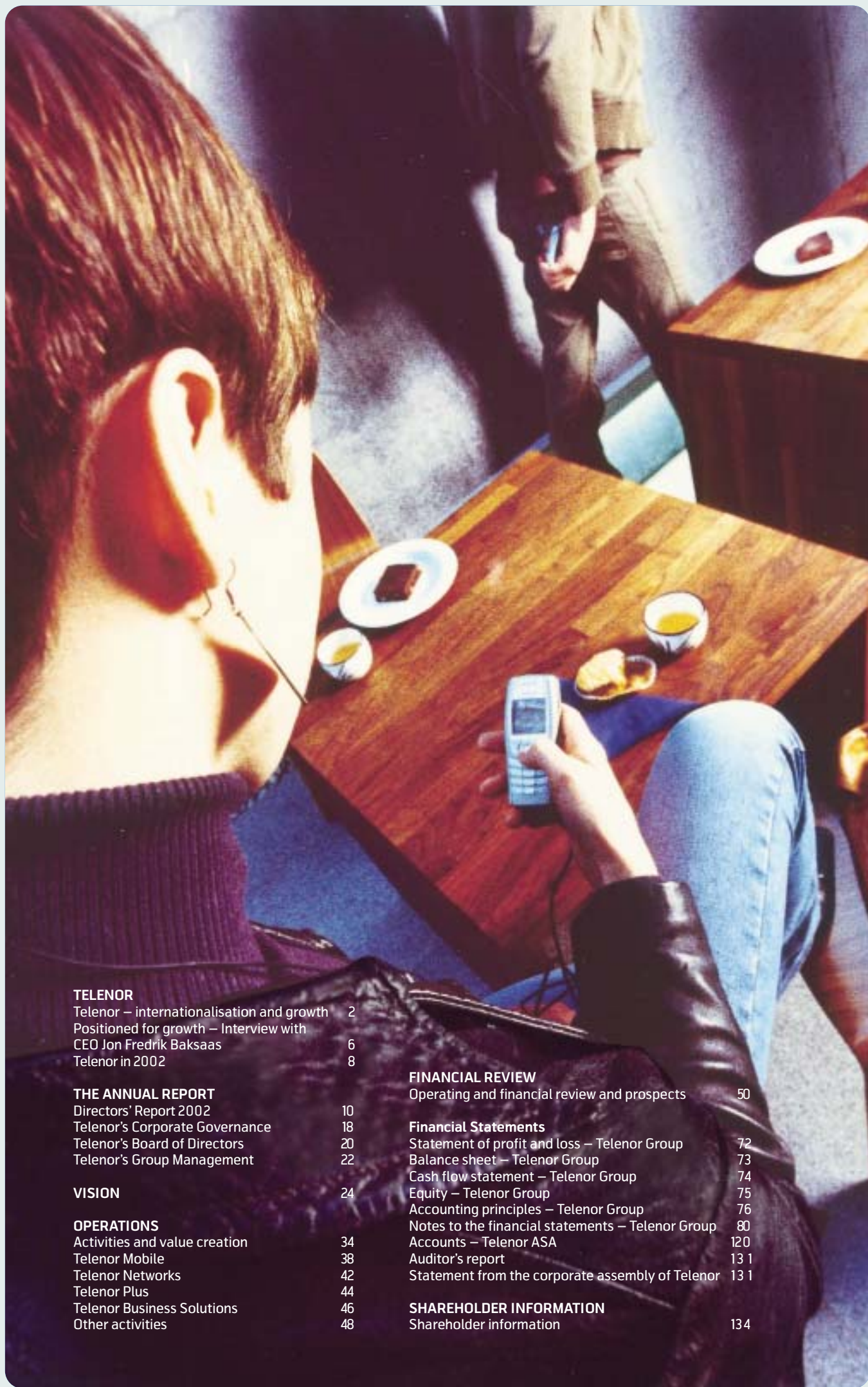


The Annual Report 2002 documents Telenor's strong position in the Norwegian market, an enhanced capacity to deliver in the Nordic market and a developed position as an international mobile communications company. With its modern communications solutions, Telenor simplifies daily life for more than 15 million customers.





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MARKET INFORMATION

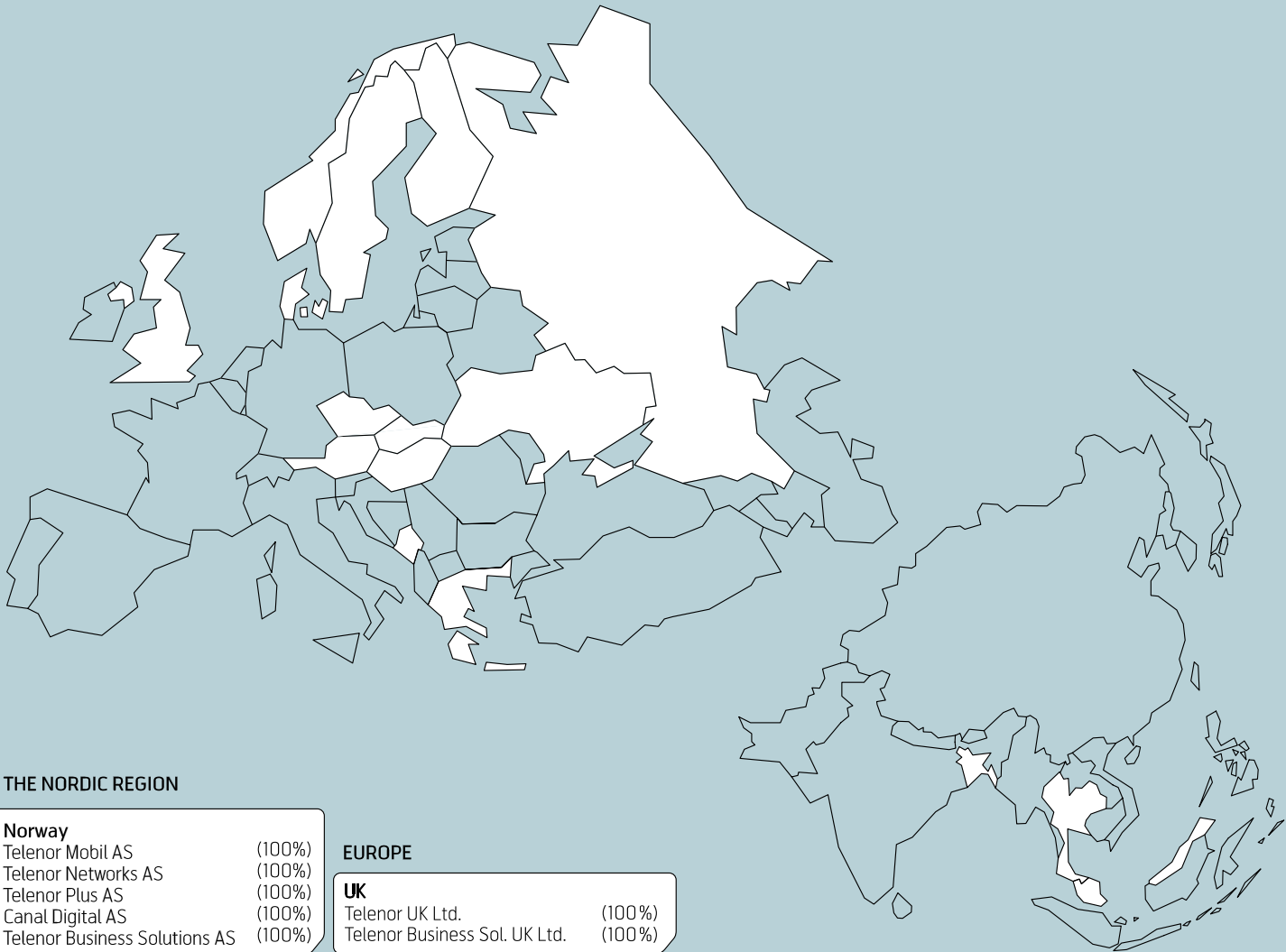
	2002	2001	2000	1999	1998
MOBILE COMMUNICATION					
Norway					
Mobile subscriptions (NMT + GSM) (000s)	2,382	2,307	2,199	1,950	1,552
GSM subscriptions (000s)	2,330	2,237	2,056	1,735	1,260
– of which prepaid (000s)	1,115	1,027	911	732	316
Revenue per GSM subscription per month (ARPU) ¹⁾	346	340	338	341	366
Traffic minutes per GSM subscription per month (AMPU)	180	181	173	169	167
Market share GSM (service provider)	61.1%	60.9%	66.4%	-	-
Customer churn - mobile subscriptions	17.5%	12.5%	12.7%	14.2%	13.1%
Pannon GSM (Hungary)					
GSM subscriptions (000s)	2,450	-	-	-	-
– of which prepaid (000s)	1,910	-	-	-	-
Revenue per GSM subscription per month (ARPU) ¹⁾	180	-	-	-	-
Traffic minutes per GSM subscription per month (AMPU)	113	-	-	-	-
Market share GSM	38%	-	-	-	-
DiGi.Com (Malaysia)					
GSM subscriptions (000s)	1,616	1,039	-	-	-
– of which prepaid (000s)	1,519	902	-	-	-
Revenue per GSM subscription per month (ARPU) ¹⁾	152	180	-	-	-
Traffic minutes per GSM subscription per month (AMPU)	189	211	-	-	-
Market share GSM	19%	17%	-	-	-
Kyivstar GSM (Ukraine)					
GSM subscriptions (000s)	1,856	-	-	-	-
– of which prepaid (000s)	1,472	-	-	-	-
Revenue per GSM subscription per month (ARPU) ¹⁾	107	-	-	-	-
Traffic minutes per GSM subscription per month (AMPU)	49	-	-	-	-
Market share GSM	50%	-	-	-	-
GrameenPhone (Bangladesh)					
GSM subscriptions (000s)	769	464	191	61	30
– of which prepaid (000s)	563	279	49	6	-
Revenue per GSM subscription per month (ARPU) ¹⁾	172	190	260	-	-
Traffic minutes per GSM subscription per month (AMPU)	298	316	356	-	-
Market share GSM	69%	70%	69%	-	-
FIXED LINE IN NORWAY					
PSTN subscriptions (000s)	1,467	1,545	1,680	1,908	2,167
ISDN subscriptions (lines) (000s)	1,828	1,766	1,590	1,228	755
PSTN/ISDN generated traffic (minutes in millions)	15,527	17,960	19,560	18,704	16,610
Fixed line market share of traffic minutes (including Internet)	72.2%	73.2%	73.2%	87.3%	96.4%
Operator access lines (000s)	49	12	-	-	-
INTERNET IN NORWAY					
Internet subscriptions residential market (000s)	960	831	625	400	260
– of which Frisurf (000s)	533	437	248	45	-
– of which ADSL (000s)	90	23	-	-	-
Internet subscriptions business market Norway (000s)	17	16	13	8	4
– of which ADSL (000s)	4	1	-	-	-
ADSL-lines wholesale market (000s)	109	24	-	-	-
Revenue per subscription residential market (ARPU) ²⁾					
– Frisurf	237	182	198	-	-
– ADSL	4,490	3,630	-	-	-
Market share ADSL	73%	74%	-	-	-
Customer churn, internet subscriptions	20.0%	20.0%	25.5%	14.0%	11.7%
TV DISTRIBUTION					
Pay television subscribers in the Nordic region (000s)					
– Cable-TV (CATV)	571	561	357	282	270
– Small antenna networks (SMATV)	1,096	1,105	1,086	937	686
– Home satellite dish (DTH)	738	657	506	405	352
Revenue per subscription (ARPU) ²⁾					
– Cable-TV (CATV) in Norway	1,672	1,470	1,392	1,382	-
– Small antenna networks (SMATV) in Nordic Region	226	214	245	206	-
– Home satellite dish (DTH) in Nordic Region	3,238	3,029	2,874	2,664	-
Customer churn, Home satellite dish (DTH)	19.3%	29.2%	-	-	-

¹⁾ Average monthly revenue per GSM subscription (ARPU) is calculated based on total revenues from GSM subscriptions, including subscription fees, incoming and outgoing traffic fees, roaming and revenues from value-added services, divided on the average number of GSM subscriptions for the relevant period.

²⁾ Average revenue per subscriber is calculated as total revenue divided on the arithmetic mean of annual opening and closing balance of subscriptions.

TELENOR

At the end of 2002, Telenor had substantial business activities in 16 countries. The activities were managed through partly or fully owned companies within four business areas. Mobile communications is the largest area, with substantial operations in 12 countries



THE NORDIC REGION

Norway	
Telenor Mobil AS	(100%)
Telenor Networks AS	(100%)
Telenor Plus AS	(100%)
Canal Digital AS	(100%)
Telenor Business Solutions AS	(100%)

Sweden	
Telenor Plus AB	(100%)
Canal Digital Sverige AB	(100%)
Telenor Vision International AB	(100%)
Telenor Business Solutions AB	(100%)
Utfors AB	(90.00%)

Denmark	
Sonofon Holding A/S	(53.50%)
Canal Digital Danmark A/S	(100%)

Finland	
Canal Digital Finland OY	(100%)

EUROPE

UK	
Telenor UK Ltd.	(100%)
Telenor Business Sol. UK Ltd.	(100%)

Greece	
Cosmote S.A.	(18.00%)

Slovakia	
Telenor Networks a.s. SK	(100%)
Nextra s.r.o	(100%)

The Czech Republic	
Telenor Networks Czech s.r.o	(100%)
Nextra Czech Republic s.r.o	(99.30%)

Ukraine	
Kyivstar G.S.M. JSC	(54.21%)

Hungary	
Pannon GSM	(100%)
Nextra Kft	(100%)

Austria	
Connect Austria GmbH	(17.45%)

Montenegro	
ProMonte GSM	(44.10%)

Russia	
VimpelCom	(28.98%)
Comincom/Combella	(75.00%)

ASIA

Thailand	
Total Access Comm. PLC (DTAC)	(40.28%)

Malaysia	
DiGi.Com bhd	(61.00%)

Bangladesh	
GrameenPhone Ltd.	(46.41%)

In addition, Telenor has satellite operations covering large parts of the world.



Telenor is Norway's largest telecommunications player, with extensive mobile operations worldwide. At the beginning of 2003, Telenor had substantial operations in 16 countries.

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TELENOR – INTERNATIONALISATION AND GROWTH

Telenor is Norway's largest telecommunications group, with substantial international mobile operations. Continued development of the international mobile portfolio is an integral part of Telenor's strategy, as well as a basis for further growth.

Telenor underwent a period of strong international expansion in the 1990s. The company registers international demand for products developed and tested in the Norwegian market, not least from international growth markets. The company's strategy is therefore strongly associated with international growth, based on the strong Norwegian position and the enhanced position in the Nordic region.

Telenor was listed on the Oslo Stock Exchange and Nasdaq on 4 December 2000. At the end of 2002, the company had 55,840 shareholders, the Norwegian State being the majority shareholder (holding 77.6% of the shares). The Telenor group's revenues in 2002 totalled NOK 48.8 billion. The company's market value as of 31 December 2002 was NOK 47.8 billion, which made it the third largest company on the Oslo Stock Exchange.

HISTORY

Telenor's origins go all the way back to 1855, and for 150 years the company has been Norway's leading telecoms player. In the 1990s, Telenor went from being a state monopoly to become a commercial enterprise and the company is today positioned as an innovative player in international mobile communications.

In 1994, the then Norwegian Telecom was established as a public corporation. In December 2000, the company was partly privatised and listed on the stock exchange. This transformation took place as a gradual adaptation to increasing competition in the Norwegian telecoms market after deregulation in the 1990s, with free competition for all services from 1998. Telenor has successfully defended its strong position in the Norwegian market.

Telenor's strong international expansion in recent years has been based on leading-edge expertise, acquired in the Norwegian and Nordic markets, which are among the most highly developed technology markets in the world. Internationalisation was achieved on the basis of strong positions in satellite communications, in mobile communications and in domestic Internet activities. Telenor has been one of the world's leading suppliers of satellite communications for many years. Norway and the Nordic region have been in the forefront of the development of mobile communications, and Internet use has quickly gained ground in this market.

Telenor is a pioneer in mobile communications. Manual mobile telephony services were introduced in Norway in 1966, as a forerunner to the automatic NMT system, which appeared in 1981. Its digital successor, GSM, was introduced in 1993.

In the same year, Telenor made its first international mobile investment, in Pannon GSM. Telenor opened its UMTS network (third-generation mobile network) in 2001.

INTERNATIONALISATION

In the second half of the 1990s, Telenor became involved in mobile operations in a number of countries: Russia (1994), Bangladesh, Greece, Ireland, Germany and Austria (1997), Ukraine (1998), Malaysia (1999), Denmark and Thailand (2000). Telenor's strategy was to take positions based on the company's core expertise. In 1997, Telenor's international investments exceeded investments made in the domestic market – mainly as a result of the mobile commitments.

Telenor holds a prominent position in the Nordic TV market, both with regard to the number of subscribers and to the extent of coverage. At the end of 2002, Telenor distributed TV to 2.4 million Nordic customers through Canal Digital and Telenor's cable operations. The TV activities widen the scope of Telenor's Norwegian and Nordic operations, primarily by supplying new products and services, but also by providing access to an extensive customer base.

OBJECTIVES, VISION AND VALUES

Telenor's principal objective is to create value for shareholders through a commitment to our customers, employees and joint venture partners, and the interest of the general public. In a long-term perspective, a strong customer and market focus, coupled with a strong sense of responsibility for society and the welfare of our employees, will provide the best basis for increased value creation.

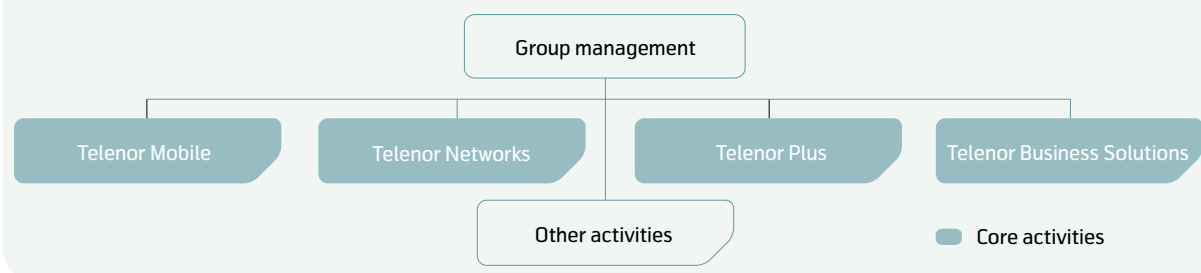
Financial value will be created through profitable and consistent growth, based on the development of solutions that simplify the use of, and increase the benefits of, modern communications technology. In this way, customers (individual customers as well as business customers) will be offered greater freedom of choice and wider opportunities. Telenor's solutions shall simplify people's daily lives, make companies'



TELENOR: STRATEGIC AND BUSINESS RELATED DEVELOPMENT, 2003

	1970s	1980s	1990s	2003
Mobile communications		NMT	GSM	SMS GPRS/UMTS
Fixed network communications	PSTN		ISDN	ADSL/IP Broadband
Internet				IP VPN
TV-distribution	Broadcasting			Canal Digital
Satellite communications	Thor I	Thor II	Thor III	
Managed services/software services			IT	EDB BP
IT/installation	Telecom			Bravida
Directories/media				Telenor Media
	Monopolised markets		De-regulated markets	
	Norwegian Telecom	Norwegian Telecom	Telenor AS	Telenor ASA
	A pioneer within satellite communications Norway	A pioneer within mobile communications Norway	A pioneer within value-adding services on several platforms; development of Internet Norway The Nordic region Europe* South East Asia*	Development of integrated mobile solutions; positioned for convergence Norway The Nordic region Europe* South East Asia* * Selected countries
	National telecoms operator		International communications player	
	International mobile operator			

TELENOR'S REPORTING STRUCTURE, 2002



operations more efficient and increase companies' competitive power.

Telenor has therefore adopted the following vision for the development of its organisation and market position: Telenor – Ideas that simplify.

With this vision in mind, Telenor shall be a driving force in creating, simplifying and introducing communications and content solutions to the market. The vision is built on Telenor's tradition as an innovator, and as one of the first to introduce new products to the market. Telenor is committed to simplify the use of services and the channels through which customers interact with the company.

Telenor's focus is on realising the company's core values. All employees' conduct shall be based on three core values. To be *dynamic* requires insight and active involvement, coupled with a drive to accomplish. To be *innovative* entails continuously being attentive to new opportunities for development and growth. To be *responsible* requires active participation in the community surrounding the company. All employees shall be responsible for their own actions and always put the needs of the customers first.

MANAGEMENT

As a responsible company, Telenor remains committed to internal management and control, both in relation to its management practices and its social responsibilities. Good corporate governance has for a number of years been an important concern for Telenor, and was further strengthened in 2002.

To achieve good corporate governance, Telenor places great emphasis on establishing and implementing internal guidelines, routines and processes that shall form the basis for a responsible management of the group. The corporate governance is built on external legislation and internal guidelines which shall be observed in all parts of the organisation. *[More on Telenor's corporate governance on p.18]*

Telenor has developed and implemented an integrated management model to strengthen the group's ability and power to realise its strategic objectives.

The group's management model identifies a set of primary financial and non-financial factors (value drivers) both on group level and in the different business areas. The model shall contribute to long-term optimisation of shareholder values. *[More on the management model on p. 34]*

STRATEGY

Telenor shall consolidate its leading position in the Norwegian market, strengthen its position in the Nordic market and concentrate and continue to develop its international mobile operations.

In addition to consolidation and cost control, Telenor's strategy is also based on the development of mobile operations in growth markets. This will be done based on a broad range of services, and our considerable experience from working with customers and markets in the highly developed Norwegian and Nordic markets.

The international focus is primarily on mobile services in markets where Telenor has opportunities for creating long-term value. These commitments are based on the company's documented expertise in establishing and developing mobile operations, within the areas of technology, distribution, management and markets.

Telenor's value creation is primarily based on three strategic areas:

- focused core activities
- focused market prioritising
- focused mobile communications

Core activities: Telenor's core activities comprise mobile communications, fixed network communications and TV distribution, organised through three business areas. Additional substantial activities are organised under Other activities. The mobile and fixed network operations underpin Telenor's position in the Norwegian market, but they also include substantial international operations, particularly within mobile telephony. Mobile communications is the main basis for the company's internationalisation and growth. As from 2003, TV distribution is being developed as a core activity in the Nordic market.



Market priorities: The Norwegian market is the basis for Telenor's Nordic market platform. In addition, Telenor has established itself in the international market, geographically concentrated in countries in two regions outside the Nordic region: Central and Eastern Europe and South East Asia.

Telenor shall defend its leading position in the Norwegian market as well as strengthen its service delivery in the Nordic market. On the international arena, Telenor will primarily supply mobile communications solutions, with focus on regions where the company already has activities. These are markets where strong growth can be expected, and markets which Telenor has the required strength and credibility to operate.

Mobile communications: Telenor's primary strategic focus, both in the Norwegian and international markets, is on mobile communications, concentrated in selected countries in South East Asia and Central and Eastern Europe, i.e. markets with a major growth potential. Telenor's internationalisation is based chiefly on its position as a mobile operator, and the company already has a special emphasis on this segment.

The portfolio strategy within the mobile operations is to develop established positions, with focus on profitable growth and on achieving operational and financial control, which will release important synergies between the companies. Where operational control cannot be established in the foreseeable future, Telenor will seek to dispose of its interests. At the outset of 2003, Telenor had substantial commitments in 12 mobile companies in 12 countries.

Telenor places a great deal of emphasis on the mobile portfolio's balance, i.e. that mature activities in saturated markets are balanced against new operations in growth areas. The mature activities shall create enough value to give the owners a long-term return as well as contribute to the company's financial strength.

Telenor's financial basis and commercial innovation give it credibility as a company that is able to deliver, with documented results, in the growth markets.

ORGANISATION

In 2002, the organisational structure comprised the business areas Telenor Mobile, Telenor Networks, Telenor Plus and Telenor Business Solutions as well as Other activities.

At the end of 2002, the group had 23,450 employees, 14,150 of them in Norway. As part of the strategic programme for operational efficiency, Telenor undertook workforce reductions in 2002, mainly affecting the Norwegian operations. Total number of employees was reduced by 1,500.

In accordance with its business strategy, Telenor has decided to simplify its corporate structure into three business areas (Telenor Mobile, Telenor Networks and Telenor Broadcast), plus Other activities, effective from 2003. In order to provide better follow-up and improve customer services in the Norwegian market, a separate market organisation has been established: Telenor Norge.

POSITIONED FOR GROWTH

“2002 was a challenging year for the industry and for Telenor. Cost control and consolidation have been given first priority. At this juncture, it is important to underline that Telenor is in fact financially solid and well positioned for further growth,” says Telenor CEO Jon Fredrik Baksaas.

Jon Fredrik Baksaas is now well into his first full year as CEO of Telenor. He is by no means a newcomer, in fact he has served the company since 1989, and a number of these years have been spent in the group management. The economist has taken the reins at a time when the industry has been seeing a lot of turbulence, but where Telenor remains financially solid, and well-positioned for continued growth.

Optimism

“Many operators are now heavily burdened with debt, and the industry has had to take substantial write-downs,” says the Telenor CEO. “The industry is suffering from the fact that large sums of money were invested in licence fees for unknown services, on unknown terminals, based on untried business models. The debt burden requires us to revise our outlook on the future of the industry,” maintains Baksaas. “Many companies are now struggling with high exposure to UMTS. Telenor has only limited UMTS commitments.”

Acquisitions and debt burdens are familiar words at Telenor too. “Our mobile portfolio contains examples of acquisitions purchased at an excessive price,” admits the CEO. “We too have had to take write-downs in 2002, but to a lesser extent than other companies in the industry. And Telenor’s debt exposure is modest in comparison with the industry as a whole.”

Jon Fredrik Baksaas is an optimist, and maintains that Telenor shall continue to grow, on the following basis: “Telenor is financially solid, and well positioned for continued development and new growth. The key issues ahead will be consolidation and focus on the development of those areas where the company has its strengths.”

Control initiatives

“*Consolidation and concentration* form the basis for Telenor’s strategy as well as the basis for further international growth,” explains Baksaas. “The creation of future value requires firm management, and in 2002, we felt that we had to take a new hold on the company’s commercial challenges.”

“*Cost control and investment rationalisation* has already produced visible results, and more will follow in the years to come. Telenor’s cost reduction programme, Delta 4, is on schedule. We shall reduce our annual operating costs by the end of 2004

by NOK 4 billion gross in relation to the cost level in 2001. The goals remain the same; a total annual saving of NOK 1.1 billion in 2002, an expected NOK 1.3 billion in 2003, and total savings of NOK 4 billion by the end of 2004.”

“*The establishment of the new market organisation Norway* was made in recognition of a lower growth rate in the Norwegian market. We are also seeing increased competition and certain regulatory issues need to be settled. When other players move in on our markets we have to respond by being more efficient and more innovative. We have to live up to our vision: Ideas that simplify. Customers must recognise improvements in our products and services, communication and follow-up.”

“*The establishment of the business area Telenor Broadcast* was made in recognition of the fact that TV distribution affords us a special position in relation to our competitors. With 2.4 million TV customers, this is a significant operation in the Nordic market for digital entertainment and information services,” says Baksaas, before pointing out that these activities were further strengthened in 2002.

“*The new headquarters are an asset.* Our innovative way of combining people, environment and technology gives us the means to further develop our corporate culture. We have created the basis for creative interaction and working methods that are suited to a modern organisation such as Telenor’s. The technologically advanced ICT solution Telenor Arena is now being launched commercially.”

Strategy initiatives

The control initiatives are crucial to the continued development of Telenor, and the CEO is eager to emphasise two strategic aspects that were introduced in 2002, and which will also be pursued in 2003:

“*The international mobile commitments* are undergoing a period of consolidation, and we will continue to develop the portfolio. Telenor’s internationalisation is essentially based on mobile communications, but within limited geographical areas. Our geographical focus is centred on markets that have substantially higher growth potential, and correspondingly lower mobile penetration, than Western Europe. This involves a significant potential for growth, and Telenor’s strategy is to take positions



that will allow us to take part in that growth. Our commitments in Russia and Ukraine are central to us in this respect, and we have entered into agreements to make further commitments.”

Telenor is also looking to win positions in the Nordic business market: “It is important that we strengthen our ability to deliver in a market that to an increasing extent is looking for Scandinavian and Nordic solutions. Through our acquisition of Swedish Utfors, and our agreement with Tele2 for mobile operator access to their network in Sweden, we have strengthened our position. I also believe that the new TeliaSonera constellation will drive this market further. In this situation, it is crucial that we maintain our ability to deliver, not least to the Swedish market.”

Internationalisation

Telenor is an international group, but a small player on the global arena. In selected markets, however, Telenor is considered to be a major player. Does the CEO see a clear road ahead for Telenor?

“Our capacity for growth lies in internationalisation. Telenor’s traditional domestic market in Norway, with 4.5 million people, and where we have market shares of 60-70%, provides limited room for new growth. The Nordic market is saturated, and characterised by fierce competition. Which is why we find our growth potential outside Norway and the Nordic region, and primarily within mobile communications,” says Baksaas. Before going on to say:

“The internationalisation, however, is not only about geographical expansion and growth, but also about development in the direction of real integration between companies in the

group, and above all, between the mobile companies in which Telenor has a controlling position. Developing synergies from our ownership is our top priority, and we are making good progress in this area.”

Customer focus

“Whether we will succeed depends mainly on ourselves,” says Baksaas: “To succeed we need to strengthen our organisational culture. Our recently occupied headquarters, with its revolutionary new work concept, provide us with a unique starting point. We perceive the new digital working platform, Telenor Arena, to be a powerful tool in this effort, through the way in which people, technology and environment interact. This platform is now being adopted throughout the group. We also need to strengthen our leadership, and furthermore, we have focus on the significance of customer follow-up to Telenor’s value creation.”

“We shall strengthen our customer and market awareness,” declares the CEO. In this respect he finds it useful to also be a customer. Baksaas characterises himself as a fairly advanced user of Telenor’s services: “The mobile phone and laptop PC provide me with access and availability that I benefit from every day. However, as a customer, I also see that there is room for improvement in customer follow-up and support.”

And Jon Fredrik Baksaas clearly intends to follow up on this issue: “Neither I nor Telenor shall be satisfied with our efforts if Telenor does not emerge from the challenges of 2003 as a less complex company, simplifying the workday of our customers!”

*Jon Fredrik Baksaas was interviewed by Dag Leraand.
[See also presentation, p. 22]*

TELENOR IN 2002



NORWAY

- In 2002, Telenor consolidated its position as Norway's leading supplier of mobile communications solutions to the residential and business markets, with close to 2.4 million registered mobile subscribers. In March, Telenor launched next-generation messaging, MMS, with new multimedia services for mobile phones. More than 100,000 Norwegian mobile customers were registered as subscribers to the payment solution SmartPay™, which facilitates the use of mobile phones as terminals for payment.
- Telenor was clearly Norway's leading operator for fixed network services, and Telenor was also the largest supplier of Internet access in the Norwegian residential market, both over ISDN/PSTN, ADSL and cable.

THE NORDIC REGION

- In 2002, Telenor strengthened its position as the largest supplier of TV distribution in the Nordic region, with approximately 2.4 million TV customers. In June, Telenor and Canal+ signed an agreement for the takeover of the remaining shares in Canal Digital. In 2002, Telenor, together with four other Nordic TV companies, held the rights to distribute the FIFA World Cup in the Nordic region. Telenor also entered into a partnership agreement with the Norwegian National Lottery for the development of interactive money games for TV.
- Telenor also strengthened its position in the Swedish business market by entering into an agreement for the takeover of 90% of the shares in the Utfors group, at a price of SEK 264 million. Telenor won a contract for the supply of comprehensive fixed network and mobile services to 28 of the 33 municipalities in the Swedish County of Skåne, a contract worth SEK 150 million. Through Utfors, the company also entered into a three-year agreement with the Swedish National Labour Market Board for the supply of a data communications solution worth SEK 120 million.

INTERNATIONAL ACTIVITIES

- In 2002, Telenor continued to develop its position as an international player in mobile communications, with particular focus on Central and Eastern Europe, through a strengthening of its involvement in Russia.

- In February, Telenor closed the takeover of 74.22% of the shares in Pannon GSM from KPN, Sonera and TDC, at a price of EUR 1002 million, thereby increasing its ownership share to 100%. In July, Telenor entered into an agreement with Sputnik Funds for the acquisition of 16.5% of the shares in the Ukrainian mobile operator Kyivstar GSM, at a price of USD 66.5 million. In September Telenor sold 7.7% of Kyivstar GSM to Storm LLC for USD 31,0 million, thereby reducing its ownership share to 54.2%. Pannon was consolidated in February 2002, and Kyivstar in September in the same year.
- An agreement for further mobile service expansion in Russia was signed in Oslo in November, in the presence of the Russian President, Vladimir Putin, and the Norwegian Prime Minister, Kjell Magne Bondevik. Telenor and the Russian companies VimpelCom and Alfa Group each contributed one third of the total investment of USD 175.4 million.
- In December, Telenor sold its ownership share of 49% in the regional Russian mobile operator Extel to VimpelCom, with an accounting gain of approximately NOK 45 million after tax.
- Telenor's international Internet commitments were further reduced in 2002.

ORGANISATION

- In June, Jon Fredrik Baksaas took over as CEO of Telenor, succeeding Tormod Hermansen, who had held the position since 1991. In December, Tom Vidar Rygh resigned as the Chairman of the Board of Telenor to take up a new position in Sweden. Vice-chairman Åshild Bendiktsen acted as chairman until a new chairman, Thorleif Enger, was appointed in March.
- In December, Telenor decided to simplify its corporate structure into three business areas: Telenor Mobile, Telenor Networks and Telenor Broadcast, plus a portfolio of Other activities. At the same time a separate market organisation for Norway was established, Telenor Norge. The new structure became operative as of 1 January 2003.
- In September, Telenor opened its new headquarters at Fornebu, just outside Oslo. At the same time, Telenor launched a new ICT solution, Telenor Arena. In November, Telenor's new premises in Kristiansand were opened as a regional office and a technological showcase for the Agder region of Southern Norway.



The Directors' Report shows Telenor as a solid organisation well-positioned for profitable growth. The board considers that revenues of NOK 48.8 billion in 2002 and a strengthened international position indicate a robust financial situation and a good platform for further value creation.

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DIRECTORS' REPORT 2002

2002 was a challenging year for the European telecommunications industry. In response to this new market reality, Telenor made write-downs and implemented workforce reductions amounting to NOK 7.6 billion. As a consequence, the result before taxes and minority interests showed a loss of NOK 5,136 million.

1. HIGHLIGHTS

At the beginning of 2003, Telenor's financial situation is solid, and the group has a good platform for further value creation. In 2002, the company worked on cost control and improved efficiency through the Delta 4 reorganisation programme, which has successfully improved margins in basic operations. Revenues, excluding gains, amounted to NOK 48.7 billion. This is a growth of NOK 8.1 billion, or about 20%, compared with 2001. Combined with the growth in the company's international activities, this should form the basis for positive financial development in the future.

During 2002, workforce reductions were implemented, affecting slightly more than 1,500 employees in Telenor's Norwegian operations.

In 2002, Telenor took important steps towards increased internationalisation, among other things by acquiring majority holdings in the mobile operators Pannon (Hungary) and Kyivstar GSM (Ukraine), while at the same time selling minority interests in the Russian companies Extel and StavTeleSot. By consolidating companies outside Norway, Telenor is establishing itself as an international group. In the fourth quarter of 2002, 35% of Telenor's revenues were from its international activities, and 40% of the group's employees worked outside Norway.

Telenor ASA is registered in Norway, and in 2002, the company opened its new headquarters at Fornebu, outside Oslo. On 21 June, Jon Fredrik Baksaas succeeded Tormod Hermansen as Group CEO.

To simplify and reinforce Telenor's position in the domestic market, a separate market area was created at the beginning of 2003, comprising all sales and marketing activities in the mobile and fixed network areas in Norway. This means that from 1 January 2003, Telenor has three business areas, which comprise mobile operations, fixed network operations and TV operations, and in addition, Other Activities. Financial reporting from the first quarter of 2003 will be based on this structure.

As of 31 December 2002, Telenor ASA had 55,840 shareholders, with the Norwegian State representing the largest single shareholding (77.6%). The ten largest owners repre-

sented 85.39% of the existing shares. Shareholders held 1,803,426,127 shares in the company, representing a total share capital of NOK 10,820,557,032. The Telenor share is quoted on the Oslo Stock Exchange and Nasdaq.

On 31 December 2002, Telenor's shares were quoted at NOK 26.50 on the Oslo Stock Exchange, compared with NOK 38.50 one year earlier. While this represents a fall of 31%, the Dow Jones European Telecom Index fell by 38% in the same period, and the OSE Benchmark Index by 31%. Once again, Telenor was among the ten most traded shares on the Oslo Stock Exchange.

2. FINANCIAL PERFORMANCE

Key figures In 2002, Telenor's result after taxes and minority interests was a loss of NOK 4,298 million, or a loss of NOK 2.42 per share. The corresponding figures for 2001 were a profit of NOK 7,079 million and NOK 3.99 per share.

In 2002, loss before taxes and minority interests was NOK 5,136 million, compared with a profit of NOK 10,255 million in 2001. The result for 2002 was charged with a total of NOK 7.6 billion in the form of costs associated with workforce reductions, net losses on disposals and write-downs. This compares with significant sales gains realised in 2001. The result before taxes and minority interests increased by NOK 2.9 billion to NOK 2.5 billion for 2002, after adjustment for the net effects of gains, losses, write-downs and costs associated with restructuring. This is related to underlying growth, cost reductions and the acquisition of new activities. During the year, cost reductions amounting to approximately NOK 1.1 billion were implemented in connection with the Delta 4 programme for improving operational efficiency.

In 2002, the book value of the publicly listed company DiGi.Com in Malaysia was written down by NOK 2.1 billion, DTAC/UCOM in Thailand by NOK 0.9 billion and Sonofon AS in Denmark by NOK 1.0 billion, based on the continuing fall in the value of mobile companies. Telenor also found it necessary to make a number of other write-downs as a consequence of declining asset values. In addition, approximately NOK 1.0 billion was charged as an expense in connection with restructuring measures, of which costs in connection with workforce reductions comprised approximately NOK 0.7 billion for the entire group.



The operating result for 2002 was a loss of NOK 320 million, compared with a profit of NOK 3,177 million in 2001. The decline is attributable to the same factors as those mentioned above, and the operating profit after adjustment for the net effect of sales gains and losses, write-downs and costs for restructuring, increased by NOK 2.0 billion to NOK 4.3 billion in 2002. The operating result was positively influenced by developments in Telenor Mobile, including the effect of the consolidation of former associated companies in 2001 and 2002. The operating result was charged with costs for the marketing of ADSL in Telenor Plus, as well as the consolidation of Canal Digital, while the operating loss in Telenor Business Solutions was reduced, mainly as a result of fewer loss-making operations in Nextra International. The adjusted operating result in Telenor Networks was in line with 2001.

The result for associated companies was a loss of NOK 2,450 million, compared with a profit of NOK 8,237 million in 2001. The decline was connected with significant sales gains in 2001. The results were also influenced by the fact that a number of companies were converted from associated companies to subsidiaries in 2001 and 2002, as well as by the effects of write-downs in both 2001 and 2002. There was a good underlying growth in revenues and profits in a number of the associated companies, principally in the international mobile operations.

Net financial costs increased by NOK 1,207 million to NOK 2,366 million in 2002, mainly as a result of lower gains from sales of shareholdings and increased net interest expenses. Significant write-downs of shareholdings were made both in 2001 and in 2002. In connection with the acquisition of businesses, net interest-bearing liabilities increased in the course of 2001 and 2002, contributing to higher interest expenses.

Current and deferred taxes totalled an income of NOK 480 million in 2002. Tax-deductible losses were realised in connection with the liquidation and sale of companies. This was partly offset by a tax claim in relation to a challenge of Telenor's 2001 tax return associated with the group internal sale of shares in Sonofon Holding A/S and a lawsuit in Greece, both of which were recorded as tax expenses in 2002. In January 2003, Telenor issued a writ against the Norwegian tax authorities in connection with the Sonofon case.

The cash flow from operating activities increased by NOK 5.9 billion from 2001 to NOK 12.9 billion in 2002. This was principally the result of increases in revenues, and operating margins and accruals, which were partly offset by increased tax and interest payments. The consolidation of DiGi.Com in 2001 and Pannon GSM and Kyivstar in 2002 contributed NOK 3.1 billion.

Telenor invested NOK 21.3 billion in 2002, of which NOK 12.4 billion was acquisition of businesses. COMSAT Mobile Communications was acquired with effect from 11 January 2002, the acquisition of Pannon GSM in Hungary was completed on 4 February 2002 and the acquisition of the remaining 50% of the shares in the Canal Digital group (Norway, Sweden, Denmark and Finland) was finalised on 30 June 2002.

At the end of 2002, Telenor's total balance was NOK 89.5 billion and the equity ratio (including minority interests) was 41.7%, which is a reduction from 55.3% in 2001. Net interest-bearing liabilities totalled NOK 26.9 billion, an increase of NOK 13.7 billion during the year. In the opinion of the Board, Telenor's financial position is satisfactory.

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

Comments regarding the business areas

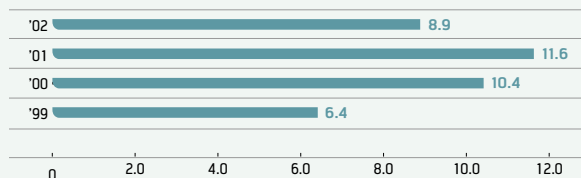
Telenor Mobile Telenor Mobile provides mobile voice, data, Internet and content services, as well as electronic commerce, in Norway and a selection of countries abroad. The business area is by far the leading supplier of such services to the Norwegian market, and a pioneer in the development of new services in the field of mobile communications. Telenor Mobile is among the 12 largest mobile communications operators in the world.

Operating profit, Telenor Group; 1998–2002

NOK in millions	
2002	(320)
2001	3.177
2000	3.629
1999	4.002
1998	3.797

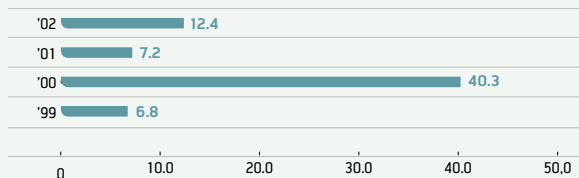
Capex; 1999–2002

(NOK in millions)



Acquisitions; 1999–2002

(NOK in millions)



The total revenues in Telenor Mobile increased by NOK 7,788 million to NOK 20,346 million in 2002. NOK 7.0 billion of this increase resulted from the consolidation of DiGi.Com, Pannon GSM and Kyivstar GSM during 2001 and 2002. In addition to this, there was good underlying growth due to the increase in the number of subscriptions, both at GrameenPhone in Bangladesh and in Norway, where the revenue per subscriber also increased.

The operating profit was reduced by NOK 1,081 million to NOK 1,414 million in 2002, largely as a consequence of the write-down of DiGi.Com in 2002. Apart from this, there was an underlying positive trend associated with improved margins and new companies.

The results from Telenor Mobile's associated companies and joint venture activities fell by NOK 11.7 billion to a loss of NOK 2.0 billion in 2002. The decline must be seen in the context of considerable sales gains achieved in 2001. The 2002 loss is attributable to depreciation and write-downs of Telenor's excess values, while the net income after tax in the associated companies was positive as a consequence of considerable increases in their customer bases. After adjustment for Pannon and Kyivstar, which are now consolidated as subsidiaries, and Extel, which was sold at the end of 2002, there was an increase of 2.1 million in Telenor's pro rata share of subscriptions in international associated mobile telecommunications companies, which reached 5.1 million at the end of 2002. The growth was particularly high in DTAC in Thailand and in VimpelCom in Russia.

Telenor Networks Telenor Networks provides fixed network telecommunications services in Norway. Telenor Networks offers traditional analogue fixed telephony services (PSTN), digital fixed telephony services (ISDN) and value-added services to the residential market. Telenor Networks also offers PSTN and ISDN and leased lines to businesses and the public sector. Additionally, this business area provides interconnection and capacity services such as leased lines and operator access to other network operators and service providers.

The total revenues decreased by NOK 80 million to NOK 16,488 million in 2002. The total traffic minutes in the fixed network on the Norwegian market fell by 8.5% in 2002, as a result of the trend towards wireless traffic and the increase in the use of

ADSL, where the volume of traffic is not measured. Telenor Networks' market share of traffic minutes fell by five percentage points to 63% by the end of 2002, but was compensated for Telenor as a whole by increased market shares in the Telenor Plus and Business Solutions business areas.

Telenor Networks' operating result increased by NOK 351 million to NOK 2,526 million in 2002, mainly as a consequence of reduced write-downs.

Telenor Plus The Telenor Plus business area is the leading supplier of TV-based services in the Nordic region. The services comprise the transmission of TV and radio signals through the operators Norkring and Satellite Broadcasting. Through Canal Digital, Telenor Avidi, Sweden On-Line and Telenor Vision, a range of TV services, Pay-TV and digital services are provided to customers in the Nordic region via satellite dish, cable TV and smaller closed networks. The business area is also a leading supplier of Internet access and services to the residential market in Norway.

Total revenues increased by NOK 1,476 million to NOK 4,862 million in 2002, primarily as a result of the consolidation of new companies, including Canal Digital, and the increase in ADSL sales. The number of TV subscribers increased by 3.5% to 2.4 million in 2002, while the number of ADSL subscribers increased by 67,000, to reach 90,000.

The operating loss in 2002 was NOK 883 million, compared with a loss of NOK 841 million in 2001. The increased loss is connected with the effects of new companies and the increased sales of and marketing activities for ADSL, which were partly counteracted by lower write-downs as compared with 2001.

Telenor Business Solutions Telenor Business Solutions provides a broad range of communications solutions and solutions for application services (ASP) to the business market in Norway. The business area also provides IP-based communications services in a selection of European countries, in addition to systems integration in the UK. Telephony, IP-based communications solutions, data communications and advanced network services are also supplied to the business market in Sweden. The Russian company Comincom/Combella supplies telecommunications services mainly in the Moscow area.



The total revenues of Telenor Business Solutions increased by NOK 217 million to NOK 6,157 million in 2002, as a result of the full year effect of the consolidation of Telenordia in Sweden, increased internal group sales of data services connected to ADSL sales in Telenor Plus, and increased revenues in Comincom/Combella in Russia. This was partly counteracted by the lower sales of ASP, managed services and software, resulting from weak market conditions, and fewer units in Nextra International.

The operating loss in 2002 was NOK 1,807 million, compared with a loss of NOK 2,968 million in 2001. The improvement is associated with cost reductions and a reduction in loss-making business in Nextra International, improved margins connected with internal group sales of access network and communications services in Norway, as well as lower write-downs and costs resulting from restructuring and loss-making contracts. This was partly counteracted by reduced sales of ASP, managed services and software.

Other activities Other activities consist mainly of the listed subsidiary EDB Business Partner ASA, in which Telenor had a shareholding of 51.8% at the end of 2002, as well as other business units, Corporate Functions and Group Activities.

The total revenues in EDB Business Partner ASA were reduced by NOK 470 million to NOK 4,341 million in 2002. The decline is attributable to lower demand, especially from other Telenor companies, as a result of weak market conditions. The operating loss in 2002 was NOK 409 million, which represents an improvement of NOK 799 million, compared to 2001. Both in 2001 and 2002, write-downs were implemented, and costs were incurred in connection with restructuring activities. Adjusted for these effects, the operating result showed a decline compared with 2001, resulting from lower revenues.

The total revenues for other business units were NOK 3,978 million in 2002, which is slightly lower than in 2001. The revenues in Satellite Services increased, principally as a result of the consolidation of COMSAT in the US. The revenues in Satellite Networks also increased as a result of new contracts. Itworks filed for bankruptcy in April 2002, contributing to reduced revenues. The combined operating loss for other business activities was NOK 90 million, but this represented an

improvement over 2001 of almost NOK 600 million, as a consequence of the improved performance of Satellite Services and Satellite Networks, as well as the cessation of the losses in Itworks and TTYL. In 2002, expenses were recorded in Tele-service, and write-downs in Telenor Innovation also had a negative effect compared with 2001.

Total revenues in Corporate Functions and Group Activities were NOK 2,850 million in 2002, representing a reduction of approximately NOK 5 billion resulting from gains from the sale of Telenor Media in 2001. The operating result fell by NOK 5,324 million to give a loss of NOK 1,185 million, as a consequence of lower net sales gains in 2002, restructuring costs and increased depreciations connected with the new Fornebu headquarters and new computer systems.

3. NON-FINANCIAL INFORMATION

The day-to-day management of Telenor requires emphasis on both financial and non-financial objectives and management parameters. Certain non-financial factors receive particular attention, such as the expertise of employees, the company's customer relations and its position in the various markets. Customer satisfaction and brand name recognition are essential for the long-term development of results and assets.

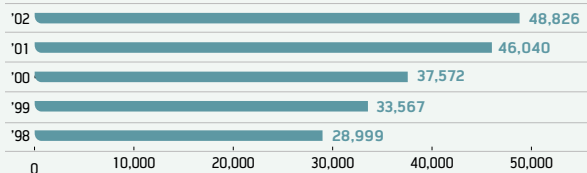
Working environment In 2002, Telenor continued to concentrate on following up sick leave, ergonomics, fire prevention, and subcontractors and the systematic improvement of the working environment at all levels in the group. A total of 71 audits were carried out in order to monitor these areas in the group's subsidiaries. Sick leave in 2002 was 5.0%, as compared with 4.9% in 2001. The long-term objective is to reduce sick leave to 4.0%. In 2002, 12 injuries leading to absence were reported, none of which were serious, in addition to a total

Operating profit (loss); 1999–2002

NOK in millions	Business				
	Mobile	Networks	Plus	Solutions	Other
2002	1.414	2.526	(883)	(1.807)	(1.570)
2001	2.495	2.175	(841)	(2.968)	2.316
2000	1.594	3.047	135	(1.173)	26
1999	1.106	2.884	132	(430)	310

Revenues; 1998–2002

Telenor Group (NOK in millions)



of 16 injuries (which did not lead to absences) and 5 near-accidents.

The external environment The environmental impact per employee in Telenor is low. The group has an impact on its surroundings primarily as a result of its size, and that impact is largely associated with energy consumption, travel and installation activities.

Efforts to reduce Telenor's energy consumption in Norway resulted in a fall of 5.6%, to 507 GWh, of which an estimated 87% comes from renewable energy sources such as hydro-electricity and district heating. In 2002, the total emissions of CO₂ from Telenor's operations in Norway amounted to 17,000 tonnes, which is a reduction of 13.7% from 2001.

Telenor's new office buildings at Fornebu, Kokstad in Bergen and Elvebredden in Kristiansand are innovative in their use of environmentally friendly solutions, which are leading to lower costs for the company as well as a reduced impact on the environment.

Indexes In 2002, Telenor was quoted on the Dow Jones Sustainability Indexes. The company also maintained its position on the FTSE4Good index and was awarded the "Best in Class" distinction by Storebrand Kapitalforvaltning for its work on social responsibility.

Skills and education Telenor considers it important to attract and retain skilled employees, and continues to develop its open internal labour market. Regular monitoring of employees' attitudes and experience of various aspects of their workplace is carried out, and the results are used in the company's improvement work.

A survey of Norwegian students placed Telenor in second place among the companies they would most like to work for.

As an element of Telenor's efforts to attract and retain good managers, an options programme was implemented which applied to approximately 80 employees. The programme will probably cover 100 employees in 2003, and managers and key personnel did not receive the usual salary adjustment on 1 January 2003.

4. ALLOCATIONS

In 2002, the parent company, Telenor ASA, recorded a net loss of NOK 2,626 million.

The Board of Directors proposes that the Shareholder's meeting approve the payment of a dividend of NOK 0.45 per share for 2002.

The Board of Directors also proposes the payment of a Group Contribution of NOK 137 million after taxes.

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

Dividends	799
Transferred from other equity	(3,425)
Total	(2,626)

After these allocations, the company's distributable equity as of 31 December 2002 totalled NOK 7,652 million.

5. REGULATORY MATTERS

Telenor's regulatory framework conditions are of significant importance for the company's ability to create value for its shareholders and for society. The authorities can exert influence which can result in significant changes in the balance of the market, Telenor's revenues and the profitability of investing in new technology and new services. In recent years the regulatory authorities in Norway have chosen to pursue an active policy of regulation and monitoring which has presented significant challenges for Telenor's business activities.

The Board of Directors emphasises the need for Telenor to contribute to an efficiently run telecommunications market in Norway. In the opinion of the Board, it is inappropriate to subject individual operators in Norway to controls which are more detailed and radical than those of other European countries. Such controls may also lead to significant socio-economic costs. In the long term, this may weaken the incentives for future investments in Norwegian infrastructure and service development. Telecommunications prices in Norway are already among the lowest in the OECD, and Norway is currently among the world leaders in mobile communications services such as SMS, MMS and mobile payment solutions. In spite of



this, Norwegian regulatory authorities appear to have chosen to exercise a control and monitoring policy involving considerable regulatory risk for the company and its investors by creating uncertainty regarding the profitability of Telenor's large investments in network and service development.

Telenor pays particular attention to regulatory factors in its international portfolio, and the development in regulatory framework conditions for the company's activities outside Norway in 2002 has on the whole been positive. It is assumed that the development in the direction of more stable framework conditions will continue in 2003.

The Ministry of Transport and Communications has initiated a revision of Norwegian telecommunications legislation after the EU passed new resolutions on electronic communications networks and services. The aim of the regulations is to ensure that consumers receive high quality services at acceptable prices through effective competition. The Board considers this an important principle, and expects the EU regulations to be implemented and enforced in a harmonised fashion in all EU/EEA countries.

In the spring of 2003, the Norwegian Government presented a white paper to the Norwegian Parliament regarding mobile communications activities in Norway. The Board considers it positive that the Government in the white paper indicates that regulatory measures must consider the need to provide incentives for further development of infrastructure and new services in the Norwegian market.

6. COMPANY MANAGEMENT

Corporate governance In 2002, Telenor continued to pay considerable attention to the formal and fundamental framework for the management of the company, both as regards management practices and social responsibility, with the main focus on safeguarding the long-term interests of the owners. Following the passing of the Sarbanes-Oxley act in 2002. The new regulations will lead to greater awareness with respect to internal control, reporting and accounting matters, among other things by placing requirements on the documentation of work practices and assessments. The Board will ensure that Telenor fulfils these new requirements.

For many years, Telenor has made use of internal regulations and directives as management tools, to supplement the legally imposed regulations. The Board has appointed a subcommittee (Compensation Committee) which at the request of the Board will assess the total remuneration of the group CEO, as well as the policy regarding remuneration of managers at various levels.

In 2002, Telenor continued to provide active communication with the financial market and provide information to the shareholders, thereby ensuring that all the basic information essential for the external assessment of the company was publicised in accordance with applicable rules and guidelines.

Throughout 2002, the Board kept up-to-date with the company's strategic planning, placing particular emphasis on the monitoring of financial performance, work on cost-reducing measures and investment matters. Earlier investments have been followed up by way of special evaluation reports.

The Board On 18 June 2002, the Corporate Assembly of Telenor elected Hanne de Mora as a new shareholder-elected member of the Board of Telenor ASA. At the same time, Vice-Chairman Åshild Bendiktsen was re-elected as shareholder-elected member. Both appointments are valid for one year. At the same time, Bente Neegård Halvorsen left the Board.

All the shareholder-elected Board members are up for re-election in the spring to summer of 2003.

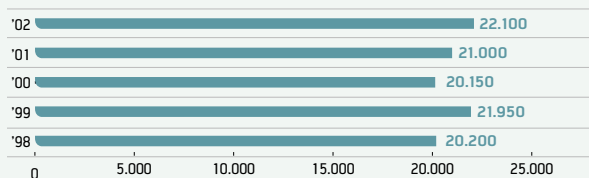
On 3 December 2002, Tom Vidar Rygh resigned as the Chairman of the Board of Telenor ASA to take up the position of CEO of Enskilda Securities AB. Vice-chairman Åshild Bendiktsen acted as chairman until the new chairman, Thorleif Enger, was appointed in March.

In January 2002, the President and CEO, Tormod Hermansen, notified the Board that he wished to step down at the end of the first half of 2002. On 26 April, the Board decided to appoint Jon Fredrik Baksaas as the new CEO of Telenor, and he took up the position on 21 June 2002.

With the exception of the representatives elected by the employees, no Board members are employed by Telenor or engaged in work for Telenor.

Number of full-time equivalent employees; 1998–2002

Telenor Group



The Board of Telenor works in accordance with guidelines for its work and procedures. The Board held 15 Board Meetings in 2002.

7. ORGANISATION AND PERSONNEL

At the end of 2002, the Telenor Group had 23,450 employees, representing 22,100 man-years. 14,150 of these worked in Norway and 9,300 outside Norway. The total number of employees at the end of 2001 was 22,050. 60% are male and 40% are female.

Based on the market developments in recent years, there was a need to reduce costs and rationalise operations. As part of the company's efforts to achieve this, a significant workforce reduction was implemented in the Norwegian operations in 2002. To ensure the greatest possible consideration for those affected, the company has provided financial support and counselling, in addition to internal labour market initiatives.

The company has also practiced a partial hiring freeze, and greatly reduced its use of consultants.

Co-operation between the management and the employees' organisations functions well within the framework of the general agreement between the employers' association, the Norwegian Association of Publicly Owned Companies (NAVO), and the central organisations (SAN).

Telenor decided to implement an organisational adjustment from 1 January 2003 to reinforce the organisation and thereby form the best possible starting point for the continued development of activities in Norway while at the same time ensuring continued international growth in the mobile telecommunications field. From this date, the business activities are operated through three business areas, Telenor Mobile, Telenor Networks and Telenor Broadcast, which from the same date form the basis of the company's financial reporting structure, with the addition of Other activities. A separate market organisation, Telenor Norge, has been established to simplify and reinforce Telenor's position in the domestic market, while a new group management, adapted to the altered organisational structure, has been set up.

8. RISK FACTORS

Telenor's activities are exposed to a number of risk factors,

principally of regulatory, legal, financial and political nature. It is important for the Board to ensure that the company implements measures to control and reduce the risk factors, to ensure that the total risk is at all times kept within commercially acceptable limits.

In the Norwegian market, new and modified regulations by regulatory authorities and civil action based on alleged breaches of the telecommunications regulations present a considerable challenge and an element of uncertainty. In the international market, there are special risk elements in certain countries, such as political climate, exchange rate fluctuations, regulatory conditions, partner risk in joint projects, etc.

Telenor assesses these risk factors in detail, both in connection with new investments, and continuously in the case of existing investments. In its international ventures, the company has attempted to balance the risk situation for investments outside Norway by distributing its portfolio between mature and immature markets. The Board has systematically reviewed and evaluated the company's commitments so as to assess the development of the individual projects in the light of an up-to-date risk situation.

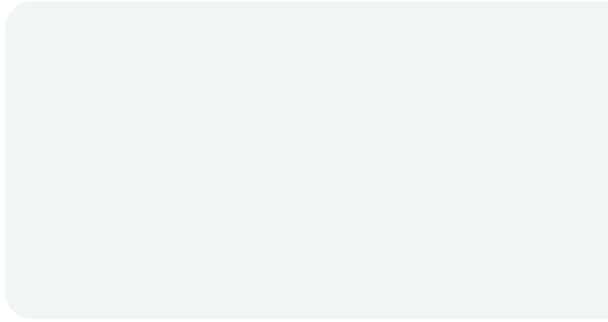
Telenor is exposed to financial market risks related to changes in interest rates and foreign exchange rate fluctuations. Financial instruments are used to reduce such risks. The group has taken the necessary steps to maintain a satisfactory financial flexibility in the aftermath of the turbulence in the capital markets in recent years.

9. OUTLOOK FOR 2003

The rationalization of operations will continue in 2003, with the focus on keeping the costs down and thereby increase the cash flow from operations.

Telenor expects continued growth, particularly from our international mobile companies. In addition, the full-year effect of the consolidation of Kyivstar GSM, Pannon GSM and Canal Digital will be realised. Revenues are expected to increase for the group as a whole.

The rationalization of operations through Delta 4, will continue in 2003 and is expected to contribute to increased margins



in the Norwegian part of the group. In the international part of the group, several of the companies are now in a mature phase, which is expected to have a positive effect on the margins. Combined with the increase in revenues, this is expected to result in a considerable improvement in the underlying EBITDA and in the operating profit.

Capital expenditure is expected to be in line with 2002 despite the consolidation of Kyivstar GSM, Canal Digital and Pannon GSM.

Telenor believes that an increasing proportion of the revenues and profits will come from international operations, with a higher degree of exposure to exchange rate fluctuations than previously. Simultaneously, the risk will increase due to greater exposure to emerging markets. In addition, significant portions of the company's activities are experiencing regulatory risk, both in Norway and internationally.

Thorleif Enger
Board Chairman

Åshild M. Bendiktsen
Board Vice-chairman

Hanne de Mora
Board member

Einar Førde
Board member

Jørgen Lindegaard
Board member

Bjørg Ven
Board member

Harald Stavn
Board member

Per Gunnar Salomonsen
Board member

Irma Tystad
Board member

Jon Fredrik Baksaas
President & CEO

TELENOR'S CORPORATE GOVERNANCE

In 2002, Telenor continued its endeavours to achieve best practice in its standards of corporate governance. A considerable effort was made to introduce and implement internal guidelines, processes and routines. Telenor's corporate governance is founded on public legislation and internal guidelines.

PRINCIPLES OF GOVERNANCE

Telenor's legal management structure is partly set by a body of laws that regulates the activities, and partly by its own regulations, internal bodies and directions. Telenor ASA is a Norwegian company, but Telenor is also an international group. International subsidiaries have their own management bodies, which act in accordance with the prevailing legislation in each country.

MANAGEMENT SYSTEM

Telenor's operations are organised under a formal corporate structure with Telenor ASA as the parent company; a holding company that includes group management and group units, regulated in accordance with the Act relating to Public Limited Companies

As of 2003, the Telenor group is divided into three business areas, plus one area for Other activities and a market organisation for Norway. The President and Board of Telenor ASA correspond to the CEO and Board of the Telenor group. The Board of Telenor ASA is responsible for the operations in underlying subsidiaries via the CEO, and the CEO via the heads of the relevant areas.

MANAGEMENT BODIES

The formal governance of Telenor ASA is undertaken through the central bodies, the Annual General Meeting (AGM), the Corporate Assembly and the Board of Directors.

The AGM is the body through which the shareholders exercise their overall authority, based on one vote per share. The AGM is authorised to approve the annual accounts, the Directors' report and the dividend to be paid out – all on the recommendation of the Board and the Corporate Assembly. The AGM appoints the ten shareholder-elected members to the corporate assembly, it appoints two of the four members sitting on the Nomination Committee, as well as the external auditor.

The Corporate Assembly elects the Board members and Chairman, supervises the Board and management's administration of the company, and is empowered to make decisions on certain issues. The Corporate Assembly submits a statement to the AGM on whether the Board's proposed profit and loss account and balance sheet should be approved, plus a proposal for the application of profit or coverage of loss.

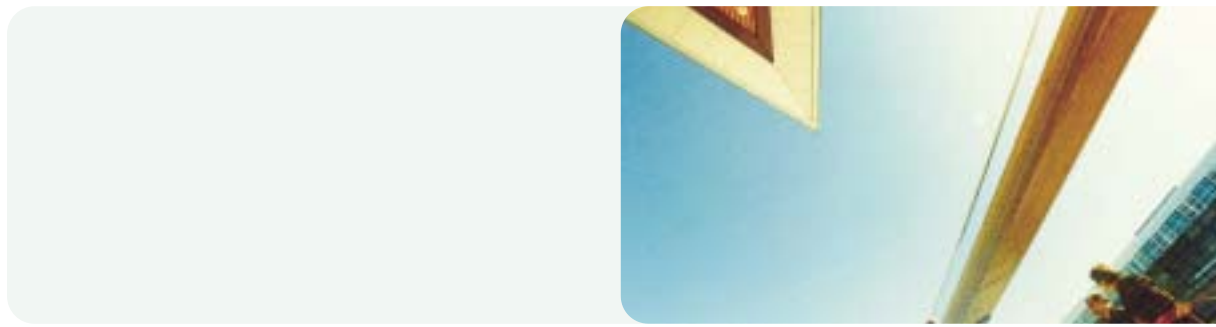
Telenor ASA's corporate assembly consists of 15 members who are normally elected for two years at a time. Ten of these members are elected from the shareholders at the AGM, and five are selected from and by the employees.

The Nomination Committee is responsible for submitting to the AGM recommendations on the choice of shareholder-elected members and deputy members to the corporate assembly, plus a recommendation to the corporate assembly on the choice of shareholder-elected Board members. Telenor ASA's Nomination Committee consists of four members, all of them representing the shareholders. The members are elected for a two-year period. Two members are elected by the AGM, and two by and from the corporate assembly's shareholder-elected members, the leader of the corporate assembly being one.

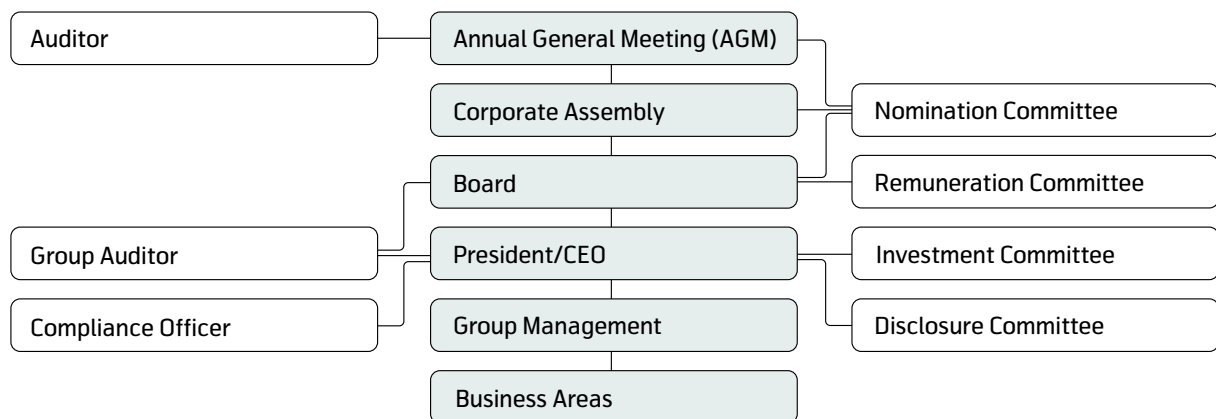
The Board is responsible for the direction and proper organisation of the company. This includes a responsibility to supervise and exercise control of activities. The Board submits an annual report and financial statements to the AGM, as well as a recommendation for the application of profit or the covering of any losses. Telenor ASA's Board consists of 10 members, seven of which are elected by the Corporate Assembly, and three from and by the employees. All members are elected for a two-year period. The Corporate Assembly also elects the Board Chairman and Board Vice-Chairman.

The Remuneration Committee is a working committee responsible for evaluating the total remuneration to the CEO and to managers reporting directly to the CEO. The committee shall also recommend a proposal for policies and schemes that affect companies' management salary policies, including bonus programmes, share schemes, etc.

The CEO is in charge of the day-to-day management of operations in Telenor ASA and the Telenor group. The CEO is responsible for ensuring that the company and group are organised, run and developed in accordance with current legislation, regulations and resolutions passed by the Board, the corporate assembly and the AGM. Telenor ASA's CEO is appointed by the Board and is under obligation to report to the Board. The CEO and the group management have corporate staff and units that support them in their work. The CEO is also



TELENOR'S MANAGEMENT SYSTEM, 2002–2003



head of the Ethical Council, which shall ensure the observance of corporate ethical guidelines. The Council shall evaluate concrete ethical questions, assessing day-to-day situations as well as business-related matters.

The Group Management now consists of seven members, including the CEO, CFO and CTO, as well as the heads of the business areas and the head of the Norwegian market organisation.

The Compliance Officer shall ensure that the company acts in accordance with applicable law, regulations and legally binding directions issued by public authorities, and furthermore, that internal conduct in the organisation does not conflict with Telenor's own policies, regulations and guidelines. The compliance officer reports to the CEO and shall ensure that the group takes sufficient measures to secure that prevailing regulations are observed.

The Group Auditor (internal auditor) performs random revi-

sions throughout the group, based on risk analyses. The auditor submits evaluations and advice on internal control, governance and operational efficiency. The work is undertaken in accordance with international standards. The Group Auditor reports to the CEO, and occasionally to the Board.

The Disclosure Committee shall support efforts to meet the requirements in the American "Sarbanes-Oxley Act", which is making increasingly strong formal demands with respect to accounting, internal control and corporate governance. The committee shall issue internal directives, provide follow-up and contribute to ensure that requirements are met. The committee is chaired by the CFO, and all members have relevant expertise.

The Investment Committee shall give advise to the CEO and the group management on investment issues of a certain size. The committee is chaired by the CFO, and all members have relevant expertise.

TELENOR'S BOARD OF DIRECTORS



Thorleif Enger (1943)
CHAIRMAN

Thorleif Enger was elected to the Board on 1 October 2001, and was made Chairman on 3 March 2003. He is Executive Vice President and a member of the group management at Norsk Hydro, with responsibility for the Agri business area. Thorleif Enger began working for Norsk Hydro in 1973 and has held a number of positions in the company. He is Chairman of the Board of Treka A/S, and a Board member of Kverneland and PSG and a member of ABB's corporate assembly. Thorleif Enger has a doctorate in Structural Engineering from the University of Colorado in the US.



Åshild M. Bendiktsen (1945)
VICE-CHAIRMAN

Åshild M. Bendiktsen was elected to the Board in June 1994, and was a Board member until November 1999. She was re-elected in May 2000 and since July 2000 has been Vice-Chairman of the Board. She was again elected on 18 June 2002 and functioned as Chairman from 3 December 2002 to 6 March 2003. Åshild Bendiktsen is Chairman of the Board of NHO in Troms, and sits on NHO's Executive Board. She is Vice-Chairman of the Board of the Norut Group, and was State Secretary at the Ministry of Transport and Communications in 1986-88 and 1990-91. She has studied economics and is Finance Director with Bendiktsen & Aasen AS.



Hanne de Mora (1960)
BOARD MEMBER

Hanne de Mora was elected to the Board on 18 June 2002. She has previous experience from Den norske Creditbank in Luxembourg and from Proctor & Gamble in Geneva and Stockholm. Hanne de Mora has been with McKinsey in Stockholm since 1996 and was a partner from 1996 to 2002 when she started her own consultancy firm in Switzerland, where she is Chairman of the Board. She is also a board member of Tomra Systems ASA. She has a Master of Business Administration degree from Barcelona.



Bjørg Ven (1946)
BOARD MEMBER

Bjørg Ven was elected to the Board on 1 October 2001. She has been a partner in the law firm Haavind Vislie in Oslo, since 1980. She is Chairman of the Appeal Board of the Oslo Stock Exchange and the Appeal Board for Public Acquisitions. Bjørg Ven was appointed substitute judge at the EFTA court in Luxembourg and is Chairman of the Board of the National Insurance Fund in Norway and Gjensidige NOR. She is a solicitor with attendance rights at the Supreme Court in Norway.



**Einar Førde (1943)
BOARD MEMBER**

Einar Førde was elected to the Board on 1 October 2001. He is an independent consultant and was the Managing Director of the Norwegian Broadcasting Corporation (NRK) from 1989 to 2001. He is Chairman of the Board of Norsk Telegrambyrå, and a board member of Digital Vision AS. Einar Førde was a member of parliament for the Labour Party in Norway from 1969 to 1989, Minister for Religion and Education from 1979 to 1981, parliamentary leader of the Labour Party from 1986 to 1989 and deputy leader from 1981 to 1989.

**Irma Tystad (1943)
BOARD MEMBER**

Irma Tystad was elected to the Board on 20 June 2000 by the employees. She began working for Telenor in 1962, where she has held various positions. Irma Tystad has been a Board member of Telenor Plus since 1995 and in Telenor Pension Fund since 1997. She is the group employee representative for Kommunikasjonsforbundet (Union of Communications (Norway)). She is a graduate of the Technical College of Norwegian Telecom and subsequently studied entrepreneurship and management.

**Harald Stavn (1954)
BOARD MEMBER**

Harald Stavn was elected to the Board on 20 June 2000 by the employees. He began working for Telenor in 1974, where he has held various technical positions. He is a Board member of Telenor Pension Fund and the Executive Board of NITO (Norwegian Society of Engineers), employee representative for NITO in Telenor. Harald Stavn was educated as a business economist at Handelshøyskolen BI (the Norwegian School of Management) in Oslo.

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

Per Gunnar Salomonsen was elected to the Board on 1 November 2000 by the employees. He began working for Telenor in 1973, where he has held various positions, most recently as Operations Engineer. From 1995 to 2000 he was a Board Member of Telenor Nett. Salomonsen is a group employee representative for EI&IT-forbundet (EI & IT Union) in Telenor. Per Gunnar Salomonsen is a qualified engineer.



**Jørgen Lindegaard (1948)
BOARD MEMBER**

Jørgen Lindegaard was elected to the Board on 1 October 2001. He is the CEO of SAS. Jørgen Lindegaard's background is in the telecommunications industry, and since 1975 he has held managerial positions in Fyns Telefon A/S, København Telefon A/S and TeleDanmark A/S. He is Chairman of the Board of Sonofon Holding A/S and a Board member of Finansieringsinstituttet for Industri og Håndværk A/S. Lindegaard is a Graduate Engineer with telecommunications and is a member of The Academy for Technical Sciences in Denmark and Norway.

TELENOR'S GROUP MANAGEMENT



Arve Johansen, Jan Edvard Thygesen, Torstein Moland, Jon Fredrik Baksaas, Berit Svendsen, Morten Karlsen Sørby. Stig Eide Sivertsen was not present when the photo was taken.

Jon Fredrik Baksaas (1954)

President and CEO

Jon Fredrik Baksaas joined Telenor in 1989 and has held positions as Director of Corporate Finance, Executive Vice President and CEO of TBK AS. He was appointed Deputy CEO of Telenor in 1997 and has served as Telenor's CEO since 21 June 2002. Before joining Telenor, Jon Fredrik Baksaas held finance-related positions in Aker AS, Stolt-Nielsen Seaway and Det norske Veritas. He holds a Master of Science in Business Administration from the Norwegian School of Economics and Business Administration in Bergen and has additional qualifications from IMD in Lausanne, Switzerland.

Torstein Moland (1945)

Senior Executive Vice President and CFO

Torstein Moland joined Telenor in 1997 as Senior Executive Vice President with responsibility for finance and economics. Prior to taking up this post, he was Head of the Central Bank of Norway and President of Norske Skog. He also served in the Norwegian Ministry of Finance where he developed economic policies. He was later appointed State Secretary to the Prime Minister. Torstein Moland is a graduate economist with additional qualifications from Massachusetts Institute of Technology.

Arve Johansen (1949)

Senior Executive Vice President and CEO of Telenor Mobile

Arve Johansen joined Telenor in 1989 and has held several positions including CEO of Telenor International AS. He has been Senior Executive Vice President since 1999 and CEO of Telenor Mobile since 2000. Prior to this, he was Executive Vice President of EB Telecom, Research Engineer at the Norwegian Institute of Technology, and he also worked at ELAB. Arve Johansen graduated as an electronics engineer (telecommunications) from the Norwegian Institute of Technology in Trondheim and took part in the Programme for Management Development at Harvard Business School.

Jan Edvard Thygesen (1951)

Executive Vice President and CEO of Telenor Networks

Jan Edvard Thygesen joined Telenor in 1979 and has held several positions including Executive Vice President of Telenor Mobile, CEO of Telenor Invest AS, Executive Vice President of Telenor Bedrift AS and CEO of Telenor Nett AS. He has been the head of Telenor Networks since 1998. Jan Edvard Thygesen graduated in electronics and telecommunications from the Norwegian Institute of Technology in Trondheim.

Stig Eide Sivertsen (1959)

Executive Vice President and CEO of Telenor Broadcast

Stig Eide Sivertsen joined Telenor in 1997 as Director of Corporate Finance for Telenor Link AS. He has previously held positions as CEO of Nettavisen and Director of Corporate Finance in Petroleum Geo-Services ASA and Schibsted ASA. Stig Eide Sivertsen studied law at the University of Bergen and has an MBA from Durham University.

Morten Karlsen Sørby (1959)

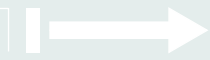
Executive Vice President and CEO of Telenor Norge

Morten Karlsen Sørby joined Telenor in 1993 and has held a number of different positions in the group, including Finance Director and CEO of Telenor International, Executive Vice President of Telenor Mobile from 2000 to 2002, and CEO of Telenor Norge from 2003. He has previously worked at Arthur Andersen & Co in Oslo, primarily in IT, telecom and media. Morten Karlsen Sørby holds a Master of Science in Business Administration and is a state authorised public accountant (Norway). He also has qualifications from IMD, Lausanne.

Berit Svendsen (1963)

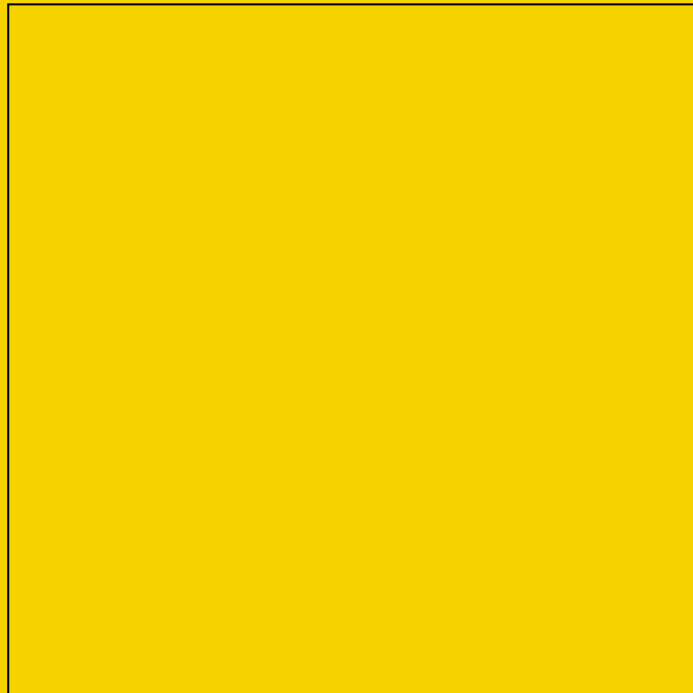
Executive Vice President for Technology (CTO)

Berit Svendsen joined Telenor in 1988 and has held a number of different positions, most recently as Project Director for FMC (Fixed Mobile Convergence) and as CEO of data services. She was appointed Executive Vice President and CTO in 2000. Berit Svendsen has an MSEE degree from the Norwegian University of Science and Technology and a Master of Technology Management degree from the Norwegian School of Economics in Bergen and Massachusetts Institute of Technology.



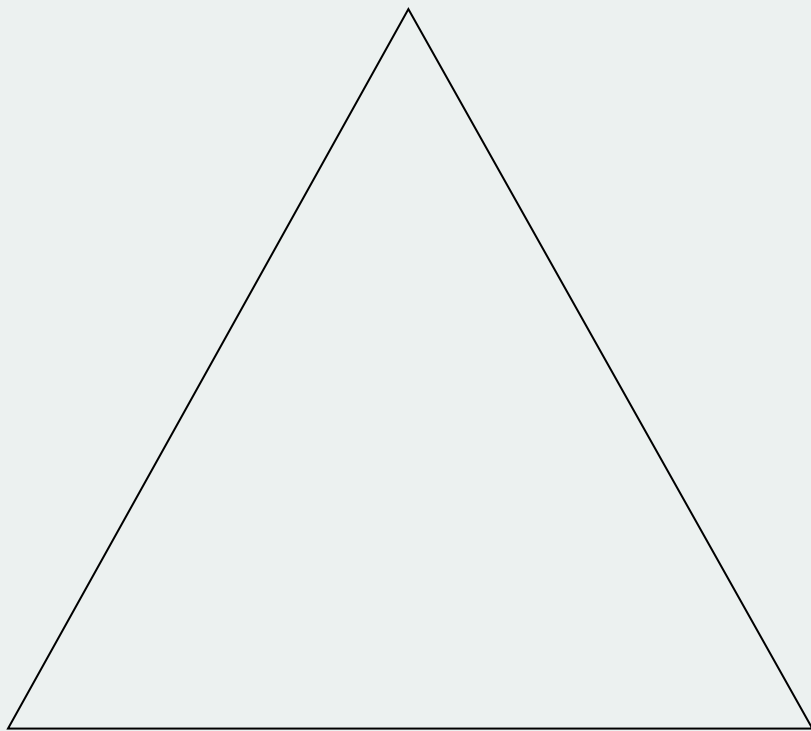
Telenor's vision shall inspire a systematic effort to improve our customer service by providing simplified communications solutions. Telenor is committed to the idea that innovation and simplicity are essential to value creation.





Simplicity ...





... is the ultimate ...





... sophistication

Leonardo da Vinci





Ideas that simplify
Telenor

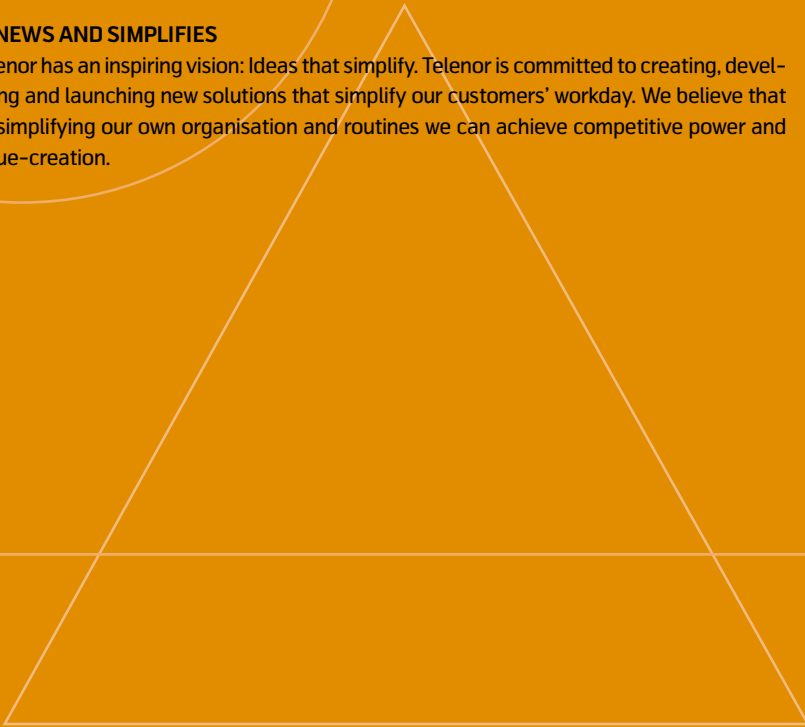


A PIONEER AND A DRIVING FORCE

Telenor has been a pioneer in the development of modern telecommunications. Based on experience from a demanding domestic market, Telenor has developed advanced solutions in satellite and mobile communications and taken these to an international market. Telenor will continue to be a driving force in the development of new solutions, primarily within mobile communications.

RENEWS AND SIMPLIFIES

Telenor has an inspiring vision: Ideas that simplify. Telenor is committed to creating, developing and launching new solutions that simplify our customers' workday. We believe that by simplifying our own organisation and routines we can achieve competitive power and value-creation.





Activities in Telenor's four business areas in 2002, were characterised by consolidation and cost control. The international focus on mobile operations was strengthened.

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ACTIVITIES AND VALUE CREATION

Telenor has extended the scope of its non-financial reporting activities and this is reflected in the Annual Report for 2002. Non-financial information provides important indications of the group's long-term value creation potential.

Non-financial information is central to the improvement of efficiency and innovation and the strengthening of customer and market awareness. It will provide greater insight into central factors in the group's value creation, and markets and the surrounding world will be better equipped to evaluate the company. Such information is also included in the sections from the individual business areas, in the Financial review.

MANAGEMENT MODEL

Telenor has developed a management model for its activities, which includes both financial and non-financial parameters. The management model is the framework for the business planning and follow-up of activities in the business areas. The purpose of the management model is to contribute to the long-term optimisation of shareholder values, strengthen the group's ability and power to realise its strategic objectives and ensure the overall administration and control of activities.

In addition to financial information, Telenor's management model builds on four core areas for management information:

Customers, Markets and Society *The group's social responsibility, the behaviour and attitudes of customers and suppliers in relation to customer care and market positioning.*

Internal processes *The quality and efficiency of the group's internal business and support processes and systems.*

Innovation *The group's innovation and creativity with respect to technology, products, services and markets.*

Expertise and learning The group's ability to attract, develop and retain the proper expertise, including its reputation as an employer, skills development, motivation, commitment and leadership.

A set of performance indicators (value drivers) has been defined for each of the business areas. These are based on important success factors for achieving Telenor's strategy and are part of the management system. They include strategy development, the drawing-up of business plans and budgets, reporting, result follow-up and incentives.

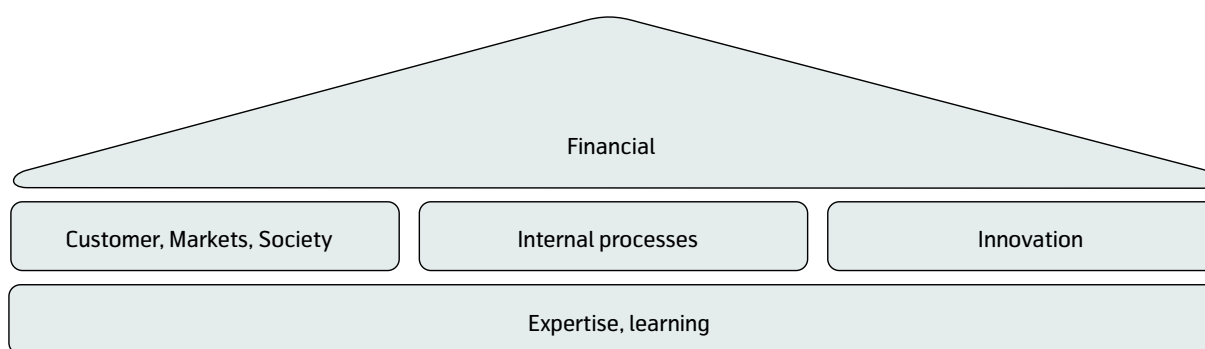
CUSTOMERS, MARKETS AND SOCIETY

Purpose The purpose of Telenor's efforts in the management area Customers, Markets and Society are:

High-quality customer awareness and customer care Detailed monitoring of customer care and market positioning shall form the basis for initiatives to ensure high quality and satisfactory customer service and customer care in Telenor.

A strong position and a strong brand A good reputation and a strong market position are determining factors in ensuring customer loyalty and market appeal. In the markets where Telenor

MAIN ELEMENTS IN TELENOR'S INTEGRATED MANAGEMENT MODEL





has activities, the company shall be seen as dynamic, innovative and responsible, and as a company that rethinks solutions and services and systematically simplifies its customers' work-day. The brands of fully owned Telenor subsidiaries will be given similar follow-up.

A commitment to social responsibility Telenor shall strive to achieve best practice with respect to its social responsibilities in the markets where the group has activities. Our concern for our social responsibility considerations shall be integral to the group's business development and operation, in relation to products and services, employees, partners, suppliers and other parties.

The year 2002 The Telenor group operates under a variety of brand names in the markets where it has activities. In Norway, the Telenor brand forms the basis for our future commercial market orientation. In January 2002, we initiated a project to develop Telenor's branding strategy and underpin the group's vision of simplifying and improving products and services, and increase customer satisfaction. The aim of this work is to enhance Telenor's reputation as a simplifier and an innovator.

Telenor's Norwegian customer and market surveys have been improved in an effort to achieve better follow-up of customer satisfaction and customer perception. It is a clear goal to increase customer satisfaction in the Norwegian market this year. This will also improve our market position. Our surveys have already given us valuable information about areas where customer satisfaction levels need to be improved.

Telenor works systematically with questions relating to business ethics and social responsibilities. In 2002, particular emphasis was placed on drawing up common guidelines for ethical conduct among managers and employees in the group.

In 2002, Telenor was listed on the Dow Jones Sustainability Indexes. The group also maintained its listing on FTSE4Good and was recently awarded the distinction "Best in class" by Storebrand Kapitalforvaltning for its efforts in environmental and social responsibility.

Telenor's environmental work showed a positive development from 2001 to 2002. The company's new office buildings at

Fornebu, Bergen and Kristiansand have all contributed to massive reductions in the group's energy consumption in Norway.

Initiatives The co-ordination of the activities in Norway is important to strengthen the group's customer care. The new market organisation, Telenor Norge, was made operative on 1 January 2003, to bring together all sales and market activities for the mobile, Internet and fixed network activities in Norway, in both the residential and business markets. The co-ordination of customer services and simplified internal work processes shall contribute to better follow-up and customer care.

INTERNAL PROCESSES

Purpose Telenor is working systematically to improve business and support processes that can contribute to improved customer awareness and cost-effectiveness. This work focuses on better co-ordination along the value chains and between the different units in the group, in order to simplify and improve the efficiency of the work. These efforts will be strengthened in the future.

Delta 4 is a group programme which aims to reduce the company's cost base in 2004 by NOK 4 million gross in relation to the cost base in 2001. Delta 4 shall improve the efficiency of operations, and ensure that Telenor works as an integrated group. Its aims shall be achieved through initiatives such as standardisation, simplification and reuse; vigorous cost cutting, more integration of management, systems, routines and investments, also with relation to the markets.

The year 2002 Project based work is central to Telenor's performance. To strengthen our achievements in this area we have introduced a joint project model and a special training programme, which provide a framework for this form of work.

Delta 4 was initiated in 2002, and has provided analyses of potential areas of improvement, design of new solutions and suggested joint initiatives for the whole group. In 2002, cost reductions totalling NOK 1.1 billion have so far been realised. This includes workforce reductions of 1500 employees. The largest cost reductions come through efficiency measures in the group's IT systems, by introducing common system platforms and joint purchasing agreements.



Initiatives As of 2003, Telenor's joint training programme for project managers will form the basis for the internal certification of new project managers. The efficiency of project work will be assessed in the annual internal value creation survey.

Delta 4 shall primarily realise gains across the business area structure, but the programme will also achieve gains via cost reduction initiatives launched separately in the business areas. The gains from these initiatives will be reported at the group's quarterly result presentations. A number of projects associated with purchasing, IT systems, customer relations, network structure and management, staff and support functions and economy functions have been launched as part of the Delta 4 programme.

INNOVATION

Purpose Telenor's innovation activities comprise anything from the development of differentiated price structures and new subscription plans for telephony and mobile telephony to the development of broadband services, mobile data services, and new business opportunities.

The aim of Telenor's innovation activities is primarily to increase the group's turnover through the development of new products, services and business concepts. We also aim to make innovation activities more targeted and efficient through concrete evaluations and initiatives.

The year 2002 Telenor now has a more integrated strategy for the management of its innovation activities, and will be following a milestone schedule in its future resource allocation to the major initiatives. In addition, a number of smaller innovation groups have been co-ordinated into one powerful unit. Telenor has made certain advanced commitments to services such as mobile Internet and interactive services for TV, and has adjusted its commitments in relation to the commercial success of these services.

Telenor's integrated management system has been strengthened in 2002, by introducing clear value drivers for innovation throughout the organisation, and by increasing its focus on innovation at the quarterly result presentations.

Initiatives The most important focus areas will be:

Mobile data services and applications Telenor has developed leading-edge expertise both within third generation mobile telephony (UMTS) and new mobile network structures such as Wireless LAN (WLAN). To speed up the development of new data services for the mobile phone, open user interfaces are being prepared, to allow new services (such as the mobile wallet) to be developed in collaboration with external partners.

Broadband solutions and applications ICanal, which is involved in providing attractive content (such as games), is one of Telenor's most important commitments in the broadband area and shall contribute to customer growth. Telenor is involved in developing concepts that will allow interaction and viewing of such content on both TVs and PCs.

Communication solutions to private industry and public administration Telenor Arena is Telenor's solution for interaction between people, environment and technology. It is marketed to private industry and to public administration. The solution has been developed based on Telenor's own ICT solution at Fornebu, and involves a full outsourcing of ICT services.

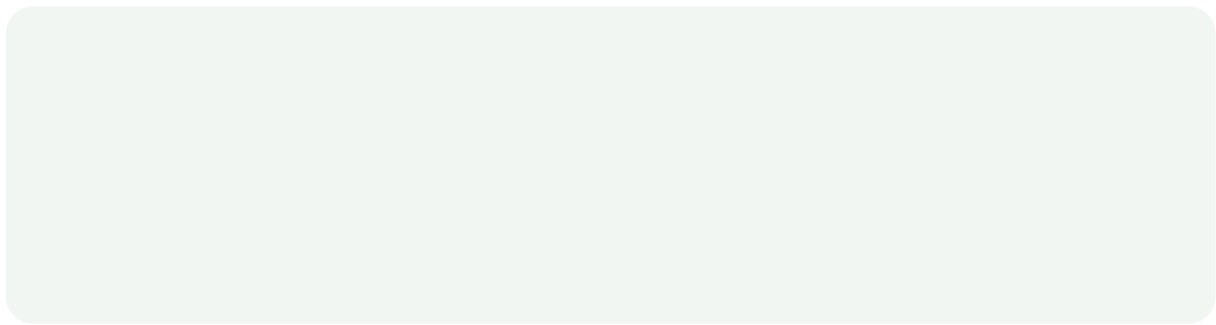
Opportunities for new business Development trends can offer new opportunities for business.

Examples of such development trends are:

- Spontaneous networks set up between users, such as in a WirelessLAN zone, or with the help of Bluetooth. The networks are characterised by being independent of any network operator, and that the traffic avoids invoicing. The option of communication between PCs and mobile telephones or between mobile telephones via Bluetooth has already been implemented in standard PCs and mobile phones.
- So-called omnipresent computing is based on future computer technology on a level where we all not only own a PC, but where invisible data power is built into parts of our surroundings, allowing applications to "think" for themselves. This will greatly alter our future communication needs.

EXPERTISE AND LEARNING

Purpose Telenor aims to attract, retain and develop its own expertise in order to remain a leading knowledge-based com-



pany. To realise this, particular emphasis will be placed on forming close ties between skills development and training and commercial operations; on developing new ways of working and improved ICT tools; on maintaining and developing a solid reputation as an attractive employer, and on learning quicker and more effectively than our competitors.

The year 2002 Telenor regularly conducts systematic employee surveys to find out how well employees adapt to their working environment.

Surveys made in 2002 show that 70% of the employees are satisfied with how the Telenor headquarters at Fornebu live up to the vision of being the leading workplace for innovative activities in the Nordic region. This includes the use of new electronic equipment. The result of external surveys in 2002

showed that Telenor is second on the list of companies for whom Norwegian students would most like to work.

Initiatives A main focus in 2003 will be to clarify the company's managerial principles. Management development will be strengthened by such means as coaching, job rotation, e-learning and other management programmes.

The incentive scheme for 2003 is formulated such that all bonus agreements for managers and key personnel will contain common group objectives linked to financial and customer-related parameters, and Telenor's social responsibilities. Greater emphasis will also be placed on strengthening the Telenor culture, and on further development of Telenor Arena as a tool for the efficient co-operation of people, their environment and technology.

TELENOR MOBILE

Telenor Mobile is Telenor's principal channel for future growth. In 2002, the international mobile portfolio generated 39% of the Telenor group's operating income. Continued development of the mobile portfolio is pivotal to the group's positioning as an international telecoms player.

INTRODUCTION

Telenor Mobile is Telenor's business area for the development and operation of mobile services for voice, data, Internet, content services and electronic commerce in the Norwegian, Nordic and international markets. Telenor Mobile has ownership interests in 12 mobile operations in 12 countries. Six of these are consolidated in Telenor's accounts, and six have status as associated companies. The international commitments are geographically concentrated in selected countries in Europe and South East Asia.

Telenor Mobile's international commitments are based on Telenor's experience, expertise, products and solutions developed in the Norwegian market. In 2002, Telenor Mobile implemented a reorganisation of its activities to enable greater focus on synergy effects between the mobile operations.

Consolidated subsidiaries:

Telenor Mobil AS, Norway Established in 1993, Telenor Mobil AS is Norway's leading provider of mobile telephony and mobile data communications, and one of the country's two digital mobile telephony operators. The company provides services in three mobile telephony networks and one personal paging network. Telenor Mobil is the only operator providing analogue mobile services in the Norwegian market. The company's GSM 900 licence is valid until 2005, and the GSM 1800 licence until 2010. Both can be extended. The NMT 450 licence expires in 2004, and the personal paging network, established in 1984, will be phased out in September 2003. The nationwide GSM network was upgraded with the addition of GPRS in 2001. Telenor Mobil is one of the two remaining licence holders for UMTS in Norway. The first part of the network was opened in December 2001.

Telenor Mobil supplies a range of digital mobile telephony services, with a number of subscription alternatives and an extensive portfolio of additional services. Telenor Mobil continues to develop new, advanced additional services, with special focus on mobile Internet and mobile data services. In March 2002, Telenor Mobil introduced MMS, and the company also provides m-Commerce services, including payment solutions through Content Provider Access (CPA), using Public Key Infrastructure (PKI) technology.

Pannon GSM, Hungary Established in 1993, Pannon GSM is the second largest of three mobile operators in Hungary. Telenor was involved in founding the company and at the end of 2002 held a 100% ownership share, after increasing its share by 74.22% in February of that year. Pannon launched commercial operations for its GSM 900 network in 1994, and opened its GSM 1800 network early in 2001. GPRS was launched in 2001. The company plans to participate in the auction bidding for UMTS licences if the conditions are right, and aims to become the leading supplier of mobile services in Hungary.

DiGi.Com Berhad, Malaysia Established in 1995, DiGi.Com is the third largest of five mobile operators in Malaysia. Telenor became part owner in 1999, and held, at the end of 2002, an ownership share of 61.00%. DiGi.Com has been listed on the stock exchange in Kuala Lumpur since 1997. The company operates a GSM 1800 network, and launched GPRS in 2002. DiGi.com has a special focus on younger subscribers and djuice™ was launched in Malaysia in 2000. The company has made a strategic decision not to apply for a UMTS licence, and aims to offer its customers 3G access through partnerships with other network operators.

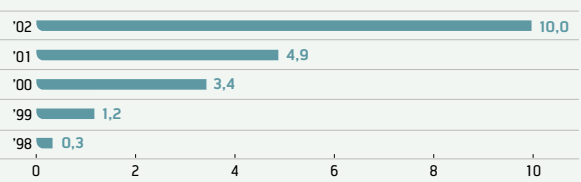
Kyivstar GSM, Ukraine Established in 1997, Kyivstar became the leading mobile operator in the Ukraine in 2002. Telenor became part owner in 1998, and at the end of 2001 held an ownership share of 54.21%. The company operates a GSM 900 network, and in 2001 the company became market leader; a position the company intends to keep.

GrameenPhone Ltd, Bangladesh Established in 1997, GrameenPhone is the largest of four mobile operators in Bangladesh. Telenor became part owner in 1997, and at the end of 2002 held an ownership share of 46.40%, representing 51.00% of the votes. GrameenPhone launched its GSM 900 network in 1997 and the company is the only one in Bangladesh with nationwide service coverage. GrameenPhone has developed a rural network with a special Village Phone programme, which in 2002 had 23,000 terminals in operation in more than 21,500 villages.

Associated companies and shared activities:

Sonofon Holding A/S, Denmark Established in 1991, Sonofon is the second largest of four mobile operators in Denmark.

Mobile subscriptions outside Norway; 1998–2002
(based on Telenor's proportional ownership interests)



Telenor is a leading player in international mobile communications, and our ability to develop advanced solutions is internationally recognised. The increasing popularity of mobile solutions, is being driven in part by service portfolio enhancements. The third generation mobile system UMTS will add additional functionality.

Telenor became part owner in 2000, and at the end of 2001 held an ownership share of 53.50%. Sonofon operates GSM 900 and 1800 networks; GPRS was launched in 2000, and broadband via Fixed Wireless Access in 2001. MMS services were introduced in 2002.

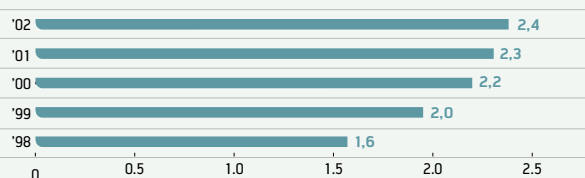
VimpelCom, Russia Established in 1992, VimpelCom is one of Russia's leading mobile operators, and market leader in the Moscow region. Telenor became part owner in 1999, and at the end of 2002 held an ownership share of 28.98%. The company is listed on the New York Stock Exchange. VimpelCom operates a D-AMPS network in addition to GSM 900 and 1800 networks, and launched GPRS in 2001.

Total Access Communication Company PCL (DTAC), Thailand Established in 1989, DTAC is Thailand's second largest mobile operator. Telenor became part owner in 2000, and at the end of 2001 held an ownership share of 40.30%, with 29.90% in DTAC and 24.90% in its former parent company, United Communication Industry PCL (UCOM). DTAC is listed on the Singapore stock exchange and UCOM on the Bangkok stock exchange. DTAC operates an AMPS 800 mobile service and a GSM 1800 service. GPRS was launched in 2002.

Connect Austria GmbH, Austria Established in 1997, Connect Austria is the third largest of four mobile operators in Austria. Telenor became part owner in 1997, and at the end of

Mobile subscriptions in Norway; 1998–2002

(millions)



COMPANY PORTFOLIO AS OF 31 DECEMBER 2002, TELENOR MOBILE

Company	Owner-ship (%)	Subscriptions (000s) ¹⁾			Market	Population (millions)
		2002	2001	2000		
Telenor Mobil AS	100.00	2,382	2,307	2,199	Norway	4,5
Pannon GSM ²⁾	100.00	2,450	1,953	1,217	Hungary	10,2
DiGi.Com Berhad	61.00	1,616	1,039	824	Malaysia	23,8
Kyivstar G.S.M. JSC	54,21	1,856	1,095	302	Ukraine	49,8
GrameenPhone Ltd.	46.41	769	464	191	Bangladesh	131
Sonofon Holding A/S ²⁾	53.50	1,103	941	875	Denmark	5,4
VimpelCom ³⁾	28.98	5,158	2,112	834	Moscow-area	15,3
Total Access Comm. Co. PCL (DTAC) ⁴⁾	40.30	5,455	2,738	1,403	Thailand	61,2
Connect Austria GmbH ²⁾	17.45	1,337	1,301	1,133	Austria	8,1
Cosmote ²⁾	18.00	3,506	2,943	2,061	Greece	10,9
ProMonte GSM ³⁾	44.10	267	159	109	Montenegro	0,7
StavTeleSot	49.00	175	70	28	Stavropol	2,7

¹⁾ Subscriptions are calculated after three months' churn for pre-paid subscriptions unless stated otherwise.

²⁾ Subscriptions are calculated after twelve months' churn for pre-paid.

³⁾ Subscriptions are calculated after six months' churn for pre-paid.

⁴⁾ Subscriptions are calculated after two months' churn for pre-paid.

2002 held an ownership share of 17.45%. Connect Austria operates a nationwide GSM 1800 network, as well as being a provider of Internet and fixed line solutions. GPRS was launched in 2002. In 2000, the company was awarded a UMTS licence through auction.

Cosmote, Greece Established in 1998, Cosmote is the largest operator in the Greek mobile market. Telenor became part owner in 1998, and at the end of 2002 held an ownership share of 18.00%. Cosmote is listed on the stock exchanges in Athens and London. Cosmote operates a nationwide GSM 1800 network and an EGSM 900 system. GPRS was launched in 2001. In the same year the company was awarded a UMTS licence.

ProMonte GSM, Montenegro Established in 1996, ProMonte is Montenegro's first mobile operator. Telenor became part owner in 1996, and at the end of 2002 held an indirect ownership share of 44.10%, through its shareholding in ETL Luxembourg.

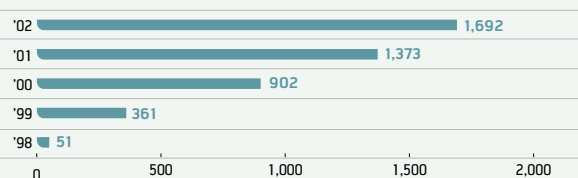
StavTeleSot, Russia StavTeleSot was established in 1997, and is one of two mobile operators in Stavropol County in the Northern Caucasus. At the end of 2002, Telenor held a 49.00% ownership share in the company, which was sold to VimpelCom in January 2003.

THE YEAR 2002

Telenor became the majority shareholder in a further two companies in 2002, as Hungarian Pannon GSM and Ukrainian Kyivstar GSM were consolidated. The purchase of 74.22% of the shares in Pannon GSM from KPN, Sonera and TDC was finalised in February, at a price of EUR 1002,0 million. Subsequent to the transaction, Telenor became sole owner of the Hungarian mobile operator. In July 2002, Telenor entered into an agreement for the acquisition of 16.50% in Kyivstar GSM from Sputnik Funds. The cost of this transaction was USD 66.5 million. In September, Telenor entered into an agreement with Storm LLC, involving the sale of a 7.7% share in Kyivstar GSM, at a price of USD 31.0 million, thereby reducing Telenor's ownership share to 54.21%.

SMS and content messages in Norway; 1998–2002

(millions)



In 2002, Telenor Mobile reinforced its commitment in Russia through its interest in VimpelCom. The company aims to become a nationwide service provider through VimpelCom-Region, of which Telenor became part owner in 2002. An agreement for further mobile service expansion in Russia was signed in Oslo in November, in the presence of Russian President Vladimir Putin and Norway's Prime Minister Kjell Magne Bondevik. In December, Telenor sold its 49.00% shareholding in the Russian operator Extel to VimpelCom.

In September, Telenor Mobile entered into two agreements with Tele2, giving the companies MVNO access to each other's GSM and future UMTS networks in Norway and Sweden. This will represent the first ventures into Mobile Virtual Network Operations in the two countries. The agreements have a five-year duration, and pave the way for commercial launch in 2003.

Four companies in Telenor's mobile portfolio hold UMTS licences, but due to the general situation with regard to the development of terminals, commercial operations have yet to be launched. In Norway, Telenor opened the first part of its network in December 2001. Cosmote in Greece and Connect Austria tested their networks in 2002, and services could be launched in 2003. Telenor Mobil in Norway, Cosmote in Greece and Sonofon in Denmark launched Multimedia Messaging Services (MMS) in 2002. In March, Telenor Mobile, through djuce™, signed an agreement with the Walt Disney Internet Group for the distribution of mobile content to the Nordic market.

VALUE CREATION

Throughout 2002, Telenor strengthened its position as a mobile operator, primarily through continued growth in the international markets. At the close of 2002, the total number of subscribers in Telenor's portfolio of mobile companies was 26.07 million, compared with 17.12 million the previous year. The highest subscriber figures were from DTAC in Thailand (5.46 million) and VimpelCom in Russia (5.16 million), where Telenor held ownership shares of 40.30% and 28.90% respectively. Telenor's six consolidated mobile companies had a total of 9.07 million subscribers. Kyivstar has a stated aim of reaching three million subscribers by the end of 2003. Grameen Phone exceeded 750,000 subscribers in 2002, and was iden-

tified percentage wise as the fastest growing mobile operator in South East Asia. In the same year, the number of mobile subscribers also exceeded the number of fixed line subscribers in Bangladesh. In February, Pannon exceeded two million subscribers, and is now capable of covering 96% of the Hungarian population. Both VimpelCom and Sonofon passed important milestones in 2002, five and one million subscribers respectively.

In 2002, Telenor Mobile developed its international mobile portfolio through a systematic transfer of skills and by comparing best practice between companies. Telenor Mobile also sought to realise scale advantages, through negotiations of purchasing contracts and by harmonising technical infrastructure, products and brands between companies.

Telenor Mobil AS consolidated its position as market leader within mobile telephony in the Norwegian market, a customer base which has seen strong growth in recent years, although the growth has been flattening in the last two years. At the end of 2002, the number of subscribers was 2.38 million, a market share of 61%, at the same level as at the end of 2001. In 2002, approximately 100,000 people were registered as subscribers to the payment solution SmartPay™, which enables customers to use their mobile handset as a wallet. Telenor Mobil also launched the service MMS. A number of new initiatives were launched to strengthen the company's competitive power, such as new contractual subscriptions, improved customer services and more efficient interactive channels of contact.

[See also Financial review; pp. 54–59]

Key figures, Telenor Mobile; 2000–2002

NOK in millions	2002	2001	2000
Total revenues	20,346	12,558	9,779
EBITDA	7,482	4,067	2,720
Operating profit	1,414	2,495	1,594
Associated companies	(2,030)	9,677	(460)
Investments	12,625	7,211	32,843
Number of full-time equivalent employees	6,551	4,217	2,481

TELENOR NETWORKS

Telenor Networks handles the group's fixed network operations in Norway, Sweden, Russia and Central Europe. In the company's international commitments, the focus is on market niches in the field of business communication. The demand for capacity and broadband services is growing in all markets.

INTRODUCTION

Telenor Networks is Telenor's business area for the development, operation and supply of communications solutions based on the fixed network. The solutions are supplied to the private, commercial and wholesale markets in Norway, as well as to the international business and wholesale markets.

Telenor Networks has its customers in both the end user market and the wholesale market. In the residential market, telephony/ISDN is supplied directly to end users, but in the business market the services are mainly provided via agents and partners. In the wholesale market, which consists of operators and various service providers, Telenor Networks supplies a broad range of services, from access to basic infrastructure to full value network services, that are re-sold through other companies. Telenor Networks' key market is Norway, with limited activities in selected European markets.

At the end of 2002, Telenor Networks consisted of four units:

- *Sales, Markets and Products*, which has the profit responsibility for Telenor Networks' product portfolio. The portfolio consists of Telephony and of the EOR product groups (expansion, operations and group co-location of technical equipment), Broadband access, Emergency services, Capacity, Value adding services, Interconnection and Operator access.
- *Operations and supply*, which handles the processes for operating and supplying communication solutions, in addition to operational planning and expansion. This unit comprises well over half of the employees in the business area.
- *Network solutions*, which is responsible for the production platforms, infrastructure, telephony services, advanced network services, maritime radio and purchasing.
- *IT and Focus*, which co-ordinates and manages the development of IT systems, as well as supervising a strategic programme for improvement measures and cost reductions in the business area.

In the international market, solutions such as direct dialling and capacity are offered through Telenor Global Services AS. Telenor Networks has established its own activity in Slovakia (Telenor Telecom Slovakia s.r.o) and the Czech Republic (Telenor Networks Czech s.r.o) – in addition to Svalbard, via Telenor Svalbard AS. As a result of the restructuring of the

group, Telenor Networks assumes responsibility in 2003 for the Russian fixed network company Combellga and the merged companies Utfors AB and Telenor Business Solutions AB, which serve the Swedish wholesale and commercial market.

THE YEAR 2002

At the end of 2001, the Norwegian Post and Telecommunications Authority instructed Telenor to offer subscriptions unbundled from traffic. Throughout 2002, work progressed to develop and arrange IT systems to handle this type of service, which is offered as an ordinary service from 1 January 2003.

In October, the largest and most advanced operations centre in Northern Europe was opened at Telenor's new headquarters at Fornebu, outside Oslo. In addition to monitoring Telenor's own network, the centre also handles the operation of a number of external customers' networks. The establishment of the operations centre is an element in Telenor Networks' work to automate and improve the efficiency of operations and supply processes.

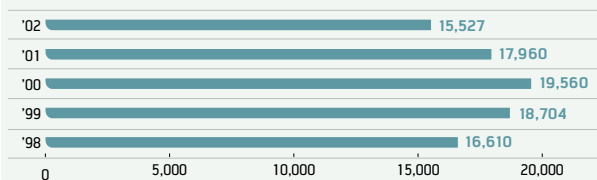
VALUE CREATION

With approximately 1.7 million private subscribers, Telenor is by far the leading operator of fixed network services on the Norwegian market. The total number of traffic minutes generated by Telenor Networks' subscribers was 15,527 million, a decline of 14.5% in the residential market and 11.9% in the business market. The decline is primarily due to the fact that ADSL use is measured in terms of capacity rather than registered traffic minutes. Increased traffic over mobile networks also contributes to this trend.

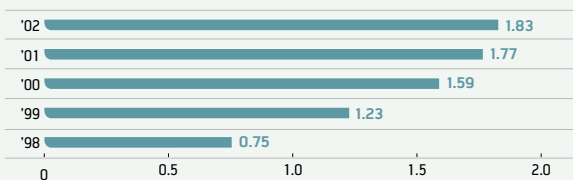
At the end of 2002, Telenor had a market share in the end user market for fixed network telephony of 72%, including Telenor Internet. This was the same share as at the end of the previous year. The market share was 71% in the residential market and 76% in the business market. At the end of 2002, Telenor had approximately 1,210,000 PSTN subscriptions and approximately 500,000 ISDN subscriptions in the residential market. 242,000 PSTN subscriptions and 280,000 ISDN subscriptions were registered in the business market. This corresponds to an ISDN penetration of 35%, which is the highest in the world.

As the result of an early commitment to ISDN, and the digitali-

Fixed telephony in Norway; 1998–2002
(minutes in millions)



ISDN access channels in Norway; 1998–2002
(channels in millions)



Telenor is the leading provider of fixed line services to the Norwegian market. Steadily increasing data traffic underpins the importance of fixed line services. Increasing network capacity and access to broadband is providing opportunities for new services, especially in the transmission of content services to PC and TV.

sation of the telecommunications network, Telenor today operates a fixed network of high quality and low error rate. This has enabled us to offer high-quality ADSL access. At the end of 2002, approximately 109,000 ADSL subscriptions were registered, and 1.3 million accesses were prepared for ADSL. This resulted in 58% coverage nationwide and more than 90% in the largest towns. The corresponding figure for ISDN is 99%.

There has also been a sharp increase in the number of operator accesses, from 12,000 at the end of 2001 to 49,000 at the end of 2002. Approximately 70% of these accesses are used for ADSL. The number of leased lines was approximately 78,000. To strengthen customer awareness, all products aimed at operators and service providers have been brought together under

the brand name Jara. Enquiries and orders are to an increasing extent made electronically through Jara Netbusiness. [See also Financial review pp. 59–61]

Key figures, Telenor Networks; 2000–2002

NOK in millions	2002	2001	2000
Total revenues	16,488	16,568	16,685
EBITDA	5,717	5,666	5,672
Operating profit	2,526	2,175	3,047
Investments	1,853	3,719	3,603
Number of full-time equivalent employees	3,820	3,964	4,094

TELENOR PLUS

In 2002, Telenor Plus was the business area responsible for the development, sales and distribution of communications and content services in the Nordic residential market.

INTRODUCTION

Telenor Plus became a leading player within TV distribution in Norway and the Nordic market.

At the end of 2002, Telenor Plus consisted of four divisions:

- *Broadcast*, providing TV services to Nordic households and distribution services to broadcasters and other content and service providers.
- *Content & Interactive*, responsible for developing and providing interactive services, including the management of content and rights, as well as administrating Telenor Plus' shareholding in Norwegian media companies.
- *Internet*, providing Internet access and services to the Norwegian and Swedish residential markets.
- *Customer Services*, serving Telenor's fixed network telephony and Internet customers.

THE YEAR 2002

In July 2001, Telenor signed an agreement with Canal+ for the purchase of the remaining 50.0% of Canal Digital AS. The purchase was finalised in June 2002, at a price of NOK 2.1 billion. An agreement for the exclusive satellite broadcasting of the Canal+ group's TV channels in the Nordic region was also signed. In connection with the consolidation of Canal Digital, certain structural changes were made, including the merger of activities in Denmark, Norway and Sweden.

In October Telenor Plus signed an agreement for the sale of its customer base in Telenordia Privat AB to the Swedish company Glocalnet AB, in exchange for a 37.20% shareholding in the company, making Glocalnet AB the third largest telephony and Internet service provider in the Swedish market. The transaction is conditional upon the approval of the Swedish authorities.

VALUE CREATION

In 2002, Telenor reinforced its position as the largest provider of TV services to the Nordic residential market, both as regards the number of paying subscribers and the extent of coverage. At the same time, the company is the Nordic region's largest provider of transmission services to broadcasters. At the end of 2002, Telenor was responsible for the distribution, either directly or indirectly, of TV based services to three million Nordic households.

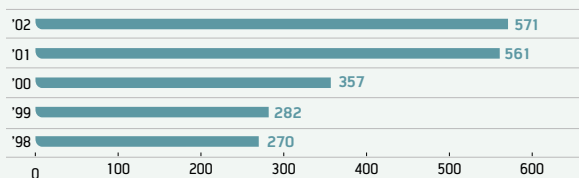


Telenor Plus, together with four Nordic TV companies, held the TV broadcasting rights in the Nordic region for the 2002 Football World Cup. With this move, Telenor drew attention to the market for Pay TV, and marketed Canal Digital as a distributor of such services. In February, Telenor Plus purchased the Pay TV rights to Norwegian football's top league, and Canal Digital obtained the rights for live coverage of the Swedish ice hockey Elite Series.

In 2002, Telenor Plus was also responsible for the broadcasting of the Norwegian Big Brother programmes, both via iCanal and on TV. The service functioned primarily as a test of viewers' interest in Internet-based payment solutions, and approximately 50,000 transactions were made through Telenor Mobil's MobilHandel™. Zonavi entered into a wide-ranging agreement with the Norwegian National Lottery on the development of interactive money games on TV, and assisted the Norwegian bank DnB with the launch of the first TV-based interactive bank services in Norway.

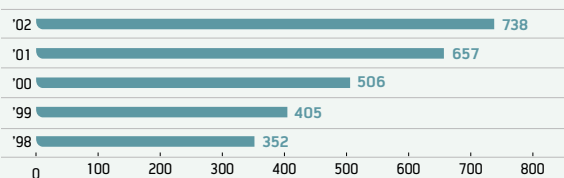
Cable television subscribers in the Nordic region; 1998–2002

(000s)



DTH subscribers (satellite transmission direct to private subscribers in the Nordic region); 1998–2002

(NOK in millions)



Telenor is the leading provider of TV services in the Nordic market. Increased bandwidth is driving an increasing service portfolio, especially in entertainment and other content services, like Interactive TV.

In 2002, Telenor was the largest supplier of Internet access via ISDN/PSTN, ADSL and cable in the Norwegian and Swedish residential markets. High demand, and insufficiently developed supply lines caused some dissatisfaction with customer services. Areas where improvement is needed have now been identified, and these will be given special follow-up in 2003.

The childproof Internet subscription Kidsurf, and the free-of-charge service SurfeFilter, which prevents unintentional dialling of international phone numbers from telephones and PCs, were both launched in 2002. The trend towards convergence between broadband Internet and other media has been slower than previously assumed, and this activity was therefore scaled down in 2002. However, there is continued activi-

ty in this field, particularly through Canal Digital and Telenor's broadband portal, iCanal.

[See also *Financial review* pp. 61–62]

Key figures, Telenor Plus; 2000–2002

NOK in millions	2002	2001	2000
Total revenues	4,862	3,386	2,875
EBITDA	139	248	611
Operating profit	(883)	(841)	135
Associated companies	(270)	(547)	20
Investments	2,925	1,741	2,113
Number of full-time equivalent employees	1,332	1,344	1,148

TELENOR BUSINESS SOLUTIONS

In 2002, Telenor Business Solutions was the business area for communication and IT solutions to the Norwegian, Nordic and European business markets. Telenor strengthened its position in the Swedish business market, primarily through the acquisition of Utfors AB.

INTRODUCTION

Telenor Business Solutions attained the position of Norway's leading supplier of ICT solutions to the business market. The principal market was the Nordic region, with the main focus on medium-sized and large businesses. Telenor Business Solutions developed and supplied a broad range of services within telecoms and data communication, with the emphasis on combining the application and communication sides, IT and IP.

As of 31 December 2002 Telenor Business Solutions consisted of five divisions:

- *Communications*, which supplies access, business networks and communication services, based on services within advanced networks, IP-based communication (including Virtual Private Networks, VPN), data communication and telephony services to the Norwegian business market, including customer contact and support services.
- *Managed services*, which provides operation of local networks, applications, service integration, e-business solutions and consultancy work.
- *Business Solutions Sweden*, which provides telephony, in addition to advanced networks, IP-based communication, data communication and application services in the Swedish business market.
- *Nextra International*, which provides IP-based services in selected countries in Europe (Great Britain, the Czech Republic, Slovakia, Hungary, Austria and Italy) under the trademark Nextra.
- *Comincom/Combella*, which provides telecommunication services to the Russian market, primarily in the Moscow and St Petersburg regions.

On 1 January 2003, as a result of the restructuring of Telenor, the responsibility for the activities in Communications, Managed services, Business Solutions Sweden and Comincom/Combella was transferred to the business area Telenor Networks, and Nextra International was transferred to Other activities. The activities in all the units will be continued.

In the second half of 2002, Telenor Business Solutions separated Software Services from Communications, and restructured the Managed Services division.

THE YEAR 2002

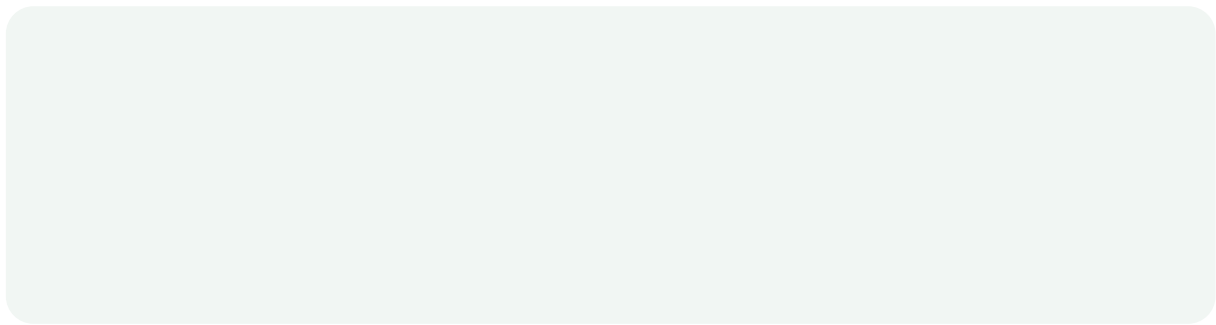
As of 1 January 2002, Telenor Business Solutions gathered all its activities in Sweden in Telenor Business Solutions AB. The position in the Swedish market was further strengthened by acquisitions in 2002: In November Telenor Business Solutions signed an agreement to become the principal shareholder in the Swedish data communication company Utfors AB, at a total cost of SEK 264 million, for 90% ownership plus 2% in convertible bonds. Parallel to this, Telenor Business Solutions AB was sold to Utfors AB for a further 4.1% ownership in the form of convertible bonds. The new company, Telenor Business Solutions AB, has become a primary challenger in the market for business communication in Sweden.

In Nextra International, the operations in the Czech Republic and Slovakia merged. The activities in the UK changed name from Nextra to Telenor Business Solutions. On 30 December 2002 an agreement was signed for the sale of the Hungarian Nextra to the management of that company. The transaction was executed in January 2003. The strongest growth in 2002 came in Russia, where Comincom/Combella strengthened its position in existing markets and prepared for regional expansion.

VALUE CREATION

In April, Telenor Business Solutions entered into agreements with Orkla ASA and Carlsberg Breweries A/S for the supply of fixed and mobile telephony services to the group's companies in Scandinavia, worth approximately NOK 300 million. In July, two major agreements were signed in Norway: with Nordea Bank Norge ASA for the supply of telephony and customer contact services to the tune of NOK 60 million, with the Public Roads Administration (Norway) for the supply of networks for data communication and operation of IT services worth NOK 134 million.

In Sweden, an agreement was signed for a total solution for fixed telephony and mobile services covering 28 of Skånes' 33 municipalities, worth SEK 150 million. In December, a three-year agreement was signed via Utfors, with the possibility for a two-year extension, with the Labour Inspection Authority in Sweden for a data communication solution covering approximately 600 IP portals. The agreement has a turnover of approximately SEK 120 million during its maturity.



Telenor develops advanced communications solutions for the business market. Telenor specialises in solutions allowing large companies to connect multiple components in seamless networks. The Telenor Arena model provides maximum flexibility and mobility by utilising mobile network solutions.

In line with international developments, the year 2002 was characterised by low investment activity and lengthy decision-making processes. Within telecommunication products such as ADSL, data communication and IP VPN, the markets were characterised by a good steady demand. This also had an effect on the results of Telenor Business Solutions, where managed services and outsourcing activities suffered considerable losses, while the Communications division experienced a relatively positive and stable market.

In 2002, Telenor Business Solutions launched the IT platform eRAF for the Telenor centre at Fornebu, a solution which has since also been adopted in other parts of the organisation. The solution, called Telenor Arena, will be marketed in 2003 as a complete modular business solution. The product 'Wireless Zone', which is a secure Wireless Local Area Network (WLAN) was introduced to the business market. This solution supplies employees, customers and partners wireless access to Inter-

net and e-mail services through a secure, encoded logon function.

The results from Telenor Business Solutions were considerably better in 2002 than in 2001.
[See also Financial review pp. 63-64]

Key figures, Telenor Business Solutions; 2000–2002

NOK in millions	2002	2001	2000
Total revenues	6,157	5,940	4,316
EBITDA	26	(828)	(600)
Operating profit	(1,807)	(2,968)	(1,173)
Associated companies	1	(874)	(69)
Investments	1,104	1,572	4,664
Number of full-time equivalent employees	3,886	4,225	3,992

OTHER ACTIVITIES

Telenor has substantial activities outside the four business areas, also including various staff and support functions: EDB Business Partner, Telenor Satellite Networks, Telenor Satellite Services, Teleservice, Telenor R&D, Telenor Key Partner, Telenor Eiendom and Telenor Venture.

EDB BUSINESS PARTNER ASA

EDB Business Partner ASA is one of the Nordic region's leading IT groups, with a turnover in 2002 of NOK 4.3 billion and close to 2800 employees. EDB Business Partner is a supplier of software solutions and offers consultancy and management services with special expertise in telecoms, banking and finance. The group is a major player in the Norwegian market, and has activities in the US, Sweden, the UK, Benelux, Switzerland, France, Spain, Poland and Hungary. At the close of 2002, Telenor had a 51.8% ownership share in EDB Business Partner ASA.

TELENOR SATELLITE NETWORKS

Telenor Satellite Networks is fully owned by Telenor. The company supplies satellite-based communications solutions and VSAT technology to the business markets and national and international organisations in Europe, the Middle East and Africa. The company's complete communications solutions encompass network design, implementation, management and service. The services are supplied via subsidiaries in Norway, the Netherlands, Poland, Slovakia and the Czech Republic.

TELENOR SATELLITE SERVICES

Telenor Satellite Services is fully owned by Telenor. The company supplies satellite-based speech and data services for use on land, in the maritime industry and in aviation. Subsequent to the acquisition of Telenor Satellite Services Inc. (formerly COMSAT Mobile communications) in January 2002 and Marlink (formerly Sait Communications) in March 2001, Telenor Satellite Services has become one of the world's leading suppliers of global, mobile communications solutions via satellite. The services are marketed through a broad international chain of distributors as well as from own offices around the world.

TELESERVICE AS

Teleservice AS is fully owned by Telenor. The company is responsible for Directory Enquiries 1881 (Opplysningen 1881), International Directory Enquiries 1882, MeetAt 119 (telephone and data conferences) and other Contact Centre services. The company aims to make information and communication services easily accessible to users. In February 2002, the market for directory enquiries was opened to competition in Norway, but Directory Enquiries 1881 is still the dominant player in the Norwegian market with 75% of the traffic.

TELENOR FORSKNING OG UTVIKLING (R&D)

Telenor Forskning og Utvikling is Norway's largest research environment in the field of ICT technology. Activities comprise technology, services and markets. In 2002, R&D participated in 33 international projects, most of them under the direction of the EU or EURESCOM. Telenor's R&D commitments are focused around two main areas: future broadband networks and future mobile systems.

TELENOR VENTURE AS

Telenor Venture AS is seeking to create value through active ownership in companies in the areas of telecommunications and IT. A new company, Telenor Venture II ASA, was established in September 2000 with the purpose of continuing and expanding the investments activities, and in December 2002, Telenor Venture III was established, to continue activities formerly organised under Telenor Innovasjon AS and other parts of the Telenor group. Telenor's ownership share in Telenor Venture is 63.7%, in Telenor Venture II ASA the ownership share is 50.1% and in Telenor Venture III it is 100%. The Telenor Venture companies are managed and administered by TeleVenture Management AS in which Telenor has a ownership share of 23.9%.

TELENOR KEY PARTNER AS

Telenor Key Partner AS is fully owned by Telenor. The company supplies technology-based administrative services within economy, personnel and communication to the group's business areas and subsidiaries. Telenor Key Partner shall be a driving force in achieving standardisation and quality improvements in the administrative running of the whole group. All services shall be based on viable business principles and have market-oriented prices.

TELENOR EIENDOM HOLDING AS (PROPERTY MANAGEMENT)

Telenor Eiendom Holding AS is fully owned by Telenor and was set up as a private limited company in 2002, as a continuation of Telenor Communication AS. At the close of 2002, Telenor Eiendom Holding AS managed close to 1.1 million sq. meters of owned and leased floor space spread out over approximately 4500 buildings. The company's main task is to ensure that the Telenor group has at its disposal sufficient premises to allow its main activities to be performed in a cost effective manner.



Shareholder information is a central part of Telenor's communication with its owners. Telenor shares were among the most actively traded on the Oslo Stock Exchange in 2002, and performed better than relevant industry indexes. For further information on Telenor shares please visit our website at www.telenor.com/ir

SHAREHOLDER INFORMATION

Telenor is committed to building a close and trusting relationship with its shareholders. Comprehensive information through a number of channels shall ensure that the stock market is kept informed of important developments in the group.

SHAREHOLDER POLICY

Telenor ASA's long-term primary objective is to give shareholders a return on their investment that is at least equal to alternative investments with a corresponding risk profile. The return shall be made in the form of a cash dividend in addition to the added value of the share. The Telenor share shall appear as a liquid and attractive investment opportunity.

OWNERSHIP STRUCTURE

Telenor had 55,840 shareholders at the end of 2002. Of these, 54,180 were private individuals. Non-Norwegian investors owned approximately 9.4% of the total stock. The Norwegian State, through the Ministry of Trade and Industry, is the largest individual owner with 77.6% of the shares.

AUTHORISATION TO ISSUE NEW SHARES

Until the Annual General Meeting in 2003, the Board of Directors has the authority to increase the share capital by up to NOK 1,064,776,488, divided between a maximum of 177,462,748 shares. The Board can determine whether the shareholders' priority for the share subscriptions may be deviated from. From these shares, 695,520 new shares were issued as part of the implementation of the Share Programme for employees in December 2002.

SHARE PROGRAMME FOR EMPLOYEES

To encourage long-term shareholding among Telenor employees, all permanent employees in Telenor ASA and Norwegian subsidiaries where Telenor ASA's ownership share directly or indirectly is greater than 90%, were given the opportunity to buy shares for up to NOK 7,500, with a 20%

cash discount. Where the average share price in the last 30 days of trade, up to and including 16 December 2002 (share price NOK 31.16), is at least 12% higher than a corresponding average price up to and including 16 December 2002 (NOK 27.82), those who subscribed for shares in this offer will be allocated "profit bonus shares" for NOK 2,500, provided that they still hold the allocated shares and are still employees of Telenor.

Around 22% of the employees who were offered shares took advantage of the offer. They were allocated 276 shares each at a price of NOK 27.08, which was the average quoted price during the last five days of trade up to and including 16 December 2002. After taking account of the discount, the effective price is NOK 21.65.

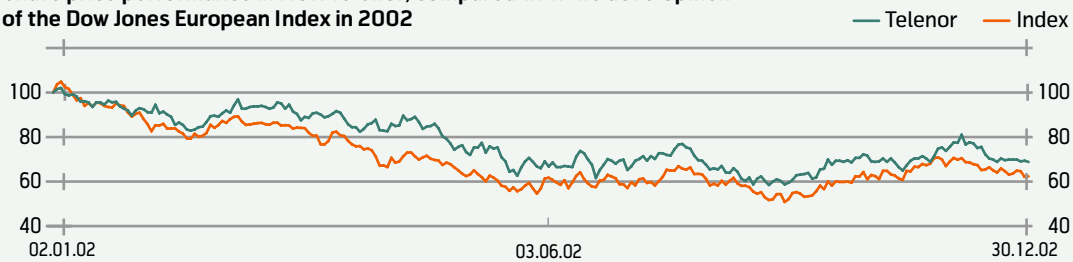
SHARE CAPITAL AND OWN SHARES

As of 31 December 2002 Telenor ASA had a share capital of NOK 10.8 billion, divided into 1,803,426,172 shares, each with a nominal value of NOK 6. The company holds 28,103,172 shares. As part of the stock dividend issue decided at the Shareholders' meeting of 10 November 2000, the company received 30 million shares to be allocated as bonus shares to private individuals who bought shares in connection with the stock exchange introduction in December 2000. 1,896,828 bonus shares were allocated on 4 December 2001 to those private individuals who still held the shares they were allocated at the time of the stock exchange introduction, with one bonus share for every tenth share held. At the Shareholders' meeting in May 2001, the company was authorised to dispose of any excess shares in a manner to be decided by the Board.

Breakdown of shares per shareholder as of 31 December 2002

Interval	Number of shareholders	Percentage of all shareholders	Number of shares	Percentage of share capital
1-1,000	49,673	89.0%	19,530,074	1.1%
1,001-100,000	5,893	10.6%	31,760,311	1.8%
100,001-1,000,000	199	0.4%	67,306,306	3.7%
1,000,001-10,000,000	71	0.1%	190,690,232	10.6%
10,000,001-1,400,000,000	4	0.0%	1,494,139,249	82.9%
Total	55,840	100.00%	1,803,426,172	100.00%

Share price performance in NOK Telenor, compared with the development of the Dow Jones European Index in 2002



DIVIDENDS

It is Telenor ASA's policy to pay a share of the year's profits as dividend to the shareholders. Telenor's aim is to share out an annual dividend corresponding to 20-30% of the net income after tax and minority interests, with adjustments being made for any non-recurring gains and losses. The amount of the dividend can however vary from year to year.

The Board of Directors proposes that a dividend of NOK 0.45 per share be paid out for 2002. The dividend approved at the Shareholders' meeting will be paid on 23 May 2003 to the shareholders on the date of the Shareholders' meeting. The shares will be listed on the Oslo Stock Exchange exclusive of dividends, from 9 Friday May 2003.

SHARE PRICE PERFORMANCE

At the start of 2001, the Telenor share was quoted at NOK 38.50. The highest price during the year was NOK 39.30, and the lowest was NOK 22.50. At the end of the year, the price was NOK 26.50. At the end of the year, the price quoted on Nasdaq was USD 11.020. The market value as of 31 December 2002 was NOK 47.8 billion, which makes Telenor ASA the third largest company quoted on the Oslo Stock Exchange.

TRADE

The Telenor share is listed on the Oslo Stock Exchange under the ticker code TEL. The share is also listed the Nasdaq in the US under the ticker code TELN, where it trades through Telenor's ADR programme. One ADR share corresponds to three Norwegian shares. The depot bank is Morgan Guaranty Trust Company of New York.

In 2002, 691 million Telenor shares at a total value of NOK 20.8 billion were traded on the Oslo Stock Exchange. The average trading volume for Telenor shares on the Oslo Stock Exchange for the year was 2.8 million shares per day of trading. A round lot for the Telenor share on the Oslo Stock Exchange is 200 shares.

VOTING RIGHTS AND OWNERSHIP

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 Norwegian Public Limited Companies Act regulates the exercising of shareholder rights. Pursuant to Norwegian

law, only shares 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).

INFORMATION TO THE STOCK MARKET

Contact with the Norwegian and international stock markets has high priority in Telenor, and the company wishes to have an open dialogue with its shareholders and other players in the stock market. The objective is for the financial markets at any given time to have sufficient information on the company in order to form the basis for an accurate share valuation. Information that may be important to shareholders and other players in the Norwegian and international markets is provided in the form of notices to the Oslo Stock Exchange and through press releases. Telenor presents its results at its headquarter at Fornebu outside Oslo every quarter. In addition, regular meetings are held with investors in Europe and the US. Leading stockbrokers in Norway and abroad follow Telenor's progress.

RISK ADJUSTMENT

In accordance with Norwegian tax regulations, shareholders who are subject to taxation in Norway must make a downward or upward adjustment of the cost price of the shares with a "RISK" amount (adjustment of original cost of shares by taxed profits), when calculating sales gains. The RISK amount is calculated annually based on the change in Telenor's retained, assessed capital, divided by the number of issued Telenor shares. The RISK amount for 2001 was NOK 5.39 per share, and the preliminary corresponding figure for 2002 has been calculated at NOK -0,56 per share. The final RISK amount for 2002 will be available from 1 January 2004. Shareholders who are not subject to taxation in Norway are not affected by the Norwegian RISK regulations.

RATING

In March 2003 Telenor was rated by Moody's at A2/P1 for long and short-term financing respectively. In March 2003 Telenor was rated by Standard & Poor's at A-/A2 for corresponding long and short-term financing.

More – continuously updated – information on shareholder-related matters may be found on the Telenor IR web site: www.telenor.com/ir

FINANCIAL CALENDAR 2003

7 May	Results first quarter 2003
7 May	Telenor ASA – Capital Markets Day
8 May	AGM
23 July	Results second quarter 2003
30 October	Results third quarter 2003

20 major external shareholders as of 31 December 2002

Names of shareholders	Nominee Account	Number of shareholders 31.12.02	Ownership in percentages
			31.12.02
Ministry of Trade and Industry		1,400,000,000	77.63%
National Insurance Scheme Fund		44,524,000	2.47%
Telenor ASA		28,103,172	1.56%
State Street Bank	*	21,512,077	1.19%
Phildrew Nominees	*	9,908,011	0.55%
Royal Trust Corporation	*	8,881,728	0.49%
Vital forsikring ASA v/DnB Asset Management		8,625,800	0.48%
JP Morgan Chase Bank	*	7,151,777	0.40%
JP Morgan Chase Bank	*	5,785,952	0.32%
UBS		5,394,501	0.30%
DnB Norge		4,839,700	0.27%
State Street Bank	*	4,710,690	0.26%
Clearstream Banking	*	4,605,278	0.26%
KAS Depositary Trust Company	*	4,474,791	0.25%
The Northern Trust	*	4,382,584	0.24%
Gjensidige NOR		4,228,225	0.23%
Skandinaviska Enskilda Banken	*	4,220,000	0.23%
Deutsche Bank		4,172,348	0.23%
Storebrand Livsforsikring AS		4,114,300	0.23%
Euroclear Bank	*	3,887,773	0.22%
Sum		1,583,522,707	87.81%
Sum other		219,903,465	12.19%
Total number of shares		1,803,426,172	100.00%
Total number of shareholders (31.12.02)		55,840	

ELECTED OFFICERS AND MANAGEMENT

CORPORATE ASSEMBLY

Members elected by the shareholders

Chairman: Mona Røkke, Tønsberg
Vice-chairman: Gisle Handeland, Fedje
Bjørg Simonsen, Andfiskå
Brit Seim Jahre, Oslo
Eystein Gjelsvik, Langhus
Hilde Kinserdal, Bergen
Jan Erik Korssjøen, Kongsberg
Randi Braathe, Rygge
Ragnar Klevaas, Sandvika
Ove Andersen, Kolbjørnsvik

Alternate elected by the employees

Inger-Grethe Solstad, Stavanger

Members elected by the employees

Berit Kopren, Stavanger
Jan Riddervold, Lillehammer
Astri Skare, Bergen
Stein Erik Olsen, Flaktveit
Arne Jenssen, Trondheim

Alternates elected by the employees

Erling Hjertnes, Bergen
Esther M. Strømme, Oslo
Francisco M. Rasmijn, Nesoddtangen
Ragnhild Holm, Bardu

Observers for the employees

Grethe Elin Henriksen, Oslo
Brit Østby Fredriksen, Drøbak

BOARD OF DIRECTORS

Members elected by the shareholders

Board chairman: Thorleif Enger, Oslo
Vice-chairman: Åshild M. Bendiktsen, Sjøvegan
Hanne de Mora, Switzerland
Einar Førde, Oslo
Jørgen Lindegaard, Copenhagen
Bjørg Ven, Oslo

Members elected by the employees

Harald Stavn, Kongsberg
Per Gunnar Salomonsen, Skien
Irma Tystad, Trysil

Alternates elected by the employees

Ragnhild Laura Hundere, Sel
Marianne Losnegaard Jensen, Oslo
Ragnhild Broen, Trondheim
Roger Rønning, Eidskog
Helge Enger, Kongsvinger
Hjørdis Henriksen, Sortland

GROUP MANAGEMENT

President and Chief Executive Officer:

Jon Fredrik Baksaas

Senior Executive Vice President and CEO of Telenor Mobile:

Arve Johansen

Senior Executive Vice President and Chief Financial Officer:

Torstein Moland

Executive Vice President

and CEO of Telenor Broadcast:

Stig Eide Sivertsen

Executive Vice President

and CEO of Telenor Networks:

Jan Edvard Thygesen

Executive Vice President

and CEO of Telenor Norge:

Morten Karlsen Sørby

Executive Vice President

and Chief Technical Officer:

Berit Svendsen

GLOSSARY AND DEFINITION OF TERMS

ADR program: American Depositary Receipts program; an ADR program is characterized by a company signing an agreement with a bank for the depositing of the company's shares in the bank. In the USA, it is ADR securities that are traded, not shares.

ADSL: Asymmetrical Digital Subscriber Line; method of transmission that uses existing copper cable networks for services that require a higher capacity in one direction than the other, e.g. video on demand.

AMPS: Advance Mobile Phone Service; the original standard specification for analog mobile networks, AMPS divides a geographic area into cells in order to optimize the use of a limited number of frequencies.

Analog: term for radio transmission where the radio waves vary continuously in synchronization with the voice.

ARPU: Average Revenue Per User; average revenue a service provider has per GSM subscription.

ASP: Application Service Provider; manage and distribute software over networks from a central location.

Broadband: transmission capacity with sufficient broadband to transmit, for example, voice, data and video simultaneously.

CPA: Content Provider Access; enables content providers to charge users for content services supplied to them via a mobile operator's customers, where the mobile operator handles all end-user invoicing.

D-AMPS: Digital Advanced Mobile Phone Service (also known as the IS-136 TDMA standard); a further development of the AMPS standard, comparable to GSM.

Digital: term for radio transmission where the voice signal is measured at regular intervals, and where these measured values are transmitted by the radio signal as numerical values (0 and 1).

EBITDA: Earnings before interest, taxes, depreciations and amortization.

GPRS: General Packet Radio Services; packet switch service that transfers data as packets, each with its own address.

GSM: Global System for Mobile communications; common European standard for digital mobile telephone systems.

ICT: Information and Communications Technology.

IP: Internet Protocol; the protocol (standard) that the Internet is based on.

ISDN: Integrated Services Digital Network; term for

digital networks that integrate a number of different services – voice, text, data and images.

MMS: Multimedia Messaging Service; a standard that enables the transfer of formatted text, and live pictures and sound, to and from mobile telephones.

MVNO: Mobile Virtual Network Operators; are mobile operators without physical network infrastructure, possessing all systems necessary to provide combined services and roaming to other network operators. May offer subscriptions (SIM-cards) and services to end-users.

NMT: Nordic Mobile Telephone; standard for the analog mobile telephone system developed in the Nordic region.

PKI: Public Key Infrastructure; is a standardised system for electronic signatures and identification for use with Internet and content services via the mobile phone and digital TV. PKI will be an important factor in the development of electronic trade as well as public services to both private individuals and businesses.

PSTN: Public Switched Telephone Network; term for the normal, analog telecoms network.

RISK: adjustment of original cost of shares by taxed profits. The taxable cost price on the purchase of shares is adjusted with retained and taxed profit in the company. This is used to avoid double taxation on the added value.

SIM card: Subscriber Identity Module card; a small printed circuit board that needs to be installed in a GSM terminal before use. The card contains subscription details, security information and a memory for a personal telephone number register.

SMATV: Satellite Master Antenna Television; joint antenna installations.

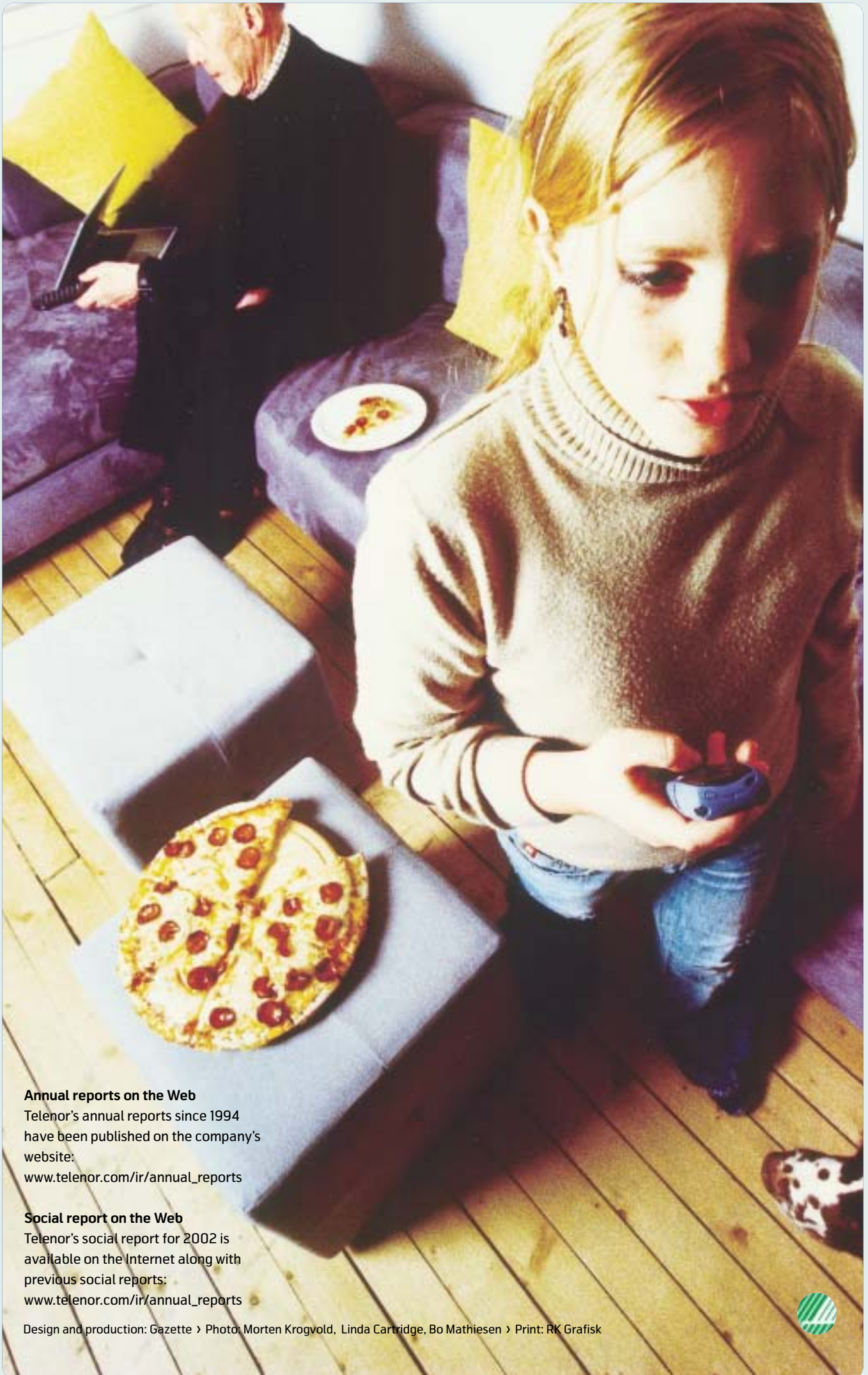
SMS: Short Messaging Service; the text message system in GSM.

UMTS: Universal Mobile Telecommunications System; term for the third generation mobile network.

US GAAP: United States Generally Accepted Accounting Principles

VPN: Virtual Private Network; service for corporate communication where geographically spread organizations with private exchanges and Centrex solutions are linked together in one corporate network via switched connections in the public telecoms network.

WLAN: Wireless Local Area Network; a LAN (Local Area Network) that is linked by means of wireless technology.



Annual reports on the Web

Telenor's annual reports since 1994 have been published on the company's website:
www.telenor.com/ir/annual_reports

Social report on the Web

Telenor's social report for 2002 is available on the Internet along with previous social reports:
www.telenor.com/ir/annual_reports

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“Telenor will emerge from the challenges of 2003 as a less complex company, simplifying the workday of our customers.”

Jon Fredrik Baksaas, President and CEO of Telenor

For news and investor information please visit our website: www.telenor.com