribe for shares shall be waived.

Retail investors who purchased shares in connection with the share issue were given a discount of NOK 2 for each share allotted up to a maximum of NOK 25,000. Retail investors will also receive one share for each tenth share they were allotted within the scope of the same maximum limit, provided that the shares are held up to and including December 3, 2001.

## › VOTING RIGHTS AND DIVIDENDS

Telenor has one class of shares and each share carries one vote. The company does not have any ownership restrictions beyond those that are stipulated in the Norwegian concession laws. The exercise of shareholder rights is regulated by the Norwegian Public Limited Companies Act. Pursuant to Norwegian law only shares that are registered in the owner's name can be used for voting. Voting rights can be exercised no earlier than two weeks after shareholding has been reported to the Norwegian Central Securities Depository (VPS).

The Board of Directors proposes that a dividend of NOK 0.30 per share or a total of NOK 532 million be paid in 2000. The dividend adopted by the Shareholders' meeting will be paid on May 29, 2001 to the shareholders on the date of the Shareholders' meeting. The Shareholders' meeting will be held on, May 10.

## › STOCK EXCHANGE LISTING AND SHARE PRICE PERFORMANCE

The Telenor share was listed on the Oslo Stock Exchange on December 4, 2000 under the ticker code TEL. The share was

### Price performance, Telenor Group in 2000 (NOK, Oslo Stock Exchange)

Opening price	42.00
Highest price traded	41.80
Lowest price traded	37.20
Closing price Dec 29	38.40

listed at the same time on the Nasdaq Stock Market in the USA under the ticker code TELN, where it trades through Telenor's Level 3 ADR program in the USA. One ADR share corresponds to three Norwegian shares. In 2000, 151.2 million Telenor shares valued at NOK 6.1 billion were traded on the Oslo Stock Exchange, which corresponds to 9.5% of the stock exchange's total trading volume for the period (4-31 December 2000). The average trading volume for Telenor shares on the Oslo Stock Exchange during this period was 8.4 million. A round lot for the Telenor share on the Oslo Stock Exchange is 200 shares.

As of December 31, 2000 the price of the Telenor share was quoted at NOK 38.40, which corresponds to a market capitalization of NOK 69.2 billion. Telenor was thus the second largest company on the Oslo Stock Exchange and accounted for 3.3% of the total stock exchange index. The Oslo Stock Exchange's total index ended up at 1,336.86 at the end of the year, a decline of 1.7 % for the year as a whole. The price on the Nasdaq Stock Market at the end of the year (December 29, 2000) was USD 12.50.

#### › OWNERS AND SHAREHOLDER STRUCTURE

Telenor had 55,028 shareholders at the end of 2000. Of these shareholders, 53,207 were private individuals, and the employees accounted for 5,412 of these individuals. More than 40% of Telenor's employees who were given a special offer, accepted the offer to subscribe for shares from the new issue. Foreign investors owned around 14.2% of the total number of shares. The Kingdom of Norway, represented by the Ministry of Trade and Industry, is still clearly the largest individual owner with 79.00% of the shares. The four largest individual shareholders after the Kingdom of Norway owned 4.48% of the company at the end of the year.

Telenor ASA; shareholder breakdown as of December 31, 2000			
	Number of shares	Number of shareholders	Percentage of capital
	1 – 1,000	51,229	1.02 %
	1,001 – 100,000	3,531	1.20 %
	100,001 – 1,000,000	203	3.85 %
	1,000,001 – 10,000,000	57	8.74 %
	10,000,001 – 1,400,000,000	8	85.19 %

Telenor ASA; 20 major external shareholders as of December 31, 2000		
	Number shares	Percentage ownership <sup>1)</sup>
Ministry of Trade and Industry	1,400,000,000	79.00 %
Bank of New York	23,331,295	1.32 %
National Insurance Scheme Fund	20,238,095	1.14 %
Goldman Sachs International	18,145,950	1.02 %
Credit Suisse First Boston	17,714,961	1.00 %
Goldman Sachs International	15,524,053	0.88 %
Storebrand Livforsikring	10,044,200	0.57 %
State Street Bank & Trust	9,319,547	0.53 %
Gjensidige NOR Spareforsikring	7,687,715	0.43 %
Citibank	7,087,250	0.40 %
Chase Manhattan Bank	6,692,250	0.38 %
KLP Forsikring Aksjer	6,650,000	0.38 %
Morgan Stanley & Co	5,346,000	0.30 %
Euroclear Bank	5,302,958	0.30 %
Credit Agricole Indosuez	5,255,400	0.30 %
Deutsche Bank	5,000,000	0.28 %
Vital Forsikring	4,789,300	0.27 %
Morgan Guaranty Trust Company	4,246,650	0.24 %
HSBC Bank	4,222,764	0.24 %
Chase Manhattan Bank	3,683,643	0.21 %
<b>Outstanding externally owned shares, in total</b>	<b>1,772,151,899</b>	
Treasury shares	30,000,000 <sup>2)</sup>	
<b>Total number shares</b>	<b>1,802,151,899</b>	<b>100,00 %</b>

<sup>1)</sup> Percentage ownership of outstanding externally owned shares.

<sup>2)</sup> Telenor ASA is registered with 30,000,000 treasury shares, of which maximum of 1,970,000 shall be used as bonus shares to retail investors. The remaining shares can not be used without the consent of the Shareholders' meeting.

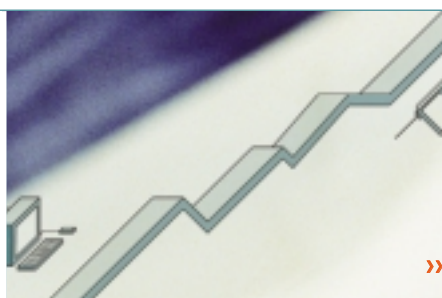
#### › SHARE

Telenor ASA is registered with the Norwegian Central Securities Depository with Christiania Bank- og Kreditkasse as the account operator issuer. The securities identification number for the share is ISIN N00010063308.

#### Telenor on the < stock exchange >

On December 4, 2000 the state-owned corporation Telenor became the listed company Telenor ASA. The stock exchange introduction was the largest ever in Norway, and the company obtained around 55,000 new owners. The value of the company, when it was introduced to the exchange, was approximately NOK 74 billion.

› More: [www.telenor.com/reports/2000/x9](http://www.telenor.com/reports/2000/x9)



Investor Relations- and Shareholder Services on Internet:  
[www.telenor.com/ir](http://www.telenor.com/ir)

E-mail to Investor Relations and Shareholder Services:  
[ir@telenor.com](mailto:ir@telenor.com)

# ELECTED OFFICERS AND MANAGEMENT

## › CORPORATE ASSEMBLY

### › Members elected by the shareholders

*Chairman:* Mona Røkke, Tønsberg  
*Vice-chairman:* Gisle Handeland, Fedje  
Anne Cathrine Høeg Rasmussen, Oslo  
Björg Simonsen, Rana  
Brit Seim Jahre, Oslo  
Erna Beate Støren, Porsgrunn  
Eystein Gjelsvik, Ski  
Hilde Kinserdal, Bergen  
Kristian Zachariassen, Arendal  
Ragnar Klevaas, Bærum

### › Alternates elected by the shareholders

Ove Andersen, Arendal  
Inger-Grethe Solstad, Stavanger

### › Members elected by employees

Berit Kopren, Stavanger  
Ole-Morten Olsen, Steinkjer  
Jan Riddervold, Lillehammer  
Karstein Rystad, Bodø  
Stein Erik Olsen, Bergen

### › Alternates elected by the employees

Helge Enger, Kongsvinger  
Brian Anders Gundersen, Asker  
Idar Henriksen, Bodø  
Ragnhild Holm, Bardu  
Arne Jenssen, Trondheim  
Inger Pedersen, Oslo  
Anny Solvik, Oslo

### › Observers for the employees

Grethe Elin Henriksen, Oslo  
Astrid H. Isaksen, Tromsø

## › BOARD OF DIRECTORS

### › Members elected by the shareholders

*Board Chairman:* Eivind Reiten, Oslo  
*Vice-chairman:* Åshild M. Bendiktsen,  
Salangen  
Kari Broberg, Toten  
Mai Buch, København  
Bente Halvorsen, Skedsmo  
Inge K. Hansen, Oslo

### › Members elected by the employees

Per Gunnar Salomonsen, Skien  
Harald Stavns, Kongsberg  
Irma Tystad, Trysil

### › Alternates elected by the employees

Morten Fallstein, Oslo  
Hjørdis Henriksen, Sortland  
Ragnhild Laura Hundere, Otta  
Andre Vogt, Oslo

## › GROUP MANAGEMENT

*President and Chief Executive Officer:*

Tormod Hermansen

*Senior Executive Vice President and Chief  
Financial Officer*

Torstein Moland

*Senior Executive Vice President in charge  
of Telenor's operations in Norway:*

Jon Fredrik Baksaas

*Senior Executive Vice President in charge  
of Telenor Mobile Communications:*

Arve Johansen

*Executive Vice President in charge of*

*Telenor Telecom Solutions:*

Jan Edvard Thygesen

*Executive Vice President in charge of*

*Telenor Broadband Services:*

Stig Eide Sivertsen

*Executive Vice President in charge of*

*Telenor Internet:*

Morten Lundal

*Executive Vice President and Chief Tech-  
nology Officer:*

Berit Svendsen

*Executive Vice President in charge of  
Communications, Human Resources,  
Framework Conditions:*

Gun Bente Johansen

*Executive Vice President in charge of  
Telenor International Centre:*

Henrik Torgersen

## › CEOs of the related business areas

### › Telenor Media AS

CEO Peter Darpö

### › Bravida ASA

CEO Jan Kåre Pedersen

### › EDB Business Partner ASA

CEO Bjørn Trondsen

## › Auditor

Arthur Andersen & Co, Oslo

Price WaterhouseCoopers DA, Oslo

(for Telenor Mobil)

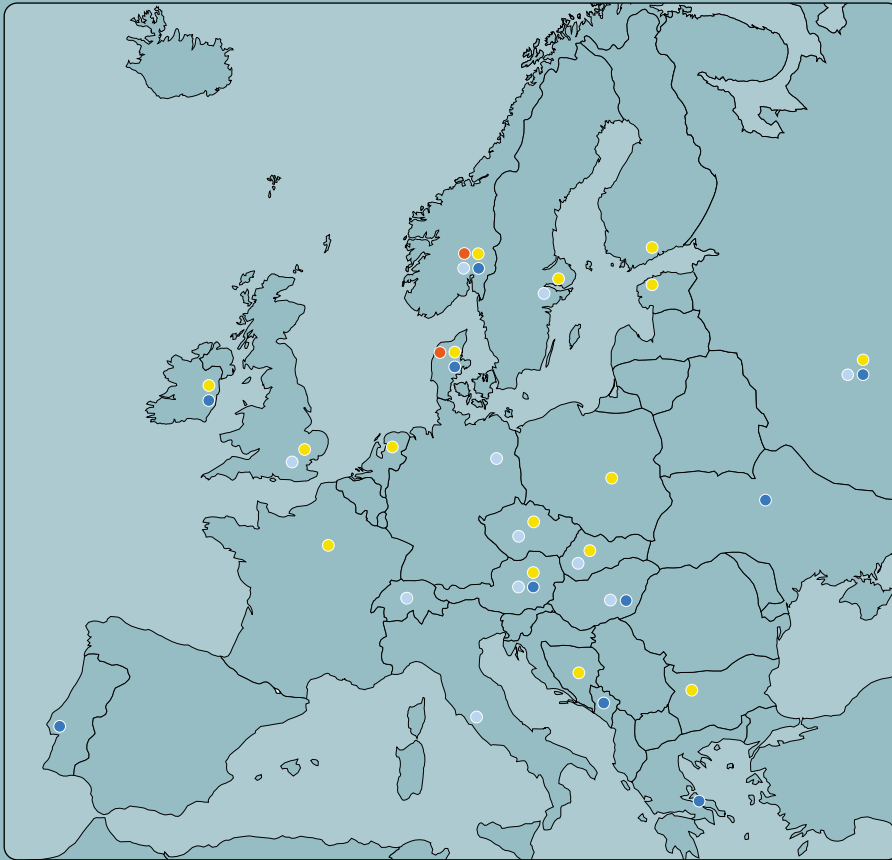
# GLOSSARY AND DEFINITION OF TERMS

- › **ADSL:** Asymmetrical Digital Subscriber Line. Mode of transmission that utilizes existing copper cable networks for services that require higher capacity in one direction than in the other, e.g. video-on-demand.
- › **Analog:** Term for radio transmission where the radio waves vary continuously in step with the voice.
- › **ASP:** Application Service Provider, provider who delivers applications.
- › **ATM:** Asynchronous Transfer Mode. ATM is a switching and transmission mode for high-speed services based on dividing the bit stream into cells of a fixed length (a given number of bits). An ATM-based network can carry voice, data and video.
- › **Broadband:** Transmission capacity with adequate bandwidth to transmit, for example, voice, data and video at the same time.
- › **Call center:** Functions that handle the outsourcing of customer service and switchboard services.
- › **CPA:** Content Provider Access.
- › **CRM:** Customer Relations Management.
- › **CSP:** Communications Service Provider, a provider who offers a broad range of communications services, including voice.
- › **CSR:** Corporate Social Responsibility, encompasses, for example, consideration for the external environment and society in general, as well as social conditions within the organization.
- › **DAB:** Digital Audio Broadcasting, i.e. digital radio.
- › **Digital:** Term for radio transmission where the voice signal is measured at regular intervals and the value of these measurements is transferred by the radio signal as numerical values (0 and 1).
- › **DSMP:** Directory System Multi Platform, a fully integrated directory production system.
- › **EBITDA:** Earnings before interest, taxes, depreciation and amortization.
- › **GPRS:** General Packet Radio Services; packet-switched service that transmits data as packets with one address for each packet.
- › **GSM:** Global System for Mobile communications, Pan-European standard for digital mobile telephony.
- › **ICT:** Information and Communications Technology.
- › **IP:** Internet Protocol, protocol (standard) that represents the foundation for the Internet.
- › **ISDN:** Integrated Services Digital Network, term for a digital network that integrates several types of services – voice, text, data and images.
- › **ISP:** Internet Service Provider, provider who offers access to the Internet and basic services such as mail and web hosting.
- › **NMT:** Nordic Mobile Telephone, standard for analog mobile telephony developed in Scandinavia.
- › **PSTN:** Public Switched Telephone Network, term for the ordinary analog telecommunications network.
- › **SMATV:** Satellite Master Antenna TV, an independent cable network that has its own antenna and delivers television channels to more than 20 users. The network is owned by the users, and they have a non-exclusive agreement with the program supplier or operator.
- › **SMS:** Short Messaging Service, text messaging system in GSM.
- › **UMTS:** Universal Mobile Telecommunications System, term for the third generation mobile network.
- › **VDSL:** Very high-speed Digital Subscriber Line, mode of transmission that utilizes the existing copper cable network for services that require an extremely high capacity in one direction in relation to the other.
- › **VPN:** Virtual Private Network, business communication service in which geographically dispersed units with PABX and Centrex systems are connected in a corporate network via switched connections in the public telecommunications network.
- › **VSAT:** Very Small Aperture Terminal, satellite terminal with a small antenna mirror for business customers.
- › **WAP:** Wireless Application Protocol, standard that links GSM to the Internet.
- › **xDSL:** There are many references to DSL (digital subscriber line) technology where it is written as DSL. The letter x pops up because there is an entire family of DSL variants with different properties. ADSL is the most well-known (see the definition at the top of the glossary).

# TELENOR'S INTERNATIONAL OPERATIONS

At the end of 2000 Telenor had active operations in its four core areas in 29 countries, as illustrated on the map. These operations are managed by wholly and partly owned companies. (Sales and representation offices are not included here.)

EUROPE



● **Mobile Communications:**

- Austria
- Bangladesh
- Denmark
- Greece
- Hungary
- Ireland
- Malaysia
- Montenegro
- Norway
- Portugal
- Russia
- Thailand
- Ukraine

● **Telecom:**

- Denmark
- Norway

● **Broadband Services:**

- Austria
- Bosnia-Herzegovina
- Bulgaria
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Ireland
- Malaysia
- Netherlands
- Norway
- Poland
- Russia
- Slovakia
- Sweden
- United Kingdom
- USA

SOUTHEAST ASIA



● **Internet:**

- Austria
- Czech Republic
- Germany
- Hungary
- Italy
- Norway
- Russia
- Switzerland
- Slovakia
- Sweden
- United Kingdom

**Telenor Mobile Communications**

P.O. Box 6746 St. Olavs plass  
0130 Oslo – Norway  
Phone: + 47 22 78 50 00  
Fax: + 47 22 78 55 00

**Telenor Telecom**

P.O. Box 6701 St. Olavs plass  
0130 Oslo – Norway  
Phone: + 47 23 25 05 00  
Fax: + 47 23 25 05 05

**Telenor Broadband Services**

P.O. Box 6701 St. Olavs plass  
0130 Oslo – Norway  
Phone: + 47 22 77 99 00  
Fax: + 47 22 77 79 80

**Telenor Internett**

P.O. Box 393 Skøyen  
0130 Oslo – Norway  
Phone: + 47 22 77 19 00  
Fax: + 47 22 77 19 10

**Telenor ASA**

P.O. Box 6701 St. Olavs plass  
0130 Oslo – Norway  
Phone: + 47 22 77 50 60  
Fax: + 47 22 77 87 20

[www.telenor.com](http://www.telenor.com)

**Annual Report 2000**

Published by: Telenor ASA  
Universitetsg. 2  
P.O. Box 6701 St. Olavs plass  
0130 Oslo - Norway  
Phone: + 47 22 77 50 60  
Fax: + 47 22 77 87 20  
e-mail: [ir@telenor.com](mailto:ir@telenor.com)