Report of the Board of Directors, Financial Review and Accounts 2003

REPORT OF THE BOARD OF DIRECTORS

In 2003, Telenor established a good platform for further value creation. The year was characterised by profitable growth in the international mobile activities, a solid position in the competitive domestic market and continued efficiency improvements in operations.

At the end of 2003, Telenor's financial position was solid, with improved margins and strong cash flow in 2003. Revenues amounted to NOK 53.1 billion in 2003. This represents a growth of NOK 4.3 billion, or approximately 9%, compared to 2002.

The Board of Directors notes that the Telenor share has performed better than average in the sector.

The Board is satisfied with the efforts that have been made in the Delta4 programme for operational efficiency. In addition to improving the efficiency of operations beyond what was set out in the Delta4 programme, a new cost awareness has been installed in all parts of the Group.

In 2003, Telenor simplified the international mobile portfolio and continued its work of creating synergies. The acquisition of the Danish mobile company Sonofon has formed the basis for a further strengthening of Telenor's position in the Nordic region, with regard to customers, but also by creating synergy effects and improvement benefits in the mobile activities. The acquisition of Sonofon required approval from the Danish authorities and the EU, and the takeover was completed in February 2004, once such approvals were granted.

For the purpose of strengthening and coordinating Telenor's mobile operations, a separate management area, Nordic mobile, was established at the time of the takeover of Sonofon.

In line with the Board's directions for development of the mobile portfolio, Telenor sold 9% of the shares in the Greek mobile company Cosmote in 2003, as well as its minority shareholding in the Russian mobile operator StavTeleSot. The remaining 9% of the Cosmote shares were sold in February 2004. The ownership share in GrameenPhone (Bangladesh) was increased in 2003. The total number of subscriptions in the mobile companies in which Telenor's has ownership shares was 34.8 million at the turn of the year, a figure that makes Telenor the twelfth largest mobile company in the world.

In order to provide seamless services and improve roaming capabilities in Europe, Telenor was, in October 2003, involved in forming a new mobile alliance, the Starmap Alliance. The alliance had as at 31 December 2003 nine members.

The organisational steps that were taken in the domestic market to strengthen customer orientation has, together with efficiency improvements, secured good market shares and margins despite tough competition. The market organisation Norge has been further developed during the course of the year. It is now split into two main units, which are responsible for the residential market and the business market respectively. The Board regards these changes as key to increasing customer satisfaction by making Telenor more distinct, simpler and more customer-friendly.

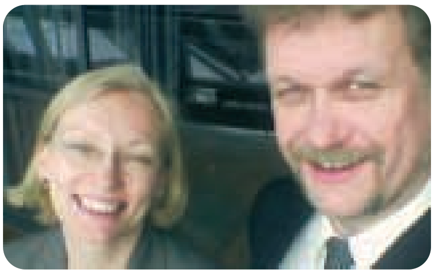
The Board is also satisfied with the activities in Broadcast, being stable and profitable, and holding a strong position in the Norwegian and Nordic markets.

The Board is working systematically to develop Telenor's strategy and will continuously assess the business portfolio in order to ensure that long-term earnings and future value creation are maintained. The main emphasis in the future will continue to be on retaining the strong position in Norway, securing profitable growth in the international operations, creating synergies across the mobile portfolio and on maintaining a continuous and high level of productivity.

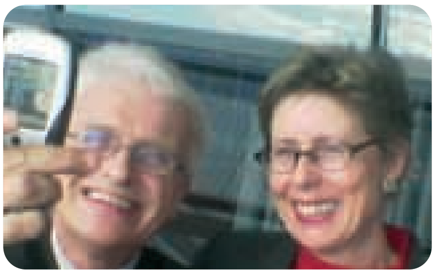
The Board has continued its work on the company's governing structures and monitors the development of all legislation and standards that shall secure transparency and accountability in all areas, and which form the basis for the trust on which Telenor is dependent.

Telenor ASA shall create value for its owners. Based on Telenor's financial position and expected capital requirements, the Board has revised the dividend policy for Telenor. The new policy states that Telenor intends to distribute an annual dividend equal to 40%–60% of a normalised net income. The goal is to have a stable increase in the annual ordinary dividend per share.

The Board will propose to the Annual General Meeting (AGM) that a dividend for the financial year 2003 be set at NOK 1 per share. The dividend approved at the AGM will be paid on 25 May 2004 to the shareholders on the date of the AGM. The shares will be traded on the Oslo Stock Exchange, exclusive of dividends, from Friday 7 May 2004. The Board has also decided that the company, All photos of the Board were taken with a mobile camera. Most of them by the Board Members themselves.



Liselott Kilaas and Harald Stavn photographing themselves.



Einar Førde photographing Bjørg Ven and himself.

Hanne de Mora photographing CEO Jon Fredrik Baksaas.

as from January 2004, acquires own shares in the open market. As at 19 March 2004, the company had purchased 12,810,000 shares in the market. This is a part of the repurchase authorisation adopted and approved by Telenor's AGM on 8 May 2003. As Telenor's largest shareholder, the Norwegian State has undertaken to participate in the repurchase by cancelling a proportionate part of its shares, whereby the State's ownership share will remain unchanged.

At the AGM on 6 May 2004, the Board will propose that the shares held by the company be cancelled, and request that a new authorisation to purchase shares be adopted.

In July 2003, the Norwegian State reduced its shareholding in Telenor from 77.6% to 62.6%.

At year-end 2003, Telenor ASA had 55,234 shareholders. The ten largest owners represented 75.83% of outstanding shares. The company had a share capital of NOK 10,824,127,686, distributed between 1,804,021,281 shares. The Telenor share is quoted on the Oslo Stock Exchange and Nasdaq.

As at 31 December 2003, Telenor's shares were quoted at NOK 43.50 on the Oslo Stock Exchange, compared to NOK 27.00 the previous year. This represents an increase of 61% and the market value of Telenor was NOK 78.5 billion compared to NOK 48.7 billion at the beginning of the year.

During the same period, the Dow Jones European Telecom Index rose by 14%, and the OSE Benchmark Index by 46%. The Telenor share was among the most traded shares on the Oslo Stock Exchange in 2003.

RESULTS

Key figures

In 2003, net income for the Telenor Group was NOK 4,560 million, equal to NOK 2.57 per share. The corresponding figures for 2002 were a net loss of NOK 4,298 million and a loss of NOK 2.42 per share.

In 2003, profit before taxes and minority interests was NOK 7,426 million, compared to a loss of NOK 5,136 million in 2002. The profit before taxes and minority interests was positively affected by special items (gains and losses on disposals, write-downs, expenses for workforce reductions, loss contracts and exit from activities) by a total of NOK 1.1 billion in 2003, whilst the result in 2002 was correspondingly negatively affected by a total of NOK 7.6 billion. Adjusted for special items the result before taxes and minority interests increased by NOK 3.8 billion to NOK 6.3 billion in 2003. This increase was largely related to increased revenues and improved margins from cost reductions, and a positive effect from the consolidation of former associated companies. Telenor's program for improving operational efficiency, Delta4, continued in 2003 and progressed better than originally planned.

A gain of NOK 1.5 billion before taxes was realized in 2003 from the sale of 9% of the shares in the formerly associated mobile company Cosmote. The market values of Telenor's operations experienced a general increase during 2003. No major write-downs were therefore made in 2003. In 2002, Telenor made write-downs of approximately NOK 6.6 billion as a result of decrease in value of which NOK 4 billion was related to international mobile companies. Approximately NOK 0.3 billion was expensed in 2003 in connection with workforce reductions, loss contracts and exit from activities, compared to NOK 1 billion in 2002.

The operating profit for 2003 was NOK 7,560 million compared to an operating loss of NOK 320 million in 2002. Adjusted for special items, the operating profit increased by NOK 3.7 billion to NOK 8 billion in 2003. The increase was related to underlying growth, cost reductions, and the positive effect of consolidating companies. All business areas and other units improved their operating results. The Mobile business area made up 69% of the operating profit in 2003 and contributed with the largest increase compared to 2002. The increase in operating profit in the Fixed business area was mainly generated in Norway. Broadcast had an operating profit of NOK 181 million in 2003 compared to an operating loss in 2002. The total operating loss in other units was significantly reduced compared to 2002.

The result from associated companies was a profit of NOK 1,231 million compared to a loss of NOK 2,450 million in 2002. The increase was mainly due to sales gains in 2003 and lower depreciation and write-downs of excess values compared to 2002. There was a considerable increase in the result from the mobile company VimpelCom, while the result in the mobile company Sonofon was negatively affected by write-downs of fixed assets. Additionally, the installation company Bravida experienced increased losses, to a large extent due to restructuring costs.

Net financial expenses decreased by NOK 1,001 million to NOK 1,365 million in 2003 as a result of currency losses and write-downs of shareholdings in 2002, compared to a net positive effect on these items in 2003.

Current and deferred income taxes totaled NOK 2,376 million in 2003, which is 32% of the result before taxes and minority interests. In 2003, Telenor accrued deferred taxes on retained earnings in individual companies outside Norway. Additionally, the effective tax rate was increased due to losses in individual associated companies and subsidiaries outside Norway and amortization and write-downs

THORLEIF ENGER
Chairman

Thorleif Enger was elected to the Board on 1 October 2001, and was made Chairman on 6 March 2003. He is CEO of Yara International ASA (formerly Hydro Agri). Thorleif Enger joined Norsk Hydro in 1973 where he has held a number of positions. Thorleif Enger is a member of ABB's corporate assembly. He has a doctorate in Structural Engineering from the University of Colorado in the US.

BJØRG VEN
Vice-chairman

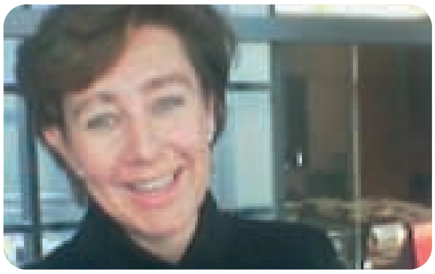
Bjørg Ven was elected to the Board on 1 October 2001. She has been a partner in the law firm Haavind Vislie in Oslo, since 1980, and is a solicitor with attendance rights at the Supreme Court in Norway. She is Chairman of the Appeal Board of the Oslo Stock Exchange and the Appeal Board for Public Acquisitions, and was appointed substitute judge at the EFTA court in Luxembourg and is Chairman of the Board of NOS ASA.

HANNE DE MORA

Hanne de Mora was elected to the Board on 18 June 2002. She has previous experience from Den norske Creditbank in Luxembourg and Proctor & Gamble in Geneva and Stockholm and has been partner of McKinsey & Company. She started her own consultancy firm in Switzerland in 2002, where she is Chairman of the Board. She has a Master of Business Administration from IESE in Barcelona.

Thorleif Enger photographed by Per Gunnar Salomonsen.

Bjørg Ven photographed by Einar Førde.



Hanne de Mora photographed by Jon Fredrik Baksaas.

of goodwill where deferred tax assets have not been recorded. This was partly offset by tax losses from the liquidation and sale of companies. As a result of tax losses carried forward in Norway, current taxes in 2003 was related to subsidiaries abroad.

The minority interest share of net income was NOK 490 million in 2003, compared to a share of net losses in 2002 of NOK 358 million. The results in 2003 were mainly related to Kyivstar and GrameenPhone.

The cash flow from operating activities increased by NOK 0.8 billion from 2002 to NOK 13.7 billion in 2003. Increased revenues and operating margins had a positive effect on the cash flow. The full-year effect of consolidation of companies also made a positive contribution. The increase was partly offset by higher payments of financial items and taxes in subsidiaries abroad. In 2002, there was also a higher positive effect of accrual items.

Telenor invested NOK 7 billion in 2003, of which NOK 6.5 billion was capital expenditure (capex). The investments outside Norway totaled NOK 4 billion. Capex was NOK 2.4 billion lower in 2003 than in 2002, mainly due to lower investments in the new head office at Fornebu, which was completed in 2002, and in the networks in Norway.
On 12 February 2004, Telenor purchased the remaining 46.5% of the shares in Sonofon for NOK 3.66 billion. As of 26 February 2004, Telenor agreed to sell the remaining shareholdings in Cosmote for cash consideration of approximately NOK 3.1 billion, with a gain of NOK 2.6 billion before taxes.

At the end of 2003, Telenor's total assets were NOK 86.1 billion and the equity ratio (including minority interests) was 47.5%, compared to NOK 89.5 billion and 41.7% respectively in 2002. Net interest-bearing liabilities totaled NOK 17.8 billion, a decrease of NOK 9.1 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

As from 1 January 2003, Telenor has three business areas, covering mobile activities (Mobile), fixed network activities (Fixed) and TV operations (Broadcast), as well as Other activities. Comparable figures have been prepared in the financial statements as if the new structure was in place on 1 January 2001.

Mobile

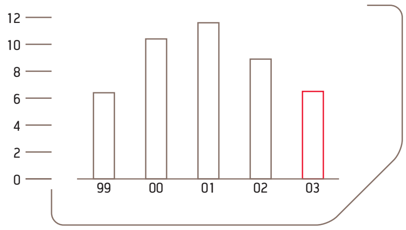
Total revenues increased by NOK 3,464 million to NOK 23,810 million in 2003. There was a good underlying growth in the activities outside Norway due to the increase in the number of subscriptions and the full-year effect of the consolidation of Kyivstar and Pannon GSM, partially offset by the strengthening of the Norwegian Krone compared to some other currencies. Revenues in Norway for 2003 and the number of subscriptions at the end of 2003 were roughly the same as in 2002.

The operating profit increased by NOK 3,810 million to NOK 5,224 million in 2003. This increase was related to write-downs that were made in 2002 and to growth in the operations outside Norway, including the consolidation of previously associated companies.

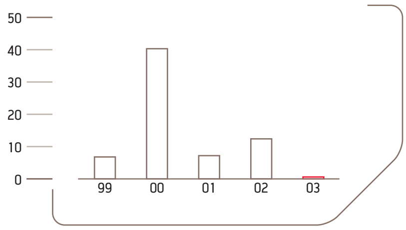
The result from Telenor Mobile's associated companies and joint ventures in 2003 was a profit of NOK 1,639 million compared to a loss of NOK 2,030 million in 2002. This increase was related to gains from the sale of shares in Cosmote in 2003 and lower amortization and write-downs of excess values compared to 2002. There was a strong growth in 2003 in the number of subscriptions in the existing associated companies, particularly in VimpelCom in Russia and DTAC in Thailand.

Fixed

Total revenues increased by NOK 487 million to NOK 20,509 million in 2003. The increase



Capex in Norway 1999–2003 Telenor Group (in NOK billions)



Investments in businesses 1999–2003 Telenor Group (in NOK billions)

Key figures 2001–2003, Telenor Group

(in NOK millions)	2003	2002	2001
Revenues	53,121	48,826	46,040
EBITDA	18,302	13,469	14,250
Operating profit (loss)	7,560	(320)	3,177
Associated companies	1,231	(2,450)	8,237
Investments	7,017	21,300	18,846
No. of man-years	19,450	22,100	21,000

was mainly generated from the activity in Sweden, which was principally related to the consolidation of Utfors AB from 31 December 2002. Revenues in Norway were largely unchanged compared to 2002. Reduced traffic revenues in Norway were offset by increased revenues from ADSL and from wholesale. The number of traffic minutes in the fixed network in the Norwegian market fell by approximately 8% in 2003 as a result of the migration to mobile traffic and the increase in the use of ADSL, where the volume of traffic is not measured. Fixed-Norway's market share of traffic minutes fell by three percentage points to 69% by the end of 2003.

The increase in the operating profit in Fixed in 2003 compared to 2002 came mainly in Norway, and was related to improved operational efficiency, reduced write-downs and reduced expenses for workforce reductions and loss contracts.

Broadcast

Total revenues increased by NOK 1,215 million to NOK 4,820 million in 2003, primarily as a result of the full-year effect of the consolidation of Canal Digital, and the increase in the number of subscribers. The number of subscribers with satellite dish and cable TV increased by a total of 95,000 to 1,367,000, while the number of subscribers in households with small antenna TV networks decreased by 35,000, to 1,098,000.

The operating profit in 2003 was NOK 181 million, compared to a loss of NOK 475 million in 2002. The improvement was due to increased revenues, cost reductions, reduced write-downs, expenses for workforce reductions and loss contracts.

Other activities

Total revenues were reduced by NOK 829 million to NOK 10,811 million. The reduction in revenues was mainly due to the disposal of units in 2002 and 2003. The total operating loss in "Other activities" was NOK 488 million in 2003 compared to an operating loss of NOK 2,076 million in 2002. The improvement was a result of cost reductions, reduced write-downs and expenses for workforce reductions, loss contracts and exit from activities.

ALLOCATIONS

Net income for the year for the parent company Telenor ASA was NOK 5,115 million after receipt of group contributions of NOK 2,000 million before taxes.

The Board of Directors proposes that the Shareholder's meeting approve the payment of a dividend of NOK 1.00 per share for 2003.

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

Dividends	1,776
Transferred to other equity	3,339
Total	5,115

After these allocations, the company's distributable equity as at 31 December 2003 totaled NOK 11,611 million.

NON-FINANCIAL INFORMATION

Working environment

The Board of Directors was satisfied that in 2003 Telenor has been working consistently and systematically towards its objectives with regard to sickness absence, ergonomics, fire prevention, the follow-up of subcontractors and the continuous improvement of the working environment at all levels in the group. A total of 42 HES audits were carried out in order to monitor these areas in the Group's companies. Sickness absence was 5% in 2003, almost the same as in 2002. Along with a number of other major businesses in Norway, Telenor signed an agreement in April 2003 for an including working life. The agreement shall contribute to a reduction in sickness absence, better adaptation of the working conditions for employees with special needs, and to raise the actual retirement age in the Group. In 2003, 18 injuries leading to absence were reported, none of which were serious. 11 injuries that did not lead to absence and 17 near accidents were also registered.

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, an impact which is largely associated with energy consumption, travel and installation activities.

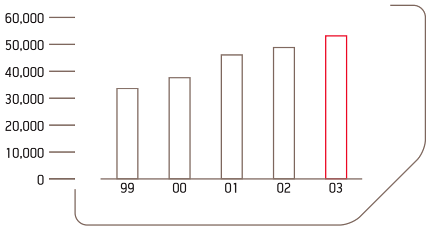
The Board of Directors regards Telenor's environmental accounting to be an important element in its management system and is satisfied that the energy consumption in Telenor's activities in Norway was reduced by 6.2% in 2003.With regard to energy consumption linked to Telenor's buildings, energy-saving measures were implemented in 72 buildings in 2003 leading to annual savings of 5 GWh. The project will continue in 2004. When measures have been implemented for all buildings, an annual energy reduction of approximately 6% is expected, compared to the current level (200 GWh). This corresponds to annual savings of approximately NOK 6 million. An effort to strengthen the awareness of efficient energy consumption is also being made.

Indexes

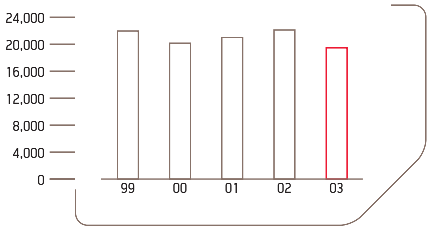
Based on evaluations of its social, ethical and environmental achievements, Telenor is listed and well placed on prestigious international indexes. The most important of these are the Dow Jones Sustainability Indexes, FTSE4Good and Storebrand's "Best in Class".

Skills and education

Telenor considers it important to attract and retain skilled employees. Consistent efforts



Revenues 1999–2003
Telenor group (in NOK millions)



No. of man-years 1999–2003
Telenor group

Operating profit (loss) 2001–2003

(in NOK millions)	2003	2002	2001
Mobile	5,224	1,414	2,495
Fixed	2,531	731	1,035
Broadcast	181	(475)	(726)
Other units	(488)	(2,076)	589
Eliminations	112	86	(216)
Total	7,560	(320)	(3,177)

have been made in the last year to develop Telenor's leadership. Leadership requirements have been introduced as a guide to all management and organisational cultures in the company. The development and guidance of employees are key elements.

REGULATORY MATTERS
Telenor must adapt its national and international operations to regulatory framework conditions in the individual markets. Developing equal and fair competitive conditions is a major challenge for the authorities in all countries and Telenor's Board and management will loyally and actively seek to contribute to the development of robust competitive markets.

At the same time, intervention in the markets, e.g. by price control, may affect Telenor's revenues and profitability and thereby represent a regulatory risk. This applies both in Norway and internationally.

In order for Norway to have an efficiently run telecommunications market, it is inappropriate, in the opinion of the Board, to subject individual operators in Norway to controls that are more detailed and radical than those of other European countries. Certain features of the current regulatory regime are, in the opinion of the Board, counterproductive to the promotion of adaptation and innovation in the telecommunications markets. Such controls can also lead to uncertainty regarding the profitability of Telenor's investments in the development of networks and services, and lead to significant socio-economic costs. In the long run, this may weaken the incentives for future investments in Norwegian infrastructure and service development. Telecommunications rates 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. A supplementary white paper for the development of the mobile market was passed in the Storting on 7 February 2003, and new legislation on electronic communication came into force on 25 July 2003. The Board is satisfied that an important principle of the new legislation is to create conditions for a harmonisation of the regulations in the EEA countries.

In 2003, The Ministry of Transport and Communications devised a number of resolutions which emphasize to a greater extent than before, the ensuring of long-term incentives for investments in infrastructure. The Board regards it as positive that the Ministry is following up the intentions of the new framework in this way.

Telenor pays particular attention to regulatory factors in its international portfolio. Of particular significance for more stable framework conditions is the adaptation to the EU's legal framework for the new applicant countries in Eastern Europe. Outside of Europe, membership in WTO and adaptations to the WTO agreement are extremely important with regard to stable framework conditions in the international portfolio.

It is anticipated that we will see an increase with regard to controls for mobile operators outside Europe, including contributions to the USO fund and conditions for interconnections. Telenor will therefore further strengthen its efforts to reduce the regulatory risk in the international portfolio in 2004.

CORPORATE GOVERNANCE
The Board of Directors works to ensure that Telenor lives up to prevailing principles for corporate governance. Also in 2003, Telenor paid considerable attention to the 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. For many years, Telenor has made use of internal regulations and directives as management tools to supplement legally imposed regulations. In 2003, the Board approved new Codes of Conduct, which closely define Telenor's value base. The Board has also reviewed the routines and guidelines that shall prevent the company from involvement in any forms of corruption.

In 2002, the US authorities approved the Sarbanes-Oxley legislation for stricter requirements with regard to internal controls and reporting and accounting matters. Since then the Board has made efforts to ensure that Telenor fulfils the new requirements in accordance with the US regulations.

The Board has appointed two subcommittees for the preparation of special cases prior to processing by the Board.

The Remuneration Committee will, at the request of the Board, assess the total remuneration to the CEO, as well as the policy regarding remuneration to managers at various levels. The Remuneration Committee held 3 meetings in 2003. As part of the effort to attract and retain qualified managers, the Board approved an option programme in 2002 which included about 80 employees, whilst the programme for 2003 included approximately 100 employees. Managers and key personnel did not receive salary increases from New Year 2003 as provided for in the agreements. The Board's other subcommittee, the Audit Committee, handles such issues as rendering of accounts, reporting and auditing. The Audit Committee works in accordance with its own instructions and held 3 meetings in 2003. The Board has further approved provisions to ensure the independence of the auditor.

In 2003, Telenor continued to provide active communication with the financial market. All information that is essential for the eval-

EINAR FØRDE

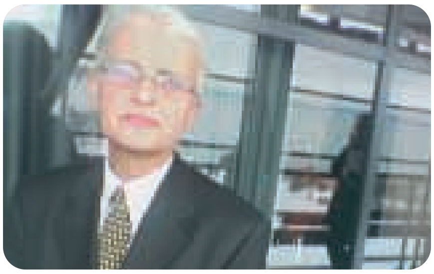
Einar Førde was elected to the Board on 1 October 2001. He is an independent consultant and is Chairman of the Board of Norsk Telegrambyrå, and a board member of Digital Vision AS. He was Managing Director of the Norwegian Broadcasting Corporation (NRK) from 1989 to 2001. Einar Førde was a member of 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.

JØRGEN LINDEGAARD

Jørgen Lindegaard was elected to the Board on 1 October 2001. He is the CEO of SAS and has a background from the telecommunications industry. Since 1975 he has held managerial positions in Fyns Telefon A/S, København Telefon A/S and TeleDanmark A/S. He was Chairman of the board of Sonofon Holding A/S up to 2004. Lindegaard is a Graduate Engineer with telecommunications and is a member of The Academy for Technical Sciences in Denmark and Norway.

LISELOTT KILAAS

Liselott Kilaas was elected to the Board on 8 May 2003. Kilaas is head of the business area Communication and Security Systems at Zenitel Norway. She has previously held leading positions in the oil industry and PA Consulting Group (partner 1995-1997) and Stento AS. She has a Master of Science from the University of Oslo and an MBA from the International Institute for Management and Development (IMD) in Lausanne.



Einar Førde photographed by Bjørg Ven.

Jørgen Lindegaard photographed by Eva Andersson.

Liselott Kilaas photographed by Harald Stavn.

uation of the company was issued in accordance with applicable rules and guidelines.

Throughout 2003, the Board closely followed the company's strategic planning, placing particular emphasis on the monitoring of financial performance, cost-reducing measures and investment matters. Earlier investments have been followed up by way of special evaluation reports.

The Board

In 2003, all shareholder-elected Board members were up for election. On 6 May 2003, the Corporate Assembly of Telenor elected Thorleif Enger, Bjørg Ven, Hanne de Mora, Jørgen Lindegaard, Einar Førde, John Giverholt and Liselott Kilaas as new shareholder-elected members of the Board of Telenor ASA for a period of 2 years. At the same time, Thorleif Enger was re-elected as Chairman of the Board and Bjørg Ven was elected as Vice Chairman. Åshild Bendiktsen left the Board.

On 3 December 2002, Tom Vidar Rygh stepped down as Chairman of the Board of Telenor ASA to take up the position as CEO of Enskilda Securities AB. Vice Chairman Åshild Bendiktsen acted as chairman until the new Chairman, Thorleif Enger, was appointed on 6 March 2003 for a period of 2 years. With the exception of the Board members elected by the employees, no Board members are employed by Telenor or engaged in work for Telenor. The Board of Telenor works in accordance with guidelines for its work and procedures. With external assistance, the Board undertook an evaluation of its activity and competence in 2003.

The Board held 11 Board meetings in 2003.

ORGANISATION AND PERSONNEL

At the end of 2003, the Telenor Group had 20,190 employees (19,450 man-years) whereof 12,706 worked in Norway and 7,484 outside Norway. Since the end of 2002, the total workforce has been reduced by 2,650 man-years.

Based on the general development in the market 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 2003. To ensure the greatest possible consideration for those affected, the company has provided financial support and counselling, in addition to Telenor's internal labour market initiatives. The company has also practiced a partial recruitment freeze, and greatly reduced its use of consultants. The Board is satisfied with the way in which the reorganisation and manpower reductions have been carried out.

Cooperation between the management and the employees' organisations functioned 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. Membership in NAVO has given Telenor good support in relevant negotiations and employer matters. It is becoming increasingly important for the company to co-operate with other international, competitive companies. In January 2004, Telenor was offered membership in the Confederation of Norwegian Business and Industry (NHO) and the trade association Abelia, which it accepted.

Effective from 1 January 2003, Telenor reformed its organisational structure with the aim of reinforcing the company and form the best possible starting point for continued development of activities in Norway, while at the same time ensuring continued international growth in the mobile operations.

Telenor's business activities are now run through three business areas, Mobile, Fixed and Broadcast, which, with the addition of Other activities, form the basis for the company's financial reporting structure, A separate market organisation, Telenor Norge, has been established to simplify and reinforce Telenor's position in the domestic market.

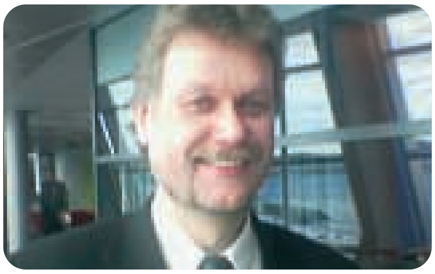
JOHN GIVERHOLT

John Giverholt was elected to the Board on 8 May 2003. Giverholt is Finance Director at Ferd AS and has previously held leading positions in Arthur Andersen, Actinor, Norsk Hydro, DnB and Orkla. He has a Bachelor of Science from Manchester, England and is a certified public accountant.

John Giverholt photographed by Irma Tystad.

HARALD STAVN

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 has been a Board member of Telenor Pension Fund since its establishment in 1995, is a member of the Executive Board of NITO (Norwegian Society of Engineers) and Tekna (formerly N.I.F). Stavn is a group employee representative for NITO at Telenor. Harald Stavn has a technical education from Technical College of Norwegian Telecom, and has a business economist degree from The Norwegian School of Management (BI) in Oslo.



Harald Stavn photographed by Liselott Kilaas.

PER GUNNAR SALOMONSEN

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 El&IT-forbundet (El & IT Union) at Telenor. Per Gunnar Salomonsen is a qualified engineer.

Per Gunnar Salomonsen photographed by Thorleif Enger.

The organisation in Norway was developed in 2003 in order to further increase customer adaptation and market efficiency. This was i.a. achieved by creating two units which were responsible for both the fixed network products and mobile products aimed at the residential market and business market respectively. The changes, which will take full effect during 2004, have already resulted in improvements with regard to customers.

A joint management area, Nordic Mobile, was created, encompassing the mobile operations in Norway, Denmark and Sweden.

EQUAL OPPORTUNITIES

Telenor has traditionally had a gender-divided labour market. This has gradually changed as a result of the changing organisational structure, specific equality initiatives by the company and, not least, as the basis for recruitment has changed.

Occupational groups with technological backgrounds (chartered engineers, engineers and technicians) have been dominant and there was a predominance of men with this education and these skills. At the same time, units such as the directory enquiries services and customer services had a clear dominance of women.

During recent years, this has evened out, due to increased awareness in recruiting personnel in the various disciplines and due to changes in the basis for recruitment. Telenor is committed to being an attractive employer, attracting the best employees and has managed to recruit many highly skilled women.

The year 2003 was the first year in which Telenor accounted for gender equality in the company in accordance with the new provisions of the Norwegian Accounting Act and the Norwegian Gender Equality Act. Customer Services, which was originally dominated by female employees, now has almost the same number of men as women. The average salary for women has increased, and this unit now employs male and female personnel on equal pay conditions.

The proportion of women in the Norwegian fixed network activities, which have traditionally been very male dominated, has increased in recent years. This is most likely due to the gradual change in the basis for recruitment as more women are taking up technical occupations. The difference between the average salary for men and women has also been reduced.

38% of the Group's employees in Norway are today women and 62% are men. With regard to the two most senior levels of management, women make up more than 14% of the numbers. The average annual salary for women is lower than for men. This is mainly due to the number of men in senior positions outweighing the number of women.

Working time arrangements in the company depend on the position of the employee and are independent of gender. Eight per cent of Telenor's employees work part-time, the majority of which are women.

Telenor set up a project in 2003 entitled "Equal Opportunities". The first task of this project was to undertake a thorough analysis of the gender distribution with regard to remuneration, position, opportunities and attitudes. Further measures will be implemented to promote equality in the Group based on the results of this analysis.

Telenor has joined NHO's Female Future programme and would like more women to join the programme in 2004 for the purpose of training them for Board work.

In 2003, the Board of Telenor ASA consisted of 40% women and 60% men.

RISK FACTORS

Telenor's activities are exposed to a number of risk factors, being of a regulatory, legal, financial and political nature. It is important for the Board to ensure that the Group

IRMA TYSTAD

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 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, business economy and management.

Irma Tystad photographed by John Giverholt

implements the measures necessary to control and reduce the risk factors, whereby the total risk always remains within commercially acceptable limits.

The Board and management of Telenor assess these risk factors thoroughly in connection with new investments, and continuously in relation to existing investments. The Board has also systematically reviewed and evaluated the company's investments in order to assess the development of the individual projects in the light of an up-to-date risk situation.

In the Norwegian market, new and modified regulations by regulatory authorities present a considerable challenge and an element of uncertainty. In the international market, there are special risk factors in certain countries, such as political climate, exchange rate fluctuations, legal issues, regulatory conditions, partner risk in joint projects, etc.

With regard to international investments, Telenor has sought to balance the risk for investments outside Norway by distributing the portfolio between mature and immature markets.

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.

OUTLOOK FOR 2004

The Board will continue its efforts to maintain the company's position in the domestic market, create synergies, particularly in the Nordic operations, and create values through the international mobile commitments.

The competition in the mature domestic market will force further rationalisation and there will be an increasing battle for market shares and customer attention, which could press the margins on the traditional services, but also reward innovation, simplicity and service.

Telenor has made good progress in its international mobile investments and through the existing portfolio has considerable opportunities for continued profitable growth and development.

Based on the starting point at the beginning of the year, the Board anticipates continued growth in revenues in 2004 driven by the international mobile operations. An unchanged EBITDA margin is expected, following the consolidation of Sonofon excluding special items. Efforts to consolidate positions in markets with declining growth will be stepped up. This could be at the expense of margins.

An increasing proportion of Telenor's revenues and profits are being generated from international operations, which is leading to a higher degree of exposure to exchange rate fluctuations and a greater political risk than previously. Simultaneously, regulatory factors could affect the results. The Board will closely monitor developments with regard to these issues.

Oslo, 25 March 2004

Thorleif Enger
Chairman of the Board of Directors

Bjørg Ven
Vice-chairman of the Board of Directors

Hanne de Mora
Board member

Einar Førde
Board member

Jørgen Lindegaard
Board member

Liselott Kilaas
Board member

John Giverholt
Board member

Harald Stavn
Board member

Per Gunnar Salomonsen
Board member

Irma Tystad
Board member

Jon Fredrik Baksaas
President & CEO

FINANCIAL REVIEW

INTRODUCTION

The following discussion should be read in conjunction with our consolidated financial statements, which have been prepared in accordance with Norwegian GAAP, which differ in certain respects from US GAAP. For a reconciliation of the material differences between Norwegian and US GAAP, see note 31 to our consolidated financial statements.

We implemented changes to our business area structure effective from 1 January 2003. Accordingly, we have restated our financial statements to reflect our new business area structure. The following discussion reflects and is based on our restated financial statements. The discussion is mainly on 2003 compared to 2002. For a full discussion on 2002 compared to 2001 you should read Telenor's annual report for 2003 on Form 20-F filed with the Securities and Exchange Commission in the USA.

We are exposed to risks and uncertainties which could have a material adverse effect on our business, financial condition, liquidity, results of operations or prospects. Such risks and uncertainties relate to, among other things:

- increased competition;
- the political, economic and legal environment in the foreign countries in which we operate;
- our exposure to currency exchange rate fluctuations;
- regulatory developments both in and outside Norway.

GROUP OVERVIEW

In 2003, our group results improved. Profit before taxes was NOK 7.4 billion in 2003 compared to a loss of NOK 5.1 billion in 2002. The loss in 2002 was mainly due to write-downs. The underlying improvement, taking into account gains and losses, expenses for workforce reductions, loss contracts and exit from activities and write-downs, was mainly due to increased revenues and improved margins. During 2002 and 2003, we also improved the efficiency of our operations due in part to the continued effective implementation of our program, Delta 4. Acquisitions and disposals of operations also had a positive effect on our results.

Our international mobile operations, especially those in emerging markets, experienced a significant growth in 2003 and are increasingly important for our business and results of operations. In our Norwegian fixed-line operations, a mature market with increased competition, we managed to stabilize our revenues and increase our margins through efficiency improvement measures. In Broadcast, we increased our number of subscribers, revenues and EBITDA and we improved our operational efficiency, in each case primarily as a result of the consolidation and integration of Canal Digital.

We reduced our capital expenditure in 2003 compared to 2002 mainly due to reduced capital expenditure in Norway. We expect capital expenditure to increase in 2004 compared to 2003 due to the purchase of satellite capacity, the consolidation of Sonofon and our investments in a new mobile technology in Norway. The actual amounts and the timing of our capital expenditure may vary substantially from our estimates.

Concurrent with the decrease in our capital expenditure, we also generated significant positive cash flows from our operations in 2003. These developments resulted in a significant reduction of our net debt during 2003.

Our current strategic focus is on preserving our market shares and continuing to streamline and realize synergies across our operations.

For an overview of Mobile, Fixed and Broadcast, our main business areas, see "Results of Operations by Business Area" below.

RESULTS OF OPERATIONS – GROUP

REVENUES

External revenues excluding gains on disposal of fixed assets and operations increased by 8.7% in 2003 compared to 2002. In 2003, 43% of our external revenues derived from the Mobile business area, compared to 39% in 2002. Part of the increase in external revenues in Mobile was due to the full-year effect of the consolidation of Kyivstar and Pannon GSM. In addition, there was a underlying growth in Mobile both in Norway and abroad. Measured in Norwegian Kroner, the increase was partially offset by the strengthening of the Norwegian Kroner compared to some other currencies, especially related to DiGi.Com (Malaysia) and GrameenPhone (Bangladesh). However, the growth in Norway slowed down compared to previous years, mainly due to a reduction in the number of subscriptions and reduced prices. We also experienced increased competition both in Norway and abroad, especially in the more mature markets, such as Hungary.

External revenues in Fixed increased by 2.4% in 2003 compared to 2002, mainly due to the consolidation of Utfors AB in Sweden from 31 December 2002. External revenues in Fixed – Norway slightly decreased in 2003 compared to 2002 due to a decrease in the number of subscriptions and reduced market shares, partially offset by increased sales of ADSL and increased sales in the wholesale market. Effective from 1 December 2003 we sold our operations in Fixed – Russia in exchange for an equity interest in the listed Russian fixed-line operator Golden Telecom. This transaction is expected to result in a decrease in our revenues from Fixed – Russia in 2004 as Golden Telecom is accounted for as an associated company using the equity method. External revenues in Broadcast increased by 37.9%, mainly due to the full-year effect of the consolidation of Canal Digital, partially offset by reduced revenues from analog satellite transmission. EDB Business Partner's external revenues decreased by 5.1% due to reduced overall demand, except for IT Operations, and the discontinuance of the Consulting area. External revenues from Other business units decreased by 16.8% mainly due to disposals of operations and a decrease in revenues in Satellite Services due to the strengthening of the Norwegian Krone against the US Dollar.

Gains on disposal of fixed assets and operations in 2003 were mainly due to sales of properties in corporate functions and Group activities and the disposal of businesses in most business areas. Gains on disposal of fixed assets and operations in 2002 were due primarily to the sale of properties and operations in corporate functions and Group activities.

The table below shows our revenues broken down by operations in and outside Norway. Our proportional share of revenues from our associated companies and joint ventures are not included in our consolidated revenues. Some of our international operations are carried out in associated companies and joint ventures, especially mobile operations. The revenues in the table for consolidated companies are based on company location and do not include gains on disposal of fixed assets and operations. Revenues outside Norway have increased in recent years due to the increased number of consolidated foreign entities as well as underlying growth in existing operations. The main activities are found in our Mobile business area. Effective from 12 February 2004, we have consolidated Sonofon in Denmark, which we expected to result in increased revenues outside Norway. This will partially be offset by reduced revenues from Fixed – Russia and Nextra International due to the disposal of these operations in 2003.

in NOK millions	2003	2002	2001
Consolidated revenues			
Norway	33,409	33,085	34,032
Outside Norway	19,480	15,583	6,572
Total revenues excluding gains	**52,889**	**48,668**	**40,604**

OPERATING EXPENSES

Please see the notes to the consolidated financial statements for further specification of the operating expenses.

Costs of materials and traffic charges (see note 4)
Traffic charges – network capacity consist mainly of traffic charges for providing fixed and mobile services, primarily in our Mobile and Fixed business areas. The increase in network capacity costs in 2003 compared to 2002 was primarily due to acquired businesses in the Mobile and Fixed business areas and increased sales in Mobile. This was partially offset by the effect of the strengthening of the Norwegian Krone against several currencies and the disposals of some operations in other business units. Fixed had also a reduction in network capacity costs due to reduced volume and prices for some of the products.

Traffic charges – satellite capacity are related to sales of satellite mobile services (Satellite Services), satellite broadcasting services (Broadcast) and satellite capacity services (Satellite Networks). The decrease in satellite capacity costs was mainly due to lower volumes, lower prices and the strengthening of the Norwegian Krone against the US Dollar.

The Mobile and Broadcast business areas in the aggregate generated approximately three-fourth of our total costs of materials etc. in 2003, primarily due to sales of customer equipment in Mobile and TV-program fees in Broadcast. The increase in costs of materials etc. was primarily due to the full-year effect of the consolidation of Canal Digital, which more than offset the decrease due to the disposal of operations in "Other business units" and discontinuance of revenues and costs of materials for handsets in GrameenPhone in 2003. Fixed – Norway also reduced costs of materials due to lower production within operating services.

Own work capitalized (see note 5)
Own work capitalized is presented as a separate caption and is not netted against the related expenses in the profit and loss statement. The various Group companies consolidated in Telenor perform work on their own long-lived assets, which is capitalized, if appropriate. The Group companies expense the related costs in the line items costs of materials, salaries and personnel costs, or other operating expenses as appropriate. The costs that are capitalized are then reversed as change in own work capitalized. Several companies in the Group perform work on and deliver long-lived assets to other Group companies. The purchasing company capitalizes these long-lived assets. For the Group as a whole this is regarded as a change in own work capitalized and the expenses recorded in the selling companies are reversed as a change in own work capitalized for the Group. Own work capitalized in 2003 was in line with 2002.

Salaries and personnel costs (see note 6 and 7)
The decrease in salaries and personnel costs in 2003 compared to 2002 was primarily due to workforce reductions as a consequence of Telenor's program for improving operational efficiency, Delta 4, and due to the net effect of disposals and acquisitions of businesses. Social security tax increased in percent of Salaries and holiday pay compared to 2002, mainly due different rates for social security tax in different countries. Expenses for workforce reduction are recorded as a part of "Other operating expenses" and are not included in salaries and personnel costs.

The number of full-time equivalent employees at 31 December 2003 decreased by approximately 2,700 compared to 31 December 2002, mainly due to workforce reductions and disposals of operations. Disposal of businesses in 2003 reduced the total number of our full time equivalent employees by approximately 1,600. The average number of full-time equivalent employees was estimated to be lower by approximately 1,200 in 2003 compared to 2002.

Pension costs, including social security tax in 2003, were approximately in line with 2002. Increased amortization of actuarial losses and increased interest expenses offset the positive effect of workforce reductions and a lower than estimated increase in salaries. During 2003, long-term interest rates in Norway were significantly reduced and we reduced our estimated discount rate as of 31 December 2003 accordingly. This contributed to an increase in the net present value of our pension obligations and non-amortized actuarial losses as of 31 December 2003, which was partially offset by higher than estimated return on pension plan assets resulting primarily from the increase in share prices. Pension costs, including social security tax, may increase in the future due to increased non-amortized actuarial losses. You should read "Critical Accounting estimates under Norwegian GAAP" and note 7 to our consolidated financial statements for additional information about our pension costs.

Other operating expenses (see note 8–11)
Other operating expenses decreased by approximately NOK 0.7 billion, or 5.2%, in 2003 compared to 2002. Reduced expenses for workforce reductions, loss contracts and exit from activities of NOK 0.7 billion was partially offset by the net effect of approximately NOK 0.5 billion from companies acquired and disposed of during 2002 and 2003. In 2002, we began implementing our program to improve operational efficiency, Delta 4, which contributed to reducing other operating expenses in 2003.

Reduced costs of premises, vehicles and office equipment in 2003 compared to 2002 were due to the replacement of leased properties with owned properties, especially our new headquarters at Fornebu outside of Oslo, and increased cost efficiency.

Increased operation and maintenance expenses in 2003 compared to 2002 were mainly due to the full-year effect of the consolidation of companies in Mobile and Broadcast and higher activity in our international Mobile operations. The increase was partially offset by decreased activity in EDB Business Partner and cost reductions in Fixed and Mobile in Norway.

Our total marketing, sales commissions and advertising expenses increased by NOK 0.8 billion in 2003 compared to 2002. The increase occurred mainly in our Mobile business area, partially due to the full-year effect of consolidation of companies and partially as a result of increased competition and a growth in the gross inflow of subscriptions. Reduction in bad debt was due to our increased focus on collection and reduced need for provisions for losses.

In 2003, expenses for workforce reductions, loss contracts and exit from activities were mainly incurred in EDB Business Partner. The following table shows the breakdown of expenses for workforce reductions, loss contracts and exit from activities by business area. See note 11 for additional information.

Specification of expenses for workforce reductions, loss contracts and exit from activities by business area

in NOK millions	2003	2002	2001
Mobile	(21)	120	–
Fixed	6	311	89
Broadcast	7	65	49
EDB Business Partner	223	111	170
Other business units	38	122	243
Corporate functions and Group activities	34	272	74
Eliminations	–	47	–
Total [1]	**287**	**1,048**	**625**

[1] This line item corresponds to the same line item in "other operating expenses" except for 2002, where NOK 66 million related to previously granted pension benefits in Teleservice is included in "salaries and personnel costs".

Losses on disposal of fixed assets and operations

Losses on disposal of fixed assets and operations totaled NOK 229 million in 2003, of which the disposal of Nextra International companies contributed NOK 176 million. Losses of NOK 147 million in 2002 included losses in connection with the disposal of companies, mainly related to the bankruptcy of our former subsidiary Itworks AS.

Depreciation, amortization and write-downs (see note 14)

in NOK millions	2003	2002	2001
Depreciation of tangible assets	7,986	7,624	5,863
Amortization of goodwill	686	1,002	668
Amortization of other intangible assets	1,925	1,610	720
Total depreciation and amortization [1]	**10,597**	**10,236**	**7,251**
Write-downs of tangible assets	104	424	1,430
Write-downs of goodwill	16	2,632	2,266
Write-downs of other intangible assets	25	497	126
Total write-downs [2]	**145**	**3,553**	**3,822**
Total depreciation, amortization and write-downs	**10,742**	**13,789**	**11,073**

In 2003, we made certain reclassifications from tangible assets to intangible assets, mainly software in administrative support systems. The comparative figures are reclassified. Depreciation of tangible assets increased, mainly due to the full-year effect of consolidation of businesses, especially in Mobile, Broadcast and Fixed, and the shortening of the depreciation period for some network-based equipment in DiGi.Com as from 1 July 2002. The increase was partially offset by reduced depreciation due to write-downs in 2002 and reduced capital expenditure and tangible assets fully depreciated.

Increased amortization of other intangible assets in 2003 compared to 2002 was primarily due to the full-year effect of the consolidation of businesses.

Reduced amortization of goodwill was primarily due to write-downs at the end of 2002, especially related to DiGi.Com and amortization of negative goodwill related to Utfors, partially offset by the full-year effect of the consolidation of businesses.

Write-downs in 2003 were not significant. Generally, increased market values for our businesses lead to the conclusion that none of our material investments was impaired. If, among other things, market values decline and market conditions deteriorate, we may have to continue to perform impairment tests, as well as the annual impairment test of goodwill according to US GAAP. You should read "Critical Accounting Estimates under Norwegian GAAP " for additional information on our impairment tests.

We made significant write-downs in 2002, mainly due to a decline in market values and depressed market conditions in some of our operations. In 2002, we evaluated the carrying values of our assets, and we made the resulting write-downs based on the market conditions and asset-specific circumstances. For further discussions of write-downs, see note 14.

[1] Specification of depreciation and amortization

	2003			2002			2001		
in NOK millions	Tangible	Goodwill	Other intangible	Tangible	Goodwill	Other intangible	Tangible	Goodwill	Other intangible
Mobile	2,674	400	1,234	2,232	509	1,038	1,187	105	258
Fixed	3,774	(95)	431	3,858	134	374	3,306	129	234
Broadcast	755	197	78	679	133	32	517	47	12
EDB Business Partner	223	151	1	224	166	3	196	193	4
Other business units	305	34	152	359	60	163	394	162	198
Corporate functions and Group activities	355	–	29	362	–	–	304	–	–
Media	–	–	–	–	–	–	15	22	14
Eliminations	(100)	(1)	–	(90)	–	–	(56)	10	–
Total	**7,986**	**686**	**1,925**	**7,624**	**1,002**	**1,610**	**5,863**	**668**	**720**

[2] For a breakdown of write-downs by business area, see note 14.

OPERATING PROFIT (LOSS) AND EBITDA

Our operating profit (loss) in 2002 and 2003 was affected by gains and losses on sales of fixed assets and operations, expenses for workforce reductions, loss contracts and exit from activities as well as write-downs, as illustrated below. We believe that information about and discussion of these items may explain in part the development of our operating performance in this period.

in NOK millions	2003	2002	2001
Operating profit	7,560	(320)	3,177
Of which:			
Gains on disposal of fixed assets and operations	232	158	5,436
Losses on disposal of fixed assets and operations	(229)	(147)	(63)
Expenses for workforce reductions, loss contracts and exit from activities [1]	(287)	(1,048)	(625)
Write-downs of tangible and intangible assets [2]	(145)	(3,553)	(3,822)
Total gains, losses, expenses for workforce reductions etc. and write-downs	**(429)**	**(4,590)**	**926**

[1] For breakdown of our expenses for workforce reductions, loss contracts and exit from activities by business area, see "Other operating expenses".

[2] For breakdown of our write-downs by business area, see note 14.

Our operating profit in 2003 was to a limited extent affected by gains and losses, expenses for workforce reductions etc, and write-downs. We discuss these items above under "Revenues", "Operating expenses" and "Depreciation, amortization and write-downs". Our operating profit increased in 2003 compared to 2002 due to the effect of these items, our focus on increasing operational efficiency and underlying growth. The full-year effect of the consolidation of acquired companies, especially Kyivstar, and the decrease in depreciation and amortization as a result of the significant write-downs made in 2002 also contributed to the increase.

We also focus on operating profit (loss) before the effects of amortization, depreciation and write-downs. We refer to this measure as "EBITDA" because under Norwegian GAAP operating profit is reported in our consolidated income statement before taxes and net financial items. In addition, operating profit includes amounts attributable to minority interests but does not include results from associated companies or joint ventures which are accounted for using the equity method and included in net income. We believe that providing EBITDA enhances an understanding of our operating activities and the performance of the individual units because it provides investors with a measure of operating results that is unaffected by amortization and depreciation related to acquisitions and capital expenditures, differences in capital structures (e.g. book value of tangible and intangible assets) among otherwise comparable companies or investments in and results from associated companies. We believe that EBITDA is also an indicator to demonstrate to what extent operational business activities generate earnings which are available to reduce net debt or to finance investments. EBITDA is not a measurement of financial performance under generally accepted accounting principles. You should not consider EBITDA as an alternative to operating profit, net income or cash flow from operating activities. Since other companies may not calculate EBITDA in the same way, our EBITDA figures are not necessarily comparable with similarly titled figures of other companies. For a reconciliation of EBITDA to net income, see note 3 to the consolidated financial statements.

Our EBITDA increased in 2003 compared to 2002 due to the positive effect of the consolidation of acquired companies, the underlying increase in revenues and the increased efficiency of our operations, including the positive effect from the cost reduction measures. You should read "Results of Operations by Business Area" for a more detailed discussion of operating profit and EBITDA for each business area.

ASSOCIATED COMPANIES (see note 16)

in NOK millions	2003	2002	2001
Telenor's share of [1]			
Net income (loss) after taxes	329	341	(318)
Amortization of Telenor's net excess values	(579)	(862)	(1,427)
Write-downs of Telenor's excess values	(26)	(1,965)	(11,597)
Gains on disposal of ownership interests	1,507	36	21,579
Net result from associated companies	**1,231**	**(2,450)**	**8,237**

[1] The figures are partly based on our management's estimates in connection with the preparation of our consolidated financial statements. Our consolidated profit and loss statement contains only the line item "net result from associated companies". Our share of the other items shown in the table is not included in our consolidated financial statements, but this information is set forth in note 16 to our consolidated financial statements. Net excess values are the difference between our acquisition cost and our share of equity at the time of the acquisition of the associated companies.

The results from associated companies were influenced by our acquisitions, disposals and consolidation of subsidiaries in 2001, 2002 and 2003 and by our write-downs in 2001 and 2002. DiGi.Com was consolidated as a subsidiary as of 1 September 2001, Telenordia was consolidated as a subsidiary as of 1 October 2001, Pannon GSM was consolidated as a subsidiary as of 4 February 2002, Canal Digital was consolidated as a subsidiary as of 30 June 2002 and Kyivstar was consolidated as a subsidiary as of 1 September 2002. VIAG Interkom and Esat Digifone were sold at the beginning of 2001. Extel was sold at the end of 2002 and StavTeleSot at the beginning of 2003 to VimpelCom-Region. On 30 April 2003, we announced the sale of a 9% shareholding in Cosmote and, as a result, Cosmote is no longer accounted for as an associated company. In February 2004, we disposed of our remaining interest in Cosmote. We acquired 37% of Glocalnet AB as of 31 December 2002 and 20.4% of Golden Telecom as of 1 December 2003.

Net income after taxes from associated companies in 2003 was in line with 2002, but decreased by approximately NOK 0.1 billion when adjusted for the effect of associated companies acquired, disposed of or consolidated as subsidiaries during 2002 and 2003. In 2003, VimpelCom continued to experience underlying growth in its results due to an increase in its subscriber base. However, its positive contribution to net income after taxes from associated companies was offset by increased losses in Bravida, including restructuring charges and write-downs, and write-downs related to fixed assets in Sonofon.

Amortization of Telenor's net excess values decreased in 2003 compared to 2002 mainly due to the effects of write-downs in 2002 and reversal of previous amortization of net excess values on Wireless Matrix, as net excess values had been reduced to below zero in 2002.

We will consolidate Sonofon as a subsidiary as from 12 February 2004. This is expected to reduce amortization of Telenor's net excess values from associated companies in 2004 compared to 2003.

Write-downs of Telenor's excess values on associated companies were not significant in 2003 as market values for associated companies increased during 2003. For further discussions of write-downs of Telenor's excess values on associated companies, see "Critical Accounting Estimates" and note 16.

Net gains on disposal of ownership interests in 2003 mainly related to the sale of shares in Cosmote.

FINANCIAL INCOME AND EXPENSES (see note 12)

The increase in interest income in 2003 compared to 2002 was due to a higher volume of interest-bearing financial assets, partially offset by reduced interest rates. The increase in interest-bearing financial assets was mainly due to a higher net cash flow from operating activities and proceeds from the sales of Cosmote and Inmarsat. Increased other financial income related to dividends from Expert Eilag ASA in 2003. The satellite organizations were incorporated during 2000 and 2001 and distributed no dividends in 2002 or 2003.

Interest expenses increased in 2003 compared to 2002 due to higher interest-bearing liabilities on average during the year, partially offset by reduced interest rates. The increase in interest-bearing liabilities was primarily due to the acquisitions of Kyivstar and Canal Digital, which we paid in the second half of 2002. At the end of 2002 interest-bearing liabilities increased with NOK 2.4 billion regarding tax claim on the sale of Sonofon Holding A/S and NOK 0.5 billion regarding judicial proceedings in Greece, see notes 13 and 24, resulting with about NOK 165 million in interest expense in 2002.

In 2003, a reduction of interest-bearing liabilities did not take place until the payment of the Sonofon tax claim and the settlement of the judicial proceedings in Greece in the third quarter, totaling approximately NOK 3 billion. In October 2003, we agreed to a settlement of the judicial proceeding in Greece, and we reversed to income NOK 41 million of the amount we made provisions for in 2002 as interest related to the claim, because the amount we agreed to pay under the settlement was lower than the amount we made provisions for. In 2003, we accrued and expensed interest on overdue payments on the tax claim related to Sonofon of approximately NOK 225 million. Due to the significant reduction in short-term interest rates and no corresponding reduction in interest rates on overdue payments, we decided to pay the tax claim on 30 September 2003. Subsequent to this payment, we have incurred ordinary interest expenses on the funding of the tax claim.

Total interest expenses reflect our composition and structure of liabilities with floating rates, fixed rates and higher interest rates on liabilities in some subsidiaries with external financing. Interest rates in the Norwegian market decreased considerably during 2003. Our average interest rates for funding through the parent company was also reduced in 2003, but to a lesser extent than market rates due to the duration of our debt portfolio. This was partially offset by external financing of subsidiaries with higher interest rates. Please refer to note 20 of our financial statements for further information about interest rates and duration of our debt portfolio. The reduction in capitalized interest was mainly due to lower level of assets under construction and reduced interest rates.

The write-downs made in 2002 of New Skies Satellites and the capital contribution in the Telenor Pension Fund were reversed in 2003 as a result of increase in market values, and a gain on the sale of shares in Inmarsat and OniWay was recorded. This was partially offset by losses on the sale of shares in Expert Eilag ASA and losses and write-downs on Venture companies in 2003. The losses and write-downs of financial assets in 2002 related mainly to the write down of the shares in Inmarsat, New Skies Satellites, Sponsor Service ASA and Venture companies in addition to a write-down of the capital contribution to Telenor Pension Fund.

As of 26 February 2004, we sold our remaining 9% shareholding in Cosmote for NOK 3.1 billion and we expect to record a gain on sale of financial assets of approximately NOK 2.6 billion before taxes in 2004 related to this transaction.

Net foreign currency losses in 2002 were primarily related to currency hedging of the purchase price for the shares in Pannon GSM in Euro, accounts receivable in foreign currency and interest-bearing liabilities in consolidated entities abroad

INCOME TAXES (see note 13)

The corporate income tax rate in Norway is 28.0%. Our effective tax rate (income taxes as a percentage of profit before taxes) was 32.0% in 2003. In 2002, we recorded a loss before taxes and minority interests and, therefore, we had a tax income.

Prior to our IPO in December 2000, a new parent company for the Group (Telenor ASA) was incorporated and all shares in Telenor AS were contributed to Telenor ASA as an in kind contribution. At the same time, Telenor AS changed its name to Telenor Communications AS and in 2002 to Telenor Eiendom Holding AS. The tax cost base of the Telenor Eiendom Holding AS shares equal estimated fair value at the time when the in kind contribution was made. As a necessary part of the overall restructuring of the Telenor Group, in 2001 and 2002 we demerged or sold entities from Telenor Eiendom Holding AS to holding companies for the different business areas. To the extent Telenor ASA should dispose of shares in Telenor Eiendom Holding AS, or dispose of shares in entities demerged from Telenor Eiendom Holding AS, we believe that any taxes will be computed on the difference between the consideration received and the high tax base cost, as established through the in kind contribution.

For a further discussion of our income taxes, see critical accounting estimates and note 13.

MINORITY INTERESTS

During 2003, we increased our ownership interest in Comincom/Combellga to 100% and as of 1 December 2003 we exchanged our ownership for shares in Golden Telecom, in which we owned a 20.4% ownership interest as of 31 December 2003. Golden Telecom is accounted for as an associated company. At the end of 2003, we also sold our ownership interests in Telenor Venture AS. During 2003, we increased our ownership interest in GrameenPhone to 51.0%, while our voting interest remained unchanged at 51.0%.

RESULTS OF OPERATIONS BY BUSINESS AREA

The following tables sets forth selected financial data for our business areas for the period 2001–2003. The eliminations reported in these tables are primarily related to intra group transactions.

in NOK millions	2003	2002	2001
Revenues excluding gains on disposal of fixed assets and operations			
Mobile	23,810	20,346	12,299
Fixed	20,500	20,008	19,685
Broadcast	4,800	3,607	2,614
EDB Business Partner	4,270	4,338	4,770
Other business units	4,154	5,040	5,718
Corporate functions and Group activities	2,184	2,116	2,143
Media [1]	–	–	1,338
Eliminations	(6,829)	(6,787)	(7,963)
Total revenues excluding gains	**52,889**	**48,668**	**40,604**
Gains on disposal of fixed assets and operations	**232**	**158**	**5,436**
Total revenues	**53,121**	**48,826**	**46,040**

in NOK millions	2003	2002	2001
Operating profit (loss)			
Mobile	5,224	1,414	2,495
Fixed	2,531	731	1,035
Broadcast	181	(475)	(726)
EDB Business Partner	(4)	(409)	(1,208)
Other business units	(120)	(736)	(2,643)
Corporate functions and Group activities	(364)	(931)	4,178
Media [1]	–	–	262
Eliminations	112	86	(216)
Total operating profit (loss)	**7,560**	**(320)**	**3,177**

in NOK millions	2003	2002	2001
EBITDA			
Mobile	9,567	7,482	4,067
Fixed	6,665	5,597	5,546
Broadcast	1,229	499	344
EDB Business Partner	399	348	447
Other business units	408	178	(718)
Corporate functions and Group activities	23	(569)	4,494
Media [1]	–	–	313
Eliminations	11	(66)	(243)
Total EBITDA [2]	**18,302**	**13,469**	**14,250**

[1] 9 months in 2001.

[2] See note 3 for reconciliation of EBITDA to net income for the group.

TELENOR MOBILE

in NOK millions	2003	2002	2001
External revenues	22,483	19,079	11,001
Internal revenues	1,327	1,267	1,298
Gains on disposal of fixed assets and operations	–	–	259
Total revenues	**23,810**	**20,346**	**12,558**
External costs of materials and traffic charges	5,481	5,020	2,695
Internal costs of materials and traffic charges	770	725	815
Total costs of materials and traffic charges	**6,251**	**5,745**	**3,510**
Own work capitalized	(97)	(69)	(71)
Salaries and personnel costs	1,917	1,898	1,368
Other external operating expenses	5,170	4,330	2,774
Other internal operating expenses	997	960	910
Losses on disposal of fixed assets and operations	5	–	–
Depreciation and amortization	4,308	3,779	1,550
Write-downs	35	2,289	22
Total operating expenses	**18,586**	**18,932**	**10,063**
Operating profit	**5,224**	**1,414**	**2,495**
Associated companies	1,639	(2,030)	9,677
Net financial items	(2,182)	(2,050)	(496)
Profit before taxes and minority interests	**4,681**	**(2,666)**	**11,676**
EBITDA	9,567	7,482	4,067
Depreciation and amortization	4,308	3,779	1,550
Write-downs	35	2,289	22
Operating profit	**5,224**	**1,414**	**2,495**
Operating profit/Total revenues (%)	21.9	6.9	19.9
EBITDA/Total revenues (%)	40.2	36.8	32.4
Investments:			
– Capex	3,667	3,731	2,716
– Investments in businesses	95	8,894	4,495
No. of man-years (end of period)	6,924	6,551	4,217
– Of which abroad	5,201	4,673	2,084

in NOK millions	2003	2002	2001
Revenues			
Telenor Mobil – Norway	10,909	10,695	10,056
Pannon GSM – Hungary	5,370	4,505	-
DiGi.Com – Malaysia	3,176	2,715	906
GrameenPhone – Bangladesh	1,536	1,589	1,185
Kyivstar – Ukraine	2,634	708	-
Other including eliminations	185	134	411
Total revenues	**23,810**	**20,346**	**12,558**

in NOK millions	2003	2002	2001
EBITDA			
Telenor Mobil – Norway	4,262	4,330	3,731
Pannon GSM – Hungary	1,924	1,586	-
DiGi.Com – Malaysia	1,295	1,022	306
GrameenPhone – Bangladesh	1,001	757	457
Kyivstar – Ukraine	1,573	403	-
Other including eliminations	(488)	(616)	(427)
Total EBITDA	**9,567**	**7,482**	**4,067**

Overview
The Mobile business area's results in 2001, 2002 and 2003 were affected by the consolidation of:

- Kyivstar as a subsidiary effective from 1 September 2002, when we increased our ownership interest in the Ukrainian operator from 45.4% to 54.2%. The ownership share in Kyivstar was increased further to 55.35% as a result of a capital increase with effect from May 2003.
- Pannon GSM as a subsidiary effective from 4 February 2002, when we increased our ownership interest in the Hungarian operator from 25.8% to 100%.
- DiGi.Com as a subsidiary effective from 1 September 2001, when we increased our ownership interest in the Malaysian operator from 32.9% to 61.0%.

Effective from 1 January 2004, Telenor Mobile's activities in the Scandinavian region were grouped into our new unit Telenor Nordic Mobile. We believe that through Telenor Nordic Mobile we can realize synergies and further improve operational efficiency across our operations in Scandinavia. As part of this strategy we increased our ownership interest in the Danish operator Sonofon from 53.5% to 100%, effective from 12 February 2004.

An increasing proportion of our revenues and profits (losses) are derived from our international mobile operations.i In addition to the effects from the consolidation of companies, there was an underlying growth in revenues without a corresponding growth in expenses in our foreign subsidiaries. This contributed to an increase in EBITDA in 2003 compared to 2002. Amortization and depreciation increased in the same period, mainly due to the consolidation of these companies. In 2002, we recorded write-downs of NOK 2.3 billion, of which NOK 2.1 billion was goodwill related to DiGi.Com.

In 2003, in our more mature markets, particularly Norway and Hungary we experienced increased competition and a decrease in our market share despite the increase in penetration rates for mobile telephony services. Operators in mature markets face increased competition and tend to shift their focus from the acquisition of new customers to customer retention and the stabilization of their market shares. This may result in increased costs related to sales, marketing and commissions and, more generally, in increased pressure on margins. In addition, operators in mature markets tend to focus on increased average usage and revenues per subscriber as the main source of potential growth by introducing new and attractive services. We further believe that our constant focus on improving the operational efficiency of our mobile operations will contribute to improving or at least stabilizing overall profitability in mature markets.

In our emerging markets, particularly Bangladesh and the Ukraine, which still offer a significant growth potential and are characterized by low penetration rates, we continue to focus primarily on acquiring new subscribers. In addition, we seek to improve the cost efficiency of our operations in these markets by realizing the economies of scale and sharing the best practices created across our international mobile operations.

During 2003, we also optimized our capital expenditure without reducing the quality of our mobile networks across our international mobile operations. This was due in part to the realization of important synergies across these operations, such as centralized procurement, global supplier agreements and best practice solutions for network development and optimization.

Fluctuations in currency exchange rates between the Norwegian Kroner and the functional currencies of our mobile operations could affect our reported earnings and the value in Norwegian Kroner of the investments. For example, in 2003 the significant strengthening of the Norwegian Kroner against the US Dollar and other currencies linked to the US Dollar had an adverse effect on the results of operations of, and the value of our investment in, our mobile subsidiaries DiGi.Com (Malaysia), Kyivstar (Ukraine), whose functional currency is the US Dollar, and GrameenPhone (Bangladesh) when reported in Norwegian Kroner.

TELENOR MOBIL – NORWAY

in NOK millions	2003	2002	2001
External revenues			
Mobile outgoing traffic	3,712	3,880	3,500
Mobile incoming traffic	455	389	392
Roaming	1,224	1,220	1,209
Total traffic	**5,391**	**5,489**	**5,101**
SMS and content services	1,537	1,530	1,187
Subscriptions and connections	1,216	1,350	1,328
Customer equipment	722	616	620
Service providers and other	773	456	510
Total external revenues	**9,639**	**9,441**	**8,746**
Internal revenues	1,270	1,254	1,310
Gains on disposal	–	–	–
Total revenues	**10,909**	**10,695**	**10,056**
Total operating expenses	**7,794**	**7,687**	**7,430**
Operating profit	**3,115**	**3,008**	**2,626**
EBITDA	4,262	4,330	3,731
Depreciation and amortization	1,147	1,207	1,083
Write-downs	–	115	22
Operating profit	**3,115**	**3,008**	**2,626**
Operating profit/Total revenues (%)	28.6	28.1	26.1
EBITDA/Total revenues (%)	39.1	40.5	37.1
Investments			
– Capex	500	750	1,674
– Acquisition of businesses	–	–	–
No. of man-years (end of period)	1,602	1,713	1,825
No. of subscriptions (in thousand)	2,364	2,382	2,307

Operating profit and EBITDA – Telenor Mobil – Norway
Operating profit in 2003 increased by 3.4% compared to 2002. Depreciation, amortization and write-downs of tangible and intangible assets decreased due to a decrease in capital expenditure during 2002 and 2003 and the effect of write-downs in 2002. Both EBITDA and the EBITDA margin (EBITDA as a percentage of total revenues) decreased in 2003 compared to 2002. This decrease was due primarily to increased operating expenses in connection with increased marketing activities as a result of increased competition, higher traffic charges as a result of increased traffic to other mobile networks, a different mix of subscriptions and price reductions. This decrease was partially offset by a decrease in certain other operating expenses, primarily fees to consultants and salaries and personnel costs, as well as an increase in revenues from sales to other service providers. The decrease in salaries and personnel costs in 2003 was due to our workforce reduction in 2002.

Revenues — Telenor Mobil — Norway

Our market share for GSM subscriptions as of 31 December 2003 was 57% compared to 61% as of 31 December 2002. During the same period, the mobile penetration in Norway increased from 84% to approximately 90%.

In 2003, external revenues from outgoing mobile traffic in Norway decreased primarily due to the decrease in the number of and changes in the mix of contract subscriptions and price reductions. This decrease was partially offset by an increase in average traffic minutes generated by each subscription.

External revenues from incoming mobile traffic increased in 2003 compared to 2002 due primarily to an increase in traffic volume from subscribers of other mobile operators.

In 2003, external revenues from roaming were in line with 2002. The decrease in traffic volume from subscribers of foreign operators in Norway was offset by an increase in volume of SMS and higher average prices per minute from Norwegian subscribers abroad. Higher average prices per minute were due to a combination of increased prices charged by operators outside Norway and changes in traveling patterns resulting in more Norwegians traveling to countries with higher prices per minute.

In 2003, external revenues from SMS and Content services were in line with 2002. The number of messages increased by 234 million to 1,926 million in 2003 compared to 2002. This was offset by lower average prices in 2003 compared to 2002, mainly due to an increase in the number of free messages and reduced prices as from 16 May 2003. The number of SMS messages terminating from other operators increased by approximately 100 million to approximately 550 million in 2003 compared to 2002.

In 2003, external revenues from subscriptions and connections decreased compared to 2002 due to migration of customers to lower priced subscription plans and a decrease in the number of subscriptions. In addition, we increased our marketing activities to retain subscribers by offering discounts on subscription contracts with a minimum contract period.

Our external revenues from sales of customer equipment are derived primarily from sales of handsets and computer equipment through our own distributors. These external revenues increased in 2003 compared to 2002 due primarily to new contracts for the supply of home computers to the employees of certain other companies.

External revenues from service providers increased in 2003 compared to 2002 due to the increase in the number of subscriptions of service providers and in average traffic minutes and SMS generated by each subscription.

Other external revenues increased in 2003 compared to 2002 as a result of higher sales of SIM cards to service providers and foreign operators.

Internal revenues consist of incoming traffic from the Fixed business area and from outgoing mobile traffic generated by employees of other group companies.

Operating expenses — Telenor Mobil — Norway

in NOK millions	2003	2002	2001
External costs of materials and traffic charges	2,127	1,872	1,793
Internal costs of materials and traffic charges	775	722	814
Total costs of materials and traffic charges	**2,902**	**2,594**	**2,607**
Own work capitalized	(33)	(52)	(55)
Salaries and personnel costs	936	1,064	976
Other external operating expenses	2,019	1,970	2,021
Other internal operating expenses	823	789	776
Losses on disposal of fixed assets and operations	–	–	–
Depreciation and amortization	1,147	1,207	1,083
Write-downs	–	115	22
Total operating expenses	**7,794**	**7,687**	**7,430**

Increased operating expenses in 2003 compared to 2002 were due primarily to the increase in costs of materials and traffic charges and costs related to sales, marketing and commissions.

Costs of materials and traffic charges in 2003 increased compared to 2002 due primarily to increased outgoing traffic (voice and SMS) terminating in other telecom operators' networks. Roaming charges also increased, due primarily to increased traffic from subscribers of service providers.

Salaries and personnel costs decreased in 2003 compared to 2002 as in 2003 we realized the full-year effect of the decrease in the number of employees that occurred in 2002 as part of our cost reduction measures.

Other operating expenses increased in 2003 compared to 2002 due primarily to increased costs related to sales, marketing and commissions. This increase was due primarily to our increased focus on customer retention as a result of increased competition. In addition, in 2003 there was an increase in IT and network-related expenses due to the increase in traffic volumes and the number of services offered to subscribers. This increase was partially offset by cost reduction measures, especially with respect to the use of consultants. We expensed NOK 104 million for workforce reductions in 2002.

Depreciation and amortization decreased in 2003 compared to 2002 due to reduced capital expenditure in both 2002 and 2003 and the effect of write-downs in 2002. In addition, the expected useful life of parts of our IT-system portfolio was increased, resulting in lower depreciation expenses in 2003.

Capital expenditure — Telenor Mobil — Norway

Capital expenditure was lower in 2003 compared to 2002 due primarily to reduced investments in administrative IT-systems. In 2002 and 2003, we made limited capital expenditure in our UMTS network and equipment. However, at the end of 2003 we increased our investments in our GSM network to expand its coverage and capacity and to prepare it for an upgrade to a new mobile telephony technology. We expect capital expenditure to increase in 2004 due to investments in such new technology.

PANNON GSM – HUNGARY

in NOK millions	2003	2002	2001
Mobile related revenues	5,005	4,187	–
Other revenues	365	318	–
Total revenues	**5,370**	**4,505**	**–**
Total operating expenses	**4,345**	**3,634**	**–**
Operating profit	**1,025**	**871**	**–**
EBITDA	1,924	1,586	–
Depreciation and amortization	889	700	–
Write-downs	10	15	–
Operating profit	**1,025**	**871**	**–**
Operating profit/Total revenues (%)	19.1	19.3	–
EBITDA/Total revenues (%)	35.8	35.2	–
Capex	644	825	–
No. of man-years (end of period)	1,499	1,523	–
No. of subscriptions (in thousand)	2,618	2,450	–

[1)] The table shows figures included in the accounts for Telenor from the date of acquisition.

Telenor consolidated Pannon GSM as a subsidiary effective 4 February 2002, when Telenor increased the ownership interest in the company from 25.8% to 100%. The following discussion and analysis of Pannon GSM's results of operations is based on Pannon GSM's financial statements for the year ended 31 December 2002, as prepared by Pannon GSM, adjusted to conform materially with Norwegian GAAP. Telenor believe that such information provides a more useful measure of comparative financial performance for a period when Pannon GSM not yet consolidated. However, such information does not purport to represent what the actual results of operations would have been had Pannon GSM been consolidated from 1 January 2002 and is not necessarily indicative for future operating results.

The Norwegian Kroner depreciated against the Hungarian Forint by 2% in 2003 compared to 2002.

Operating profit and EBITDA – Pannon GSM

Operating profit and EBITDA increased in 2003 compared to 2002 due to higher traffic as a result of the increase in subscriptions. The operating profit margin (operating profit as a percentage of total revenues) decreased slightly in 2003 compared to 2002 due to increased amortization and depreciation. The EBITDA margin increased slightly in 2003 due to increased revenues, which more than offset increased operating expenses.

Revenues – Pannon GSM

In 2003, Pannon GSM had a 9.1% increase in revenues compared to 2002. This growth was primarily due to increased traffic resulting from an increase of 168,000 subscriptions in 2003. On average each subscription generated less revenue compared to the previous year, as new cutomers and customers with prepaid subscriptions reduced the average number of call minutes and revenues per subscription. Other revenues mainly consisted of sales of handsets.

Pannon GSM's market share of GSM subscriptions in Hungary at 31 December 2003 was estimated to be 36% compared to 38% at 31 December 2002. The reduction was due to increased competition. At 31 December 2003, the estimated mobile penetration in Hungary increased was 78% compared to 68% at 31 December 2002.

Operating expenses – Pannon GSM

in NOK millions	2003	2002	2001
External costs of materials and traffic charges	2,048	1,754	–
Internal costs of materials and traffic charges	2	2	–
Total costs of materials and traffic charges	**2,050**	**1,756**	**–**
Own work capitalized	–	–	–
Salaries and personnel costs	385	298	–
Other external operating expenses	1,001	865	–
Other internal operating expenses	10	–	–
Losses on disposal of fixed assets and operations	–	–	–
Depreciation and amortization	889	700	–
Write-downs	10	15	–
Total operating expenses	**4,345**	**3,634**	**–**

Operating expenses increased by NOK 0.4 billion in 2003 compared to the full year of 2002 primarily due to increased costs of materials and traffic charges as a result of increased traffic terminating in other operators' networks. Other operating expenses increased in 2003 compared to 2002 due to higher marketing costs and higher commissions related to the increased sales of contract subscriptions. Depreciation and amortization increased as a result of a higher level of capital expenditures in recent years. As accumulated capital expenditures that are the basis for depreciation and amortization increase, our depreciation and amortization will increase accordingly as long as fixed assets are not entirely depreciated.

Capital expenditure – Pannon GSM

Capital expenditure decreased by NOK 0.2 billion in 2003 compared to 2002, due to reduced capital expenditure in GSM network and equipment and IT systems.

DIGI.COM – MALAYSIA
(ownership interest 61.0% as of 31 December 2003)

in NOK millions	2003	2002	2001
Mobile related revenues	2,713	2,273	691
Other revenues	463	442	215
Total revenues	**3,176**	**2,715**	**906**
Total operating expenses	**2,679**	**2,284**	**725**
Operating profit	**497**	**431**	**181**
EBITDA	1,295	1,022	306
Depreciation and amortization	780	579	125
Write-downs	18	12	–
Operating profit	**497**	**431**	**181**
Operating profit/Total revenues (%)	15.6	15.9	20.0
EBITDA/Total revenues (%)	40.8	37.6	33.8
Capex	1,043	1,457	459
No. of man-years (end of period)	1,450	1,443	1,477
No. of subscriptions (in thousand)	2,207	1,616	1,039

The table shows figures included in the accounts for Telenor from the date of acquisition. Telenor consolidated DiGi.Com as a subsidiary effective 1 September 2001, when we increased our ownership interest in the company from 32.9% to 61.0%.

The Norwegian Kroner appreciated against the Malaysian Ringgit by 12% in 2003 compared to 2002.

Operating profit and EBITDA – DiGi.Com
Operating profit and EBITDA measured in NOK and in local currency increased in 2003 compared to 2002 due to the increase in revenues, which more than offset the increase in operating expenses. Depreciation and amortization increased due to the full year effect of the shortening of the depreciation period for some network-based equipment from 1 July 2002 and due to a high level of capital expenditure in the recent years. This contributed to a slight decrease in the operating profit margin.

Revenues – DiGi.Com
In 2003, DiGi.Com had a 17% increase in revenues measured in NOK compared to 2002. Measured in local currency, the increase was 33%. The increase in revenues was due primarily to higher traffic and increased use of value added services (VAS) resulting from an increase of 591,000 in the number of subscriptions in 2003. However, on average each subscription generated less revenue as new customers and customers with prepaid subscriptions reduced the average number of call minutes and revenues per subscription. DiGi.Com also introduced price reductions in the form of free call time and loyalty programs in 2003 and this contributed to the decrease in revenues. Other revenues, mainly coming from DiGi.Com's international carrier business, increased in 2003 compared to 2002 due to higher traffic volumes.

DiGi.Com's market share of GSM subscriptions in Malaysia at 31 December 2003 was estimated to be 20% compared to 19% at 31 December 2002. During 2003, the estimated mobile penetration in Malaysia increased from 37% to 44%.

Operating expenses – DiGi.Com

in NOK millions	2003	2002	2001
External costs of materials and traffic charges	801	730	340
Internal costs of materials and traffic charges	3	3	1
Total costs of materials and traffic charges	**804**	**733**	**341**
Own work capitalized	(7)	(3)	(1)
Salaries and personnel costs	197	194	56
Other external operating expenses	886	760	199
Other internal operating expenses	1	9	5
Losses on disposal of fixed assets and operations	–	–	–
Depreciation and amortization	780	579	125
Write-downs	18	12	–
Total operating expenses	**2,679**	**2,284**	**725**

Operating expenses increased in 2003 compared to 2002 due primarily to increased costs of materials and traffic charges resulting from the higher traffic volumes generated by the higher number of subscriptions, as well as increased depreciation due to the full year effect of the reduced depreciation period for network-based equipment. Effective 1 July 2002, DiGi.Com reduced the depreciation period for network-based equipment, which increased depreciation by nearly NOK 0.2 billion in the second half of 2002.

Capital expenditure – DiGi.Com
Capital expenditure decreased by NOK 0.4 billion (0.2 billion if measured in local currency) in 2003 compared to 2002 due to reduced prices for network-related equipment.

KYIVSTAR – UKRAINE
(ownership interest 55.4% as of 31 December 2003)

in NOK millions	2003	2002	2001
Mobile related revenues	2,569	681	–
Other revenues	65	27	–
Total revenues	**2,634**	**708**	**–**
Total operating expenses	**1,404**	**403**	**–**
Operating profit	**1,230**	**305**	**–**
EBITDA	1,573	403	–
Depreciation and amortization	343	98	–
Write-downs	–	–	–
Operating profit	**1,230**	**305**	**–**
Operating profit/Total revenues (%)	46.7	43.1	–
EBITDA/Total revenues (%)	59.7	56.9	–
Capex	979	329	–
No. of man-years (end of period)	1,269	994	–
No. of subscriptions (in thousand)	3,037	1,856	–

The table shows figures included in the accounts for Telenor from the date of acquisition.

In 2002, Telenor increased the ownership interest in Kyivstar from 45.4% to 54.2% and consolidated Kyivstar as a subsidiary effective 1 September 2002. As of May 2003, Telenor's ownership interest increased to 55.4%. The following discussion and analysis of Kyivstar's results of operations is based on Kyivstar's financial statements for the years ended 31 December 2002 and 2003, as prepared by Kyivstar, adjusted to conform materially with Norwegian GAAP. Telenor believe that such information provides a more useful measure of comparative financial performance for a period when Kyivstar was not yet consolidated. However, such information does not purport to represent what the actual results of operations would have been had Kyivstar been consolidated from 1 January 2002 and is not necessarily indicative for future operating results.

The functional currency for Kyivstar is the US Dollar. The Norwegian Kroner appreciated against the US Dollar by 12% in 2003 compared to 2002.

Operating profit and EBITDA – Kyivstar
Operating profit increased by 37% measured in Norwegian Kroner and by 57% measured in US Dollars in 2003 compared to 2002. EBITDA increased by 36% measured in Norwegian Kroner and by 55% measured in US Dollars in 2003 compared to 2002. The increase was due to increased revenues, which more than offset the increase in operating expenses. The increase in operating expenses was less than proportional to the increase in revenues as Kyivstar was able to benefit from economies of scale.

Revenues – Kyivstar
In 2003, the company had a 44% increase in revenues measured in Norwegian Kroner (a 50% increase if measured in US Dollars) compared to 2002. The increase in revenues was due primarily to increased traffic resulting from an increase of 1,181,000 in the number of subscriptions in 2003. In addition, on average each subscription generated marginally more revenue as usage increased due to increased mobile penetration and the introduction of the new Ukrainian interconnection regime. Increased usage was partially offset by a decrease in prices due to the introduction of the new interconnection regime.

Kyivstar's market share of GSM subscriptions in the Ukraine at 31 December 2003 was estimated to be 47% compared to 50% at 31 December 2002. During 2003, the estimated mobile penetration in the Ukraine increased from 7.8% to 13.7%.

Operating expenses – Kyivstar

in NOK millions	2003	2002	2001
External costs of materials and traffic charges	276	92	–
Internal costs of materials and traffic charges	–	–	–
Total costs of materials and traffic charges	**276**	**92**	**–**
Own work capitalized	–	–	–
Salaries and personnel costs	89	25	–
Other external operating expenses	684	179	–
Other internal operating expenses	12	9	–
Losses on disposal of fixed assets and operations	–	–	–
Depreciation and amortization	343	98	–
Write-downs	–	–	–
Total operating expenses	**1,404**	**403**	**–**

Operating expenses increased in 2003 compared to 2002 due primarily to the increased number of subscriptions. Costs of materials and traffic charges increased as a result of higher traffic volume. In addition, advertising costs increased in 2003 compared to 2002 as the market became more competitive. Commission expenses also increased, but the commission cost per new subscription was in line with 2002.

Capital expenditure – Kyivstar

Capital expenditure in 2003 was in line with 2002 when measured in US Dollars.

GRAMEENPHONE – BANGLADESH
(ownership interest 51.0% as of 31 December 2003)

in NOK millions	2003	2002	2001
Mobile related revenues	1,529	1,203	759
Other revenues [1]	7	386	426
Total revenues	**1,536**	**1,589**	**1,185**
Total operating expenses	**693**	**958**	**857**
Operating profit	**843**	**631**	**328**
EBITDA	1,001	757	457
Depreciation and amortization	158	126	129
Write-downs	–	–	–
Operating profit	**843**	**631**	**328**
Operating profit/Total revenues (%)	54.9	39.7	27.7
EBITDA/Total revenues (%)	65.2	47.6	38.6
Capex	429	342	425
No. of man-years (end of period)	829	692	589
No. of subscriptions (in thousand)	1,141	769	464

[1] With effect from the third quarter of 2002, fees collected by GrameenPhone on behalf of the authorities have been deducted from revenues. With effect from 1 January 2003, sales of handsets by GrameenPhone are treated as commission sales and are therefore excluded from revenues and costs of materials. These changes contributed to a significant decrease in "other revenues" and costs of materials in 2003 but had no effect on profits.

In December 2003, Telenor increased its ownership interest in GrameenPhone from 46.4% to 51.0%. The voting interest remained unchanged at 51.0%. The Norwegian Kroner appreciated against the Bangladeshi Takka by 13% in 2003 compared to 2002 and by 13% in 2002 compared to 2001.

Operating profit and EBITDA – GrameenPhone

Operating profit and EBITDA increased in 2003 compared to 2002 due to higher traffic as a result of the increase in the number of subscriptions, which more than offset the increase in operating expenses. Depreciation and amortization increased in 2003 compared to 2002 due to a higher level of capital expenditure during 2003.

Revenues – GrameenPhone

Measured in Norwegian Kroner, mobile-related revenues increased by 27% in 2003 compared to 2002 due to increased traffic resulting from an increase of 372,000 in the number of subscriptions. However, on average each subscription generated less revenue as new customers and customers with prepaid subscriptions reduced the average number of call minutes and revenues per subscription. In local currency, mobile-related revenues increased by 47% in 2003 compared to 2002.

GrameenPhone's estimated share of GSM subscriptions in Bangladesh at 31 December 2003 decreased to 62% from 69% at 31 December 2002 due to increased competition. During 2003, the estimated mobile penetration in Bangladesh increased from 0.9% to 1.3%.

Operating expenses – GrameenPhone

in NOK millions	2003	2002	2001
External costs of materials and traffic charges	164	524	539
Internal costs of materials and traffic charges	–	–	–
Total costs of materials and traffic charges	**164**	**524**	**539**
Own work capitalized	–	–	–
Salaries and personnel costs	51	42	38
Other external operating expenses	309	266	151
Other internal operating expenses	6	–	–
Losses on disposal of fixed assets and operations	5	–	–
Depreciation and amortization	158	126	129
Write-downs	–	–	–
Total operating expenses	**693**	**958**	**857**

Operating expenses decreased in 2003 compared to 2002 primarily as a result of the treatment of sales of handsets as commission sales from 1 January 2003, which reduced costs of materials and traffic charges. Excluding the effect of this change, operating expenses increased in 2003 compared to 2002 due to higher traffic and operation and maintenance expenses. Depreciation and amortization increased in 2003 compared to 2002 due to increased capital expenditure during 2003.

Capital expenditure – GrameenPhone

Capital expenditure increased in 2003 compared to 2002 due primarily to network expansion.

OTHER UNITS IN MOBILE
(including amortization of net excess values and eliminations of purchases and sales between the units in Mobile)

in NOK millions	2003	2002	2001
EBITDA	(488)	(616)	(427)
Depreciation and amortization [1]	991	1,069	213
Write-downs [2]	7	2,147	–
Operating (loss)	**(1,486)**	**(3,832)**	**(640)**
[1] includes amortization of Telenor's net excess values by *)	911	935	115
[2] includes write-downs of Telenor's net excess values by *)	–	2,138	–
Investments			
Capex	72	28	158
No. of man-years (end of period)	275	186	326

*) Net excess values are the difference between our acquisition cost and our share of equity at acquisition of subsidiaries.

Other units in Mobile comprise our mobile operations in Sweden (Telenor Mobile Sweden), costs related to the management and administration of our international mobile portfolio, djuice.com, and amortizations and write-downs of our net excess values.

Operating loss was lower in 2003 compared to 2002, primarily because we made write-downs of NOK 2,147 million in 2002, mainly related to goodwill on DiGi.Com. The EBITDA loss was lower in 2003 compared to 2002 due to the discontinuance of our djuice.com activities in 2003, reduced management and administrative expenses.

Telenor Mobile Sweden had total revenues of NOK 127 million in 2003 (NOK 81 million in 2002), with an EBITDA loss of NOK 114 million (a EBITDA loss of NOK 77 million in 2002).

The decrease in capital expenditure in 2003 compared to 2002 was due to the discontinuance of our djuice.com activities.

ASSOCIATED COMPANIES AND JOINT VENTURES IN MOBILE

in NOK millions	2003	2002	2001
Telenor's share of [1]			
Net income after taxes	608	612	421
Amortization of Telenor's net excess values	(534)	(798)	(1,276)
Write-downs of Telenor's excess values	(15)	(1,884)	(10,900)
Gain on disposal of ownership interests	1,580	40	21,432
Net result from associated companies	**1,639**	**(2,030)**	**9,677**

[1] These figures are partly based on our management's estimates in connection with the preparation of our consolidated financial statements. Our consolidated profit and loss statement contains only the line item "net result from associated companies". Our share of the other items shown in the table is not included in our consolidated financial statements but this information is set forth in note 16 to our consolidated financial statements. Net excess values are the difference between our acquisition cost and our share of equity at acquisition of the associated companies.

The results from associated companies were affected by:
- The sale of VIAG Interkom and Esat Digifone in 2001, Extel in 2002 and the sale of StavTeleSot, OniWay and 9% of the shares in Cosmote in 2003.
- DiGi.Com, Pannon GSM and Kyivstar being accounted for as subsidiaries effective 1 September 2001, 4 February 2002 and 1 September 2002, respectively.

We have increased our ownership interest in the Danish operator Sonofon from 53.5% to 100%, effective from 12 February 2004.

Telenor's mobile associated companies outside Norway, particularly VimpelCom in Russia and DTAC in Thailand, experienced a significant increase in their customer base in 2003.

Adjusted for associated companies sold or becoming subsidiaries, net income after taxes increased by approximately NOK 100 million in 2003 compared to 2002, mainly due to VimpelCom. This was partially offset by a write-down of assets in Sonofon of approximately NOK 100 million related to fixed wireless access. Net income after taxes in 2002 included a write-down of our investment in OniWay of NOK 316 million. We wrote down this investment as we did not consider it commercially sensible to continue operations as planned. We disposed of our shares in OniWay in June 2003 with a gain of NOK 35 million reported as a part of financial items.

Due to the write-downs in 2002 and the consolidation of Pannon GSM and Kyivstar, amortization of net excess values on associated companies decreased in 2003 compared to 2002. In addition, in 2003 amortization of net excess values decreased due to the reversal of previous amortization of net excess values on Wireless Matrix, as net excess values had been reduced to below zero in 2002. Due to the consolidation of Sonofon as from 12 February 2004, we expect amortization of net excess values on associated companies to decrease further in 2004.

At 31 December 2002, we wrote down NOK 1.0 billion to the estimated fair value of Sonofon based on discounted cash flows and comparison to other companies. We wrote down DTAC/UCOM by NOK 0.9 billion to the publicly quoted share price at 31 December 2002.

Gains on disposals in 2003 were related to the sale of StavTeleSot in January 2003 and the sale of 9% of the shares in Cosmote in April 2003. Gains in 2002 were related to the sale of Extel in December 2002.

TELENOR FIXED

in NOK millions	2003	2002	2001
External revenues	18,787	18,338	17,818
Internal revenues	1,713	1,670	1,867
Gains on disposal of fixed assets and operations	9	14	6
Total revenues	**20,509**	**20,022**	**19,691**
External costs of materials and traffic charges	3,903	3,649	3,481
Internal costs of materials and traffic charges	1,529	1,626	1,827
Total costs of materials and traffic charges	**5,432**	**5,275**	**5,308**
Own work capitalized	(117)	(110)	(194)
Salaries and personnel costs	3,650	3,577	3,313
Other external operating expenses	3,140	3,966	4,041
Other internal operating expenses	1,714	1,685	1,671
Losses on disposal of fixed assets and operations	25	32	6
Depreciation and amortization [1]	4,110	4,366	3,669
Write-downs [2]	24	500	842
Total operating expenses	**17,978**	**19,291**	**18,656**
Operating profit	**2,531**	**731**	**1,035**
Associated companies	8	(5)	(874)
Net financial items	(736)	(297)	(319)
Profit before taxes and minority interests	**1,803**	**429**	**(158)**
[1] Includes amortization of Telenor's net excess values by *)	(76)	157	363
[2] Includes write-downs of Telenor's net excess values by *)	-	160	-
EBITDA	6,665	5,597	5,546
Depreciation and amortization	4,110	4,366	3,669
Write-downs	24	500	842
Operating profit	**2,531**	**731**	**1,035**
Operating profit/Total revenues (%)	12.3	3.7	5.3
EBITDA/Total revenues (%)	32.5	28.0	28.2
Investments:			
– Capex	1,867	3,260	5,203
– Investments in businesses	294	270	325
No. of man-years (end of period)	6,087	7,215	7,766
– Of which abroad	652	1,583	1,701

*) Net excess values are the difference between Telenor’s acquisition cost and our share of equity at acquisition of subsidiaries.

Revenues

in NOK millions	2003	2002	2001
Norway	18,189	18,281	18,616
Sweden	1,603	1,073	398
Russia [1]	703	682	582
Other	162	149	121
Eliminations	(148)	(163)	(26)
Total revenues	**20,509**	**20,022**	**19,691**

EBITDA

in NOK millions	2003	2002	2001
Norway	6,512	5,489	5,502
Swede	(56)	(100)	(128)
Russia [1]	215	228	186
Other	(8)	(23)	(43)
Eliminations	2	3	29
Total EBITDA	**6,665**	**5,597**	**5,546**

Operating profit

in NOK millions	2003	2002	2001
Norway	2,720	1,157	1,371
Sweden	(198)	(333)	(290)
Russia [1]	71	70	27
Other	(71)	(166)	(102)
Eliminations	9	3	29
Total operating profit	**2,531**	**731**	**1,035**

[1] 11 months in 2003. On 1 December 2003, we exchanged the shares in our consolidated subsidiary Comincom/Combellga (Russia) for an ownership interest in the listed company Golden Telecom, which is reported as an associated company.

Overview

In 2003, we experienced increased competition in Norway, both from other providers of fixed telephony services and mobile operators. In 2003 our markets shares were reduced. However, our revenues in Norway were relatively stable in 2003 compared to 2002. Our revenues from ADSL, which carried an increasing portion of our data traffic, and the wholesale market represented an increasing portion of our total revenues, which to a large extent offset the decrease in other revenues. We expect these trends to continue in 2004. In the third quarter of 2003, we started to offer and sell unbundled telephony access (PSTN and ISDN) lines on a wholesale basis to other operators.

Overall, Fixed’s operating profit and operating profit margin increased in 2003 compared to 2002, primarily due to our emphasis on cost reductions and operational efficiency through process improvements, our efficient use of the capital expenditure which we made in earlier periods and our reliable existing network infrastructure. This, in addition to reduced demand for fixed network services and lower equipment prices contributed to reduced capital expenditure in 2003 compared to 2002.

On 1 December 2003, we exchanged the shares in our consolidated subsidiary Comincom/Combellga (Russia) for an ownership interest in the listed company Golden Telecom, which is reported as an associated company as of the date of the transaction.

Operating profit and EBITDA

Operating profit increased in 2003 compared to 2002 due to decreased depreciation, amortization and write-downs and increased EBITDA. Write-downs in 2002 related to data equipment and IT solutions both for internal use and to provide services to our customers. Depreciation and amortization decreased in 2003 compared to 2002 due to the write-downs made in 2002 and due to decreased capital expenditure and amortization of negative goodwill related to Fixed-Sweden. Decreased operating expenses also contributed to the increase in EBITDA in 2003 compared to 2002.

In 2003, we recorded expenses for workforce reductions and loss contracts totaling NOK 6 million, compared to NOK 311 million in 2002. In addition, we reduced our operating expenses in 2003 as a result of other cost reduction measures.

FIXED – NORWAY

Business market – fixed network

in NOK millions	2003	2002	2001
Subscriptions and connections – Analog (PSTN)/digital (ISDN)	1,240	1,335	1,313
Subscriptions and connections – ADSL/Internet	226	194	112
Fixed to fixed traffic domestic, excluding traffic to Internet service providers (ISP)	625	776	838
Traffic to Internet service providers (ISP)	116	170	251
Traffic to mobile	647	666	694
Traffic abroad	159	180	196
Other traffic	621	669	639
Total fixed network business market	**3,634**	**3,990**	**4,043**
Residential market – fixed network			
Subscriptions and connections – Analog (PSTN)/digital (ISDN)	3,060	3,026	2,916
Subscriptions and connections – ADSL/Internet	815	543	339
Fixed to fixed traffic domestic, excluding traffic to Internet service providers (ISP)	1,061	1,190	1,288
Traffic to Internet service providers	445	520	578
Traffic to mobile	1,069	1,144	1,111
Traffic abroad	250	279	287
Other traffic	630	660	725
Total fixed network residential market	**7,330**	**7,362**	**7,244**
Other retail revenues			
Leased lines	329	341	337
Data services (frame relay, ATM, lan-lan, datapak)	836	828	847
Managed Services	726	679	781
Other	377	388	550
Total other retail revenues	**2,268**	**2,236**	**2,515**
Total retail revenues	**13,232**	**13,588**	**13,802**
Wholesale market – fixed network			
Sale to service providers and operators	249	107	29
Domestic interconnect	643	629	693
International interconnect	339	340	418
Transit traffic	1,038	1,027	953
Leased lines	631	647	704
Other wholesale	277	194	143
Total wholesale market – fixed network	**3,177**	**2,944**	**2,940**
Total external revenues	**16,409**	**16,532**	**16,742**
Internal revenues	1,776	1,749	1,868
Gains on disposal of fixed assets and operations	4	–	6
Total revenues	**18,189**	**18,281**	**18,616**
Total operating expenses	**15,469**	**17,124**	**17,245**
Operating profit	**2,720**	**1,157**	**1,371**

in NOK millions	2003	2002	2001
EBITDA	6,512	5,489	5,502
Depreciation and amortization [1]	3,773	3,919	3,360
Write-downs [2]	19	413	771
Operating profit	**2,720**	**1,157**	**1,371**
[1] Includes amortization of Telenor's net excess values by [*]	9	23	7
[2] Includes write-downs of Telenor's net excess values by [*]	–	89	177
Operating profit/Total revenues (%)	15.0	6.3	7.4
EBITDA/Total revenues (%)	35.8	30.0	29.6
Investments:			
– Capex	1,568	2,919	4,780
– Investments in businesses	1	11	316
No. of man-years (end of period)	5,440	5,653	6,255

[*] Net excess values are the difference between our acquisition cost and Telenor's share of equity at acquisition of subsidiaries.

Operating profit and EBITDA – Fixed – Norway

Operating profit increased in 2003 compared to 2002 due to decreased depreciation, amortization and write-downs and increased EBITDA. Write-downs in 2002 related to data equipment and IT solutions both for internal use and to provide services to our customers. Depreciation and amortization decreased due to the write-downs in 2002 and a decrease in capital expenditure. Increased EBITDA in 2003 compared to 2002 was due to increased gross margin (revenues less costs of material and traffic charges as a percentage of revenues) due to changes in the mix of products and services – with a larger share of revenues being generated from higher margin products and services, and reduced operating expenses, excluding depreciation, amortization and write-downs. We did not record expenses for workforce reductions and loss contracts in 2003; such expenses totaled NOK 304 million in 2002. In addition, in 2003 we reduced our operating expenses as a result of cost cutting measures implemented during 2002 and 2003.

External revenues – Fixed – Norway

Residential and business market

External subscription and connection revenues from PSTN/ISDN decreased in 2003 compared to 2002 due to transition to sale of access lines on a wholesale basis and a decrease in the number of subscriptions in the market as a whole. In the residential market, the decrease in the number of subscriptions was offset by the full-year effect of increased prices from 1 May 2002.

Increased external revenues from ADSL and Internet subscriptions were due to the increase in the number of ADSL subscriptions. The number of ADSL subscriptions (business and residential) was approximately 177,000 at 31 December 2003, an increase of 83,000 compared to the end of 2002.

Reduced external traffic revenues in 2003 compared to 2002 were due to an approximately 8% (11% in the business market and 6% in the residential market) decrease in total traffic in Telenor's fixed network (total market) measured in minutes and reduced market share due to increased competition. The decrease in traffic resulted from the migration of fixed voice traffic to mobile traffic and of data traffic from dial-up Internet to ADSL.

Telenor's market share measured in traffic minutes was 69% in December 2003 (72% in the business market and 68% in the residential market), compared to 72% in December 2002 (76% in the business market and 70% in the residential market).

Other external retail revenues

Other external retail revenues in 2003 were in line with 2002.

Wholesale market

Increased revenues from sales to service providers and other operators in 2003 compared to 2002 were due to sales of unbundled telephony access (PSTN/ISDN lines), ADSL and traffic on a wholesale basis. We started to offer and sell unbundled telephony access (PSTN/ISDN lines) on a wholesale basis in the third quarter of 2003. Such sales started to have an impact on our revenues in the fourth quarter of 2003. External revenues from domestic interconnection increased in 2003 compared to 2002 due to an increased number of subscriptions with other Norwegian fixed telephony service providers and mobile operators.

Other wholesale revenues increased in 2003 compared to 2002 due to sales of local loop unbundled subscriptions, and co-location products.

Internal revenues – Fixed – Norway

Internal revenues consist of intra-group sales of network capacity, leased lines and interconnections, mainly to Telenor Mobil – Norway, sales of other wholesale products such as co-location and contractor work and sales of managed services and data services, mainly to Fixed – Sweden. Internal revenues increased in 2003 compared to 2002 mainly due to increased sales of co-location and contractor work to Telenor Mobil – Norway and Broadcast.

Operating expenses – Fixed – Norway

in NOK millions	2003	2002	2001
External costs of materials and traffic charges	2,545	2,759	3,039
Internal costs of materials and traffic charges	1,583	1,704	1,839
Total costs of materials and traffic charges	**4,128**	**4,463**	**4,878**
Own work capitalized	(103)	(96)	(186)
Salaries and personnel costs	3,189	3,175	3,039
Other external operating expenses	2,792	3,563	3,727
Other internal operating expenses	1,682	1,658	1,652
Losses on disposal of fixed assets and operations	(11)	29	4
Depreciation and amortization	3,773	3,919	3,360
Write-downs	19	413	771
Total operating expenses	**15,469**	**17,124**	**17,245**

Total costs of materials and traffic charges decreased in 2003 compared to 2002 due to: the decrease in traffic to Internet service providers (ISP) as a result of the transition to ADSL, which does not generate traffic charges; the decrease in fixed to mobile and international traffic; the decrease in prices for termination in mobile networks from 1 July 2003. We also decreased our costs of materials and traffic charges of managed services. This was due to both reduced volume of external and internal sale and a shift towards products with higher gross margin. The shift towards products with higher gross margin was partly achieved by renegotiating contracts so that contract elements with relatively high level of materials and traffic charges were removed from scope of work.

Salaries and personnel costs in 2003 were in line with 2002. The decrease in the number of man-years during 2003 was offset by general wage inflation and transfer of approximately 180 man-years, primarily from the Broadcast business area, between the last quarter of 2002 and the first quarter of 2003.

Overall, other operating expenses decreased in 2003 compared to 2002, except costs related to sales and marketing which had a slight increase. Our operating expenses decreased as a result of our focus on efficiency improvements. In particular, our maintenance costs decreased, due partly to reduced prices. Expenses for workforce reductions decreased by NOK 304 million in 2003 compared to 2002.

Depreciation and amortization decreased in 2003 compared to 2002 mainly due to the reduction in capital expenditure and the write-downs made in 2002.

Capital expenditure – Fixed – Norway

The reduction in capital expenditure in 2003 compared to 2002 was due to the more efficient use of capacity resulting from our capital expenditure in earlier years, lower demand for fixed network services and lower equipment prices. In 2002, we reported high capital expenditure due to the completion of our new internal IT-system in Norway and the reclassification of some lease agreement related to operational and customer equipment from operating to finance lease.

FIXED – SWEDEN

in NOK millions	2003	2002	2001
External revenues	1,517	983	380
Internal revenues	81	76	18
Gains on disposal of fixed assets and operations	5	14	–
Total revenues	**1,603**	**1,073**	**398**
Total operating expenses	**1,801**	**1,406**	**688**
Operating (loss)	**(198)**	**(333)**	**(290)**
EBITDA	(56)	(100)	(128)
Depreciation and amortization	141	218	91
Write-downs	1	15	71
Operating (loss)	**(198)**	**(333)**	**(290)**
Investeringer:			
– Capex	85	84	47
– Investments in businesses	13	257	9
No. of man-years (end of period)	443	551	523

In 2003, the operations of Fixed – Sweden changed significantly compared to 2002. As of 31 December 2002, the customer base in Telenordia Privat AB was sold in exchange for a 37.2% ownership interest in the listed Swedish service provider Glocalnet AB. In December 2002, Telenor also purchased 90% of the shares in the listed Swedish fixed line operator Utfors AB, which was consolidated as a subsidiary from 31 December 2002.

Operating (loss) – Fixed – Sweden

The decrease in operating loss in 2003 compared to 2002 was mainly due to the consolidation of Utfors AB and increased revenues from the other operations of Fixed – Sweden. The decrease in depreciation and amortization in 2003 compared to 2002 was due to the amortization of negative goodwill in connection with the acquisition of Utfors AB.

Revenues – Fixed – Sweden

Increased revenues in 2003 compared to 2002 were due to the effect of the consolidation of Utfors AB, a new wholesale agreement with the associated company Glocalnet AB and increased sales of traffic and data services in the business market.

Operating expenses – Fixed – Sweden

in NOK millions	2003	2002	2001
External costs of materials and traffic charges	1,047	626	247
Internal costs of materials and traffic charges	93	69	20
Total costs of materials and traffic charges	**1,140**	**695**	**267**
Own work capitalized	–	–	–
Salaries and personnel costs	294	236	126
Other external operating expenses	198	222	127
Other internal operating expenses	18	20	6
Losses on disposal of fixed assets and operations	9	–	–
Depreciation and amortization [1)]	141	218	91
Write-downs [1)]	1	15	71
Total operating expenses	**1,801**	**1,406**	**688**
[1)] Includes amortization and write-downs of Telenor's net excess values by [*)]	(143)	31	47

[*)] Net excess values are the difference between our acquisition cost and Telenor's share of equity at acquisition of subsidiaries.

Increased operating expenses in 2003 compared to 2002 were due to the effect of the consolidation of Utfors AB. Depreciation and amortization decreased in 2003 compared to 2002 due to amortization of negative goodwill in connection with the acquisition of Utfors AB.

FIXED – RUSSIA

As of 1 December 2003, we exchanged our ownership interest in our Russian subsidiary Comincom/Combellga for shares in the listed Russian fixed line operator Golden Telecom. Concurrent with this exchange, we also purchased additional shares in Golden Telecom in the market. As a result of these transactions, Telenor had an ownership interest in Golden Telecom of 20.4 % at 31 December 2003 and Golden Telecom is accounted for as an associated company from 1 December 2003. Consequently, Comincom was consolidated only for 11 months of 2003. Growth in the Russian market combined with the company's organic growth contributed to an increase in Comincom's revenues in 2003 compared to 2002.

FIXED – OTHER COUNTRIES

Fixed – Other Countries comprises our fixed networks and Internet activities in the Czech Republic and Slovakia. Increased revenues contributed to reduced EBITDA losses in 2003 compared to 2002. In 2002, goodwill related to the Internet operations was written down by NOK 72 million.

TELENOR BROADCAST

in NOK millions	2003	2002	2001
External revenues	4,641	3,366	2,408
Internal revenues	159	241	206
Gains on disposal of fixed assets and operations	20	(2)	12
Total revenues	**4,820**	**3,605**	**2,626**
External costs of materials and traffic charges	1,934	1,477	1,021
Internal costs of materials and traffic charges	92	94	71
Total costs of materials and traffic charges	**2,026**	**1,571**	**1,092**
Own work capitalized	(18)	(32)	(19)
Salaries and personnel costs	570	609	489
Other external operating expenses	734	700	521
Other internal operating expenses	271	252	181
Losses on disposal of fixed assets and operations	8	6	18
Depreciation and amortization	1,030	844	576
Write-downs	18	130	494
Total operating expenses	**4,639**	**4,080**	**3,352**
Operating profit (loss)	**181**	**(475)**	**(726)**
Associated companies	(84)	(264)	(546)
Net financial items	(909)	(812)	(397)
Profit before taxes and minority interests	**(812)**	**(1,551)**	**(1,669)**
Investments			
– Capex	252	384	805
– Investments in businesses	14	2,385	906
No. of man-years (end of period)	809	972	943
– Of which abroad	210	226	164

Revenues

in NOK millions	2003	2002	2001
Distribution	3,794	2,162	799
Transmisson	1,277	1,457	1,587
Other	354	326	345
Eliminations	(605)	(340)	(105)
Total revenues	**4,820**	**3,605**	**2,626**

in NOK millions	2003	2002	2001
EBITDA			
Distribution	686	19	(68)
Transmisson	554	581	525
Other	(10)	(102)	(112)
Eliminations	(1)	1	(1)
Total EBITDA	**1,229**	**499**	**344**
Depreciation and amortization [1]	1,030	844	576
Write-downs [1]	18	130	494
Operating profit (loss)	**181**	**(475)**	**(726)**
[1] Includes amortization and write-downs of Telenor's net excess values by *)	256	161	71
Operating profit (loss)/Total revenues (%)	3.8	nm	nm
EBITDA/Total revenues (%)	25.5	13.8	13.1

*) Net excess values are the difference between our acquisition cost and our share of equity at acquisition of subsidiaries.

Overview

In 2003, the results of the Broadcast business area were positively affected by the consolidation and integration of Canal Digital, which resulted in a streamlined and more cost-efficient organization, continued growth in the number of subscribers, market share, revenues and EBITDA, and increased economies of scale in purchase and distribution.

Telenor expect revenue and subscriber growth to continue in 2004. However, we are currently experiencing increased competition from Viasat (satellite dish) and from digital terrestrial television in Sweden.

We reported an operating profit in 2003 compared to an operating loss in 2002 and EBITDA increased primarily due to increased revenues from the consolidation of Canal Digital, subscriber growth and cost reduction initiatives, including workforce reductions. Depreciation and amortization increased due to the consolidation of Canal Digital, partially offset by reduced write-downs.

DISTRIBUTION

in NOK millions	2003	2002	2001
External revenues			
Satellite dish	2,528	1,099	-
Cable-TV	888	742	568
Small antenna TV-networks	335	252	197
Other	10	55	12
Total external revenues	**3,761**	**2,148**	**777**
Internal revenues	13	16	10
Gains on disposal of fixed assets and operations	20	(2)	12
Total revenues	**3,794**	**2,162**	**799**
Total operating expenses	**3,870**	**2,740**	**1,075**
Operating (loss)	**(76)**	**(578)**	**(276)**
EBITDA	686	19	(68)
Depreciation and amortization	754	541	207
Write-downs	8	56	1
Operating (loss)	**(76)**	**(578)**	**(276)**
EBITDA/Total revenues (%)	18.1	0.9	nm
Investments:			
– Capex	112	235	566
– Investments in businesses	-	2,369	304
No. of man-years (end of period)	416	563	441

Operating (loss) and EBITDA – Distribution
In Distribution, EBITDA increased and operating loss decreased in 2003 compared to 2002 due to the consolidation of Canal Digital, a higher number of subscribers, reduced costs for transmission and content and workforce reductions.

Revenues – Distribution
External revenues in Distribution increased in 2003 compared to 2002 due to the full-year effect of the consolidation of Canal Digital, a higher number of subscribers with satellite dish and cable-TV, price increases for cable-TV and the effect of the weakening of the Norwegian Krone against the Swedish Krone. Increased revenues from Small Antenna TV-networks in 2003 compared to 2002 were due primarily to new pay-TV channels.

At 31 December 2003, our total number of television subscribers in the Nordic region was 2,465,000, a net increase of 2.5% compared to 31 December 2002. The number of our subscribers with satellite dish was 763,000, a net increase of 8.8% compared to 31 December 2002. The number of our cable-TV subscribers increased by 33,000 to 604,000 in 2003. The numbers of households in our small antenna TV-networks was 1,098,000 at 31 December 2003, a decrease of 3.1% compared to 31 December 2002.

Operating expenses – Distribution

in NOK millions	2003	2002	2001
External costs of materials and traffic charges	1,591	1,075	450
Internal costs of materials and traffic charges	480	233	34
Total costs of materials and traffic charges	**2,071**	**1,308**	**484**
Own work capitalized	(8)	(16)	(6)
Salaries and personnel costs	263	274	175
Other external operating expenses	570	452	159
Other internal operating expenses	204	125	55
Losses on disposal of fixed assets and operations	8	-	-
Depreciation and amortization [1)]	754	541	207
Write-downs [1)]	8	56	1
Total operating expenses	**3,870**	**2,740**	**1,075**
[1)] Includes amortization and write-downs of Telenor's net excess values by [*)]	255	160	68

[*)] Net excess values are the difference between our acquisition cost and Telenor's share of equity at acquisition of subsidiaries.

Total operating expenses in Distribution increased in 2003 compared to 2002 due primarily to the full-year effect of the consolidation of Canal Digital.

Our gross margin (revenues less costs of materials and traffic charges as a percentage of revenues) in Distribution increased by 5 percentage points to 45% due primarily to reduced transmission costs as a result of the renegotiation of prices with the Transmission division and reduced program costs per subscriber resulting from economies of scale in our content purchasing activities.

Salaries and personnel costs in 2003 decreased despite the full year effect of the consolidation of Canal Digital due to workforce reductions and the effect of the outsourcing of personnel from Distribution to other business areas of Telenor at the end of 2002, which contributed to the increase in other internal operating expenses.

In 2003, we expensed NOK 10 million for workforce reductions and termination of contracts compared to NOK 48 million in 2002.

In the fourth quarter of 2002 and in the first quarter of 2003 we reduced the number of employees in Distribution as part of our restructuring plan.

TRANSMISSION

in NOK millions	2003	2002	2001
External revenues			
Satellite Broadcasting	352	655	999
Norkring	464	455	434
Total external revenues	**816**	**1,110**	**1,433**
Internal revenues	461	347	154
Gains on disposal of fixed assets and operations	-	-	-
Total revenues	**1,277**	**1,457**	**1,587**
Total operating expenses	**996**	**1,207**	**1,911**
Operating profit (loss)	**281**	**250**	**(324)**
EBITDA	554	581	525
Depreciation and amortization	266	290	356
Write-downs	7	41	493
Operating profit (loss)	**281**	**250**	**(324)**
Operating profit (loss)/Total revenues (%)	22.0	17.2	nm
EBITDA/Total revenues (%)	43.4	39.9	33.1
Investments:			
– Capex	116	115	207
– Investments in businesses	-	-	-
No. of man-years (end of period)	222	252	359

Operating profit (loss) and EBITDA – Transmission
Operating profit in Transmission increased in 2003 compared to 2002 mainly due to decreased depreciation and amortization due to fully depreciated assets and reduced write-downs. EBITDA was reduced in 2003 compared to 2002. Decreased revenues were partially offset by a decrease in operating expenses, excluding depreciation, amortization and write-downs.

Revenues – Transmission
External revenues in Transmission decreased in 2003 compared to 2002 due to the consolidation of Canal Digital in 2002 and the phasing out of analog transmission via satellite. Revenues from sales to Canal Digital were reported as external revenues until 30 June 2002. Such revenues amounted to NOK 206 million for the first six months of 2002. Following the consolidation of Canal Digital, sales from Transmission to Canal Digital (Distribution) have been reported as internal revenues in Transmission and eliminated for the Broadcast business area as a whole. Other internal revenues in Transmission consist mainly of sales of satellite capacity to Satellite Services and Satellite Networks (included in our "Other business units").

Operating expenses – Transmission

in NOK millions	2003	2002	2001
External costs of materials and traffic charges	287	354	453
Internal costs of materials and traffic charges	45	70	68
Total costs of materials and traffic charges	**332**	**424**	**521**
Own work capitalized	(7)	(10)	(10)
Salaries and personnel costs	159	194	193
Other external operating expenses	90	152	224
Other internal operating expenses	149	116	116
Losses on disposal of fixed assets and operations	-	-	18
Depreciation and amortization	266	290	356
Write-downs	7	41	493
Total operating expenses	**996**	**1,207**	**1,911**

In 2003, costs of materials and traffic charges in Transmission decreased compared to 2002, due primarily to reduced prices for satellite capacity. In 2004, we expect to replace our currently leased satellite capacity with our own satellite transponders as a result of our contractually committed capital expenditure for transponders in 2004. We expect to reduce our costs of materials and traffic charges and to increase our depreciation and amortization as a result of this capital expenditure.

Salaries and personnel costs decreased in 2003 compared to 2002 due primarily to workforce reductions and outsourcing of personnel from Transmission to other business areas of Telenor from the end of 2002, which increased other internal operating expenses for Transmission. The decrease in other external operating expenses was due to cost saving initiatives. Depreciation and amortization decreased in 2003 compared to 2002 primarily as a result of fully depreciated assets in Norkring and the effect of write-downs in Satellite Broadcasting in 2002.

Other
Other mainly consists of Conax, which offers conditional access systems (such as smart cards), and the corporate functions of Broadcast.

Reduced EBITDA (loss) in 2003 compared to 2002 was due to a management fee from Canal Digital, increased revenues in Conax and cost saving initiatives.

Capital expenditure
Capital expenditure decreased in 2003 compared to 2002 due primarily to lower capital expenditure in our cable-TV networks. In 2004, we are contractually committed to a capital expenditure for a total of USD 88 million in satellite transponders for the Intelsat 10-02 satellite, which will replace our currently leased satellite capacity.

Associated companies

in NOK millions	2003	2002	2001
Telenor's share of [1]			
Net income (loss) after taxes	10	(138)	(463)
Amortization of Telenor's net excess values	(22)	(55)	(58)
Write-downs of Telenor's excess values	-	(71)	(22)
Loss on disposal of ownership interests	(72)	-	(3)
Net result from associated companies	**(84)**	**(264)**	**(546)**

[1] The figures are partly based on the management's estimates in connection with the preparation of the consolidated financial statements. The consolidated profit and loss statement contains only the line item "net result from associated companies". Telenor's share of the other line items in the table is not included in our consolidated financial statements but this information is set forth in note 16 to our consolidated financial statements. Net excess values are the difference between our acquisition cost and our share of equity at acquisition of the associated companies.

We consolidated Canal Digital as a subsidiary as of June 30, 2002 and, therefore, the results for our associated companies in Broadcast are not comparable for the period 2001 to 2003.

In 2003, the associated companies in Broadcast consisted primarily of Otrum and APR Media Holding AS. During 2003, we transferred our 29.1% ownership interest in A-Pressen to APR Media Holding in return for a 44.8% ownership interest in APR Media Holding. We recorded a loss of NOK 72 million in connection with this transaction.

OTHER UNITS

EDB BUSINESS PARTNER
(ownership interest 51.8% as of 31 December 2003)

in NOK millions	2003	2002	2001
External revenues	3,210	3,383	3,312
Internal revenues	1,060	955	1,458
Gains on disposal of fixed assets and operations	19	3	41
Total revenues	**4,289**	**4,341**	**4,811**
Total operating expenses	**4,293**	**4,750**	**6,019**
Operating (loss)	**(4)**	**(409)**	**(1,208)**
Associated companies	(13)	(5)	130
Net financial items	(71)	(86)	(94)
(Loss) before taxes and minority interests	**(88)**	**(500)**	**(1,172)**
EBITDA	399	348	447
Depreciation and amortization	375	393	393
Write-downs	28	364	1,262
Operating (loss)	**(4)**	**(409)**	**(1,208)**
Investments:			
– Capex	210	167	174
– Investments in businesses	95	88	749
No. of man-years (end of period)	2,477	2,760	3,172
– Of which abroad	266	308	344

Overview
EDB Business Partner ASA is listed on the Oslo Stock Exchange. EDB Business Partner encompasses the former Telenor Programvare and EDB ASA, which were consolidated effective as of 1 May 1999. The figures are affected by the acquisitions of PDS AS (1 April 2001), Accept Data AS (1 August 2001) and Infovention AB (1 September 2001) within Banking & Finance, DnB IT Drift (1 July 2001 and 1 October 2002) and Unigrid AB (1 August 2001) within IT Operations and Incatel AS (1 May 2003) within Telecom. The Consulting Area was discontinued as from 1 July 2003.

EDB Business Partners' main area of business is the Nordic strategic outsourcing industry. We expect the outsourcing market to grow over the coming years and we regard EDB Business Partner to be well positioned to take an active part of this growth particularly in the Norwegian market. The company focuses on retaining current and receiving new larger long-term outsourcing contracts. Within the Telecom area, EDB Business Partner expects a global consolidation within the mediation market and will consider alternative strategic options in connection with such consolidation.

The effects of cost reducing measures implemented in 2002 and 2003 and reduced write-downs had a positive impact on the results of EDB Business Partner in 2003.

Operating (loss) and EBITDA

Operating loss decreased in 2003 compared to 2002, mainly due to reduced write-downs of goodwill and cost reductions, partially offset by increased expenses for workforce reductions and loss contracts. EBITDA increased in 2003 compared to 2002 due to improved profitability in the IT Operations and Telecom areas, while the other areas showed reduced earnings. The restructuring process continued in the IT Operations, Banking & Finance and Consulting areas, and we recorded total expenses of NOK 223 million for workforce reductions and loss contracts in 2003 compared to NOK 111 million in 2002. The IT Operations area continued to show improved profitability as a result of increased revenues and cost efficiency. In the Telecom area, EBITDA increased due to cost reductions and acquisition of Incatel AS. EBITDA in the Banking & Finance area decreased due to reduced revenues, partially offset by cost reductions. Cost reducing measures implemented in the second half of 2003, including significant reductions in the number of employees, resulted in an improved EBITDA-margin at the end of 2003 compared to 2002. The Consulting area was discontinued as from 1 July 2003 and part of its business activities were transferred to other areas in EDB Business Partner.

Revenues

Total revenues in 2003 decreased by 1% compared to 2002. Revenues decreased in all areas, except the IT Operations area, where volume growth more than offset price reductions. In the Telecom area, revenues decreased due to lower prices and reduced demand within the mediation business, offset in part by revenues from Incatel which was acquired in 2003. The Banking & Finance area experienced reduced sales of software. However, at the end of 2003 sales increased. The close down of the Consulting area in 2003 contributed to reduced revenues.

Operating expenses

in NOK millions	2003	2002	2001
Costs of materials and traffic charges	370	393	283
Own work capitalized	–	–	–
Salaries and personnel costs	1,753	1,862	1,904
Other operating expenses	1,761	1,738	2,177
Losses on disposal of fixed assets and operations	6	–	–
Depreciation and amortization	375	393	393
Write-downs	28	364	1,262
Total operating expenses	**4,293**	**4,750**	**6,019**

Operating expenses in 2003 decreased compared to 2002 due to lower write-downs and amortization of goodwill, the effects of cost reduction programs and the discontinuance of the Consulting area. We recorded total expenses of NOK 223 million for workforce reductions and loss contracts in 2003 compared to NOK 111 million in 2002. Consulting services, operations, maintenance and rent of hardware and software and other IT-services that are billed to our customers are included in other operating expenses and not as costs of materials and traffic charges.

Costs of materials decreased in 2003 compared to 2002 due to reduced revenues.

The reduction in salaries and personnel costs in 2003 compared to 2002 was due to the decrease in the number of employees following the implementation of certain restructuring measures and the discontinuance of the Consulting area.

Write-downs of goodwill totaled NOK 16 million in 2003, a decrease of NOK 340 million compared to 2002.

Capital expenditure

Capital expenditure in 2002 and 2003 related mainly to investments in computer hardware and software for the mainframe platform within the IT Operations area. In 2003, part of the capital expenditures related to the replacement of equipment used in IT operations outsourced from our customers.

OTHER BUSINESS UNITS

in NOK millions	2003	2002	2001
External revenues	3,539	4,255	4,527
Internal revenues	615	785	1,191
Gains on disposal of fixed assets and operations	51	–	1
Total revenues	**4,205**	**5,040**	**5,719**
External costs of materials and traffic charges	1,527	2,017	2,484
Internal costs of materials and traffic charges	214	265	320
Total costs of materials and traffic charges	**1,741**	**2,282**	**2,804**
Own work capitalized	1	(2)	–
Salaries and personnel costs	1,088	1,465	1,928
Other external operating expenses	580	854	1,411
Other internal operating expenses	210	237	264
Losses on disposal of fixed assets and operations	177	26	29
Depreciation and amortization [1)]	491	582	754
Write-downs [1)]	37	332	1,172
Total operating expenses	**4,325**	**5,776**	**8,362**
Operating (loss)	**(120)**	**(736)**	**(2,643)**
Associated companies	(318)	(132)	(107)
Net financial items	(314)	(943)	(551)
Loss before taxes and minority interests	**(752)**	**(1,811)**	**(3,301)**
[1)] Includes amortization and write-downs of Telenor's net excess values by [*)]	40	99	983
Investments:			
– Capex	233	301	635
– Investments in businesses	30	771	281
No. of man-years (end of period)	2,244	3,541	3,740
– Of which abroad	1,076	2,075	1,985

[*)] Net excess values are the difference between Telenor's acquisition cost and our share of equity at acquisition of subsidiaries.

Revenues

in NOK millions	2003	2002	2001
Satellite Services	1,996	2,153	1,271
Satellite Networks	570	611	443
Teleservice	725	756	878
Nextra International	272	725	1,164
Software Services	121	185	365
Itworks	–	188	1,124
Other	516	438	488
Eliminations	5	(16)	(14)
Total revenues	**4,205**	**5,040**	**5,719**

EBITDA

in NOK millions	2003	2002	2001
Satellite Services	427	303	152
Satellite Networks	127	109	36
Teleservice	(7)	(62)	111
Nextra International	(195)	(155)	(930)
Software Services	33	62	239
Itworks	–	(16)	(102)
Other	23	(63)	(224)
Total EBITDA	**408**	**178**	**(718)**

Operating profit (loss)

in NOK millions	2003	2002	2001
Satellite Services	200	100	27
Satellite Networks	34	39	(118)
Teleservice	(43)	(93)	71
Nextra International	(220)	(260)	(2,042)
Software Services	(86)	(372)	83
Itworks	–	(23)	(265)
Other	(5)	(127)	(399)
Total operating (loss)	**(120)**	**(736)**	**(2,643)**

Overview

In 2002 and 2003, the activities, which we have consolidated in "Other Business units", have changed as we have disposed of some businesses and we have restructured certain others. In 2003, we successfully completed the integration of the operations of SAIT and COMSAT Mobile Communication in Satellite Services.

SATELLITE SERVICES

Revenues – Satellite Services

The decrease in revenues in Satellite Services in 2003 compared to 2002 was primarily due to the strengthening of the Norwegian Krone against the US Dollar. Reduced sales of low margin products were offset by increased sales of high-speed data (GAN) traffic, primarily due to the conflict in Iraq. This product has a higher margin.

Operating profit – Satellite Services

The increase in operating profit in 2003 was due to the exploitation of synergies derived from the integration of the operations of SAIT and COMSAT Mobile Communication, increased sales of high margin products and discontinuance of payments to our former partners in the former Eik-cooperation. Write-downs of fixed assets and expenses for workforce reductions increased in total by NOK 20 million in 2003 compared to 2002.

Capital expenditure and investments in businesses – Satellite Services

Capital expenditure in 2003 (NOK 135 million) related primarily to Sealink equipment and to the technical up-grade of our Eik land earth station and our U.S. earth stations, primarily in connection with IT and software development. In 2002, our capital expenditure for Satellite Services (NOK 126 million) related primarily to Sealink equipment.

In 2002 we acquired COMSAT Mobile Communications for NOK 743 million (USD 81 million), reported as investments in businesses.

SATELLITE NETWORKS

Revenues – Satellite Networks

The decrease in revenues in 2003 compared to 2002 was due to reduced revenues from the Internet operation Taide and Poland and the strengthening of the Norwegian Krone against the US Dollar. Revenues in Taide decreased due to lower prices as a result of increased competition. The operations in Poland were sold at the end of 2003 with a gain on disposal of NOK 20 million.

Operating profit (loss) – Satellite Networks

The decrease in operating profit in 2003 compared to 2002 was due to a net operating loss of NOK 6 million in Poland in 2003. The loss in Poland included gain on sale of NOK 20 million and write-downs of NOK 14 million. In addition, the decrease in revenues was offset by reduced expenses due to more cost-efficient operations, including the use of satellite capacity, and lower expenses due to the strengthening of the Norwegian Krone against the US Dollar in 2003.

Capital expenditure – Satellite Networks

Capital expenditure amounted to NOK 56 million in 2003 and NOK 82 million in 2002. Capital expenditure in Satellite Networks was primarily related to satellite communication equipment leased and used by our customers. The decrease in capital expenditure in 2003 compared to 2002 was due to the lower capital expenditure required to operate contracts in 2003 compared to 2002.

TELESERVICE

Revenues – Teleservice

Reduced revenues in 2003 compared to 2002 were due to lower demand for directory enquiry services and lower market share resulting from increased competition in the market for these services in 2002. This reduction in revenues was partially offset by revenues from an acquired call-center unit in Sweden.

Operating profit (loss) – Teleservice

The operating loss was reduced in 2003 compared to 2002 due to reduced expenses for workforce reduction and pension benefits, partially offset by reduced revenues. In 2003, the workforce was further reduced, resulting in expenses for workforce reductions of NOK 45 million. Operating loss in 2002 included expenses for workforce reductions of NOK 75 million in connection with the closure of divisions, as well as NOK 66 million related to the accounting of previously granted pension benefits in Teleservice.

NEXTRA INTERNATIONAL

Revenues – Nextra International

The decrease in revenues in 2003 compared to 2002 was due to our gradual exit from the international operations of Nextra, which was completed with the sale of Nextra's operations in the United Kingdom in 2003.

Operating (loss) – Nextra International

In the period 2002 to 2003, Nextra's operations generated losses that gradually decreased as Nextra disposed of these operations. In 2003, we recorded net losses on disposals of operations of NOK 160 million, which were partially offset by the reversal of provisions. In 2001 and 2002, Telenor had made provisions to cover possible negative outcomes regarding the final settlement of the sale or liquidation of Nextra's operations. In 2003, a total of NOK 38 million of these provisions were reversed due to final settlement of the sale of our operations in Germany.

SOFTWARE SERVICES

Revenues – Software Services

Reduced scope of the business of Software Services' consultancy operations in 2003 resulted in lower revenues in 2003 compared to 2002. In addition, revenues from internal sales of CA software were lower as a result of deferred delivery.

Operating profit (loss) – Software Services

In 2002, we wrote down the value of our software licenses from Computer Associates by NOK 295 million. Excluding these write-downs, the operating loss increased in 2003 compared to 2002 due to lower revenues, partially offset by reduced operating expenses resulting from the reduced scope of the operations compared to 2002.

OTHER

Other includes principally Telenor Venture (which includes former Telenor Innovation) and Telenor International Business. Revenues increased in 2003 compared to 2002 in both business units.

The operating loss was reduced in 2003 compared to 2002 due to increased revenues and cost reducing measures in Telenor Venture.

CORPORATE FUNCTIONS AND GROUP ACTIVITIES

in NOK millions	2003	2002	2001
External revenues	229	247	280
Internal revenues	1,955	1,869	1,863
Gains on disposal	133	143	5,116
Total revenues	**2,317**	**2,259**	**7,259**
External costs of materials and traffic charges	38	43	91
Internal costs of materials and traffic charges	13	–	3
Total costs of materials and traffic charges	**51**	**43**	**94**
Own work capitalized	(2)	(7)	(44)
Salaries and personnel costs	781	875	856
Other external operating expenses	1,193	1,608	1,495
Other internal operating expenses	263	226	354
Losses on disposal of fixed assets and operations	8	83	10
Depreciation and amortization	384	362	304
Write-downs	3	–	12
Total operating expenses	**2,681**	**3,190**	**3,081**
Operating profit (loss)	**(364)**	**(931)**	**4,178**
Associated companies	(2)	(1)	(6)
Net financial items	2,846	1,929	691
Profit before taxes and minority interests	**2,480**	**997**	**4,863**
Investments:			
– Capex	253	1,064	2,044
– Investments in businesses	93	56	334
No. of man-years (end of period)	909	1,061	1,162
– Of which abroad	21	35	22
EBITDA	23	(569)	4,494
Depreciation and amortization	384	362	304
Write-downs	3	–	12
Operating profit (loss)	**(364)**	**(931)**	**4,178**

This area comprises Real Estate, Research and Development, Strategic Group Projects, Internal Insurance Company, Group Treasury, International Services and central staff and support functions.

In 2003, we reduced expenses through cost reduction initiatives and we significantly decreased our capital expenditure due to the completion of our head office at Fornebu outside Oslo during 2002.

Revenues

Revenues excluding gains on disposals were substantially stable in 2003 compared to 2002.

Operating profit (loss) and EBITDA

EBITDA increased by NOK 592 million in 2003 compared to 2002, due primarily to reduced expenses. Expenses for workforce reductions and loss contracts decreased by NOK 238 million and net gains on disposals of properties increased by NOK 65 million. Capital expenditure on owned properties reduced expenses for lease of properties as well as maintenance cost in 2003 compared to 2002. In 2003 we had fewer Group projects compared to 2002, and consequently contributed to reduced expenses. Salaries and personnel costs were reduced due to the decrease in the number of employees in 2003. NOK 272 million was expensed in 2002 for workforce reductions and loss contracts. NOK 83 million was recorded as losses on disposal in 2002, mainly relating to the bankruptcy of our former subsidiary Itworks AS.

Depreciation and amortization increased in 2003 compared to 2002 because the depreciation period for our properties, on which we made significant capital expenditure, commenced as these properties were ready for their intended use, mainly during 2002. Capital expenditure on our administrative support systems also increased depreciation and amortization due to relatively short depreciation and amortization periods.

Capital expenditure

Capital expenditure decreased considerably in 2003 compared to 2002, due primarily to the completion of our head office at Fornebu outside Oslo during 2002.

WORKING CAPITAL

Working capital (current assets less current liabilities) was positive by NOK 0.3 billion as of 31 December 2003 and negative by NOK 6.4 billion as of 31 December 2002. We believe that taking into consideration our established credit facilities and having due regard for our sources of liquidity reserves (including committed credit facilities), credit rating and access to capital markets, we have sufficient liquidity and working capital to meet our present and future requirements. Our sources of liquidity are described below.

LIQUIDITY

You should read the cash flow statement in our consolidated financial statements for detailed figures related to the Group's cash flow. We present our cash flow statement using both the direct and indirect method.

Net cash flow from operating activities increased in 2003 compared to 2002 by NOK 0.8 billion to NOK 13.7 billion. The increase was primarily related to increased revenues and operating margins. The full-year effect of the consolidation of Kyivstar and Canal Digital also contributed to this increase. The increase in cash flow was however partially offset by increased payments of financial items, including interest, and payment of income taxes. In 2002, we also had a positive cash flow effect from changes in accruals, especially reduced accounts receivables and prepayments. In 2003, the positive effect from changes in accruals was more limited compared to 2002 and we made payments on provisions made in 2002 for workforce reductions etc. In 2003, payment of income taxes were mainly related to companies outside Norway, of which NOK 2.5 billion was payment of taxes on the gain on sale of VIAG Interkom in 2001. In Norway, neither did we have to pay income taxes in 2003 nor do we expect to pay income taxes in 2004 due to tax losses carried forward.

Net cash flow from investment activities was a net payment of approximately NOK 3.5 billion in 2003, compared to a net payment of approximately NOK 21.7 billion in 2002. Our capital expenditure and investment in businesses were reduced in 2003 compared to 2002 by approximately NOK 2.6 billion and NOK 11.8 billion, respectively. Please refer to "Investments" below for further information about our investments. In 2003, we received cash payments of NOK 2.3 billion upon sale of shares in associated companies, mainly Cosmote. We also received cash payments of NOK 1.1 billion upon sale of other shareholdings, of which the largest was the sale of shares in Inmarsat in exchange for NOK 0.8 billion in cash and an ownership interests in Inmarsat's new holding company. We also received 0.5 NOK billion for the sale of fixed assets, including a net cash inflow of NOK 0.2 billion in a cross border QTE lease of fixed-line network. We also made payments of NOK 0.3 billion in 2003 for other investments.

In 2003, we made net cash payments on our interest-bearing liabilities of NOK 7.0 billion due to our cash inflows from operating activities exceeding net cash outflow from investment activities. In addition, our cash and cash equivalents increased by NOK 2.4 billion during 2003 to NOK 7.6 billion. In 2003, we paid dividends of NOK 0.8 billion to the shareholders of Telenor ASA and our subsidiaries made a further NOK 0.1 billion payment to the minority interests, mainly in GrameenPhone.

As of 12 February 2004, we paid NOK 3.6 billion for the remaining 46.5% of the shares in Sonofon which we did not already own. As of 26 February 2004, we agreed to sell our remaining shareholdings in Cosmote for cash consideration of approximately NOK 3.1 billion.

INVESTMENTS

in NOK millions	2003	2002	2001
Fixed networks	2,099	3,001	4,456
Mobile networks	2,487	2,205	1,610
Properties	546	2,840	1,102
Support systems (office and computer equipment, software, cars etc.)	1,991	3,042	2,891
Other intangible assets	81	455	316
Work in progress (net additions) and other	(750)	(2,654)	1,259
Total Capital expenditure (Capex) [1]	6,454	8,889	11,634
Investments in businesses [2]	563	12,411	7,212
Total	**7,017**	**21,300**	**18,846**

[1] Capital expenditure (capex) is investments in tangible and intangible assets.

[2] Investments in businesses are acquisition of shares and participations, including acquisition of subsidiaries and businesses not organized as separate companies.

Capital expenditure in 2004 is expected to increase compared to 2003 due to the purchase of our own satellite capacity, the consolidation of Sonofon and our investments in new mobile technology in Norway. The actual amounts and the timing of our capital expenditure may vary substantially from our estimates.

Our capital expenditure in 2003 was reduced by NOK 2.4 billion compared to 2002, mainly due to reduced investments in the fixed network, properties and IT-support systems in Norway. The reduction in the fixed network was due to the more effective use of capacity resulting from earlier capital expenditure, lower demand for fixed network services and lower equipment prices. In 2002, we completed our new headquarters and our new internal IT-system in Norway and in 2003 we had lower capital expenditure in strategic group projects, which contributed to the reduced level of capital expenditure in 2003 compared to 2002. Of our total capital expenditure in 2003, NOK 2.8 billion was invested in Norway and NOK 3.6 billion outside Norway, mainly in our mobile subsidiaries. Of our investments in businesses in 2003, NOK 0.4 billion was outside Norway.

The table below lists the most significant investments in businesses and the acquisition cost, including capital contributions to our associated companies, for each of the last three years.

in NOK millions	2003	2002	2001
Pannon GSM RT	–	7,906	–
COMSAT Mobile Communications	–	743	–
Utfors AB	13	153	–
Glocalnet AB	–	102	–
DiGi.Com bhd	–	–	3,223
VimpelCom (incl VimpelCom-Region)	–	432	255
Telenordia AB	–	–	191
ONE GmbH (Connect Austria)	–	44	264
Canal Digital	–	2,166	378
Kyivstar G.S.M. JSC	8	294	254
Wireless Matrix Corporation	–	–	317
Otrum Electronics ASA	–	–	273
Sweden On-Line AB	–	–	165
Marlink (SAIT Communications S.A)	–	–	189
OniWay	–	217	324
Unigrid AB	–	–	122
IT operations DnB & Nordea	–	20	597
Bravida ASA	82	91	–
OJSC Comincom/Combellga	217	–	273
OJSC Golden Telecom	63	–	–
GrameenPhone Ltd	86	–	–
Other	94	243	387
Total investments in businesses	**563**	**12,411**	**7,212**

The following transactions relating to changes in ownership interests were not reported as investments in businesses in 2003 in the table above: the sale of shares in our Russian subsidiary Comincom/Combellga in exchange for shares in the Russian listed company Golden Telecom Inc. (NOK 1.3 billion recorded as an associated company), the sale of shares in Inmarsat in exchange for cash of NOK 0.8 billion and an ownership interest in Inmarsat's new holding company (NOK 0.7 billion recorded as shares), and the sale of shares in A-pressen ASA in exchange for shares in APR Media Holding (NOK 0.4 billion recorded as an associated company).

INFORMATION ABOUT CONTRACTUAL CASH PAYMENTS AND OFF BALANCE SHEET ARRANGEMENTS

The following table shows our contractual obligations and commercial commitments as of 31 December 2003.

		Payments due			
in NOK millions	Total	Less than 1 year (2004)	2–3 years	4–5 years	Over 5 years
Short-term interest-bearing liabilities	386	386	–	–	–
Long-term interest-bearing liabilities	23,812	2,251	8,542	6,479	6,540
Finance lease obligations	1,564	422	501	334	307
Committed purchase obligations [1]					
Rent of premises	3,255	603	942	647	1,063
Rent of cars, office equipment etc.	158	71	68	11	8
Rent of satellite and network capacity	1,720	448	848	137	287
IT- related agreements	678	346	315	17	–
Other contractual obligations	807	552	209	46	–
Committed investments [1]					
Properties and equipment	500	381	65	54	–
Other contractual investments	4,366	4,358	8	–	–
Total contractual cash obligations	**37,246**	**9,818**	**11,498**	**7,725**	**8,205**
Guarantees (expire)	2,557	790	917	1	849

[1] The table does not include agreements under which we have no binding obligation to purchase or future investments required under the UMTS license awarded to us in Norway.

Our off balance sheet arrangements mainly consist of guarantees issued in connection with our operations.

For additional information you should read notes 20 and 21 for interest-bearing liabilities; note 25 for contractual obligations and note 23 for pledges and guarantees.

In addition, we have entered into three Cross Border QTE Leases for telephony switches, GSM Mobile network and fixed-line network. Please see note 15, 20, 21, 23 and 31 to our consolidated financial statements for additional information on these leases.

INFORMATION ABOUT CAPITAL RESOURCES

We will use cash flow from operations, debt, equity financing and proceeds from potential disposals of assets to finance our future investments. You should read note 20 and 21 to our consolidated financial statements for additional information on our interest-bearing liabilities, note 23 for pledges, note 28 and 29 for share option plans and the employee stock ownership program and note 30 for equity financing.

Telenor ASA issues debt in the domestic and international capital markets mainly in the form of commercial paper and bonds. Telenor ASA use our Euro commercial paper program, U.S. commercial paper program, Euro medium term note program and three domestic "open bond programs" with different maturities. In order to have satisfactory access to these external sources of financing in terms of both volume and price, we should maintain a satisfactory credit rating. Our long-term and short-term credit rating is A2/P-1 from Moody's and A-/A-2 from Standard & Poor's, both with stable outlook.

In order to secure satisfactory financial flexibility, in 2003 we established a committed syndicated revolving credit facility of Euro 1.5 billion with maturity in 2008. In accordance with our financing policy, this committed credit facility should be available to serve at any time as refinancing source for all of our outstanding commercial paper.

At the general meeting held on 8 May 2003, our shareholders resolved to grant a new authority to the board of directors to increase the share capital up to NOK 1,065,193,800 through issuance of up to 177,532,300 ordinary shares of NOK 6 nominal value each. The board's authority expires on 1 July 2004.

As of 31 December 2003, we held 28,103,172 treasury shares of the total of 30,000,000, which were issued to be used to grant additional bonus shares to retail investors in Norway pursuant to the global offering in December 2000, see note 30. The general meeting held in 2001 granted authority to our board of directors to use the remaining shares for other purposes. The tax base cost of our treasury shares is somewhat uncertain, and in our opinion this cost equals zero. Thus, if the shares are disposed of for cash, a capital gain may be recognized for tax purposes depending on the consideration received. If the shares are swapped against other shares a capital gain may be deferred by application to the Norwegian Ministry of Finance. No capital gain should arise if the shares are cancelled.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Please refer to note 20 and 21 of the consolidated financial statements for a description of funding and financial risk management activities in Telenor.

Sensitivity analysis

We adopted sensitivity analysis as the approach to quantify market risk.

Fair values have been estimated in line with the principles described in note 21.

Interest rate risk is quantified by change in fair value given a 10% parallel shift in interest rate curves. Exchange rate risk is quantified by change in fair value from a 10% change in spot rates against the Norwegian Kroner. Changes in market volatilities will change the fair value of option instruments. Volatility risk is quantified by change in fair value due to a 10% change in implied volatilities.

The model underlying the sensitivity analysis includes derivatives as well as bank deposits and borrowings, short-term interest-bearing investments, commercial paper and bonds. The fair values of our equity investments or cash flows from these assets are not taken into account. As such the analysis does not show our total net exposure to financial market risk.

The assumptions used in the model for partial movements in risk factors are not based upon empirical observations. Correlations between different exchange rates, short and long-term interest rates as well as the interest rates of the different currencies in the portfolio are not taken into account. As a result, the total effects of deficiencies in the assumptions implicit in the model might be substantial and the hypothetical gains and losses calculated do not express management's expectations of future changes in fair value.

	Fair value as of	Interest rates		Exchange rates		Volatility options	
2003	31.12.03	-10 %	10 %	-10 %	10 %	-10 %	10 %
Foreign exchange derivatives	1,515	62	(61)	(576)	576	-	-
Interest rate derivatives	(26)	(8)	11	(32)	32	(10)	10
Net interest-bearing liabilities	(20,147)	(287)	280	2,034	(2,034)	-	-
Total	**(18,658)**	**(233)**	**230**	**1,426**	**(1,426)**	**(10)**	**10**

	Fair value as of	Interest rates		Exchange rates		Volatility options	
2002	31.12.02	-10 %	10 %	-10 %	10 %	-10 %	10 %
Foreign exchange derivatives	699	54	(53)	(553)	553	-	-
Interest rate derivatives	(12)	90	(86)	(15)	15	(1)	1
Net interest-bearing liabilities	(27,880)	(360)	352	2,205	(2,205)	-	-
Total	**(27,193)**	**(216)**	**213**	**1,637**	**(1,637)**	**(1)**	**1**

The decrease in market value of net interest-bearing liabilities as of December 31, 2003 compared to 31 December 2002 was primarily due to our repayment of interest-bearing liabilities and increased volume of liquid assets during 2003 as discussed under "liquidity" above.

The risk arising from changes in option volatilities is insignificant due to the small volume of options in the portfolio.

As of December 31, 2003, the interest rate sensitivity was substantially in line with December 31, 2002. The absolute size of net interest-bearing liabilities decreased resulting in a decrease in the quantified interest rate sensitivity, holding duration constant. This effect was offset by an increase in the average duration of the portfolio.

As of December 31, 2003, the exchange rate risk quantified in this analysis decreased compared to December 31, 2002, because the hedging portfolio was slightly reduced in this period.

CRITICAL ACCOUNTING ESTIMATES

Certain amounts included in or affecting our financial statements and related disclosure must be estimated, requiring us to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. A "critical accounting estimate" is one which is both important to the portrayal of the company's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We evaluate such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods we consider reasonable in the particular circumstances, as well as our forecasts as to how these might change in the future.

Impairment

We have made significant investments in tangible assets, goodwill and other intangible assets, associated companies and joint ventures and other investments. These assets and investments are tested for impairment when circumstances trigger an impairment test. Factors we consider important which could trigger an impairment review include the following:

- Significant fall in market values;
- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the use of our assets or the strategy for our overall business;
- Significant negative industry or economic trends.

The principles for impairment testing are described in the accounting policies. For tangible and intangible assets, the assessment is made based on the estimated recoverable amount, which is the higher of estimated discounted future cash flow and sales price less cost to sell. When such amounts are less than the carrying amount of the asset, a write-down to estimated recoverable amount is recorded.

If quoted market prices for an asset or a company are not available, or the quoted market prices cannot be regarded as fair market value due to low trading liquidity, fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Estimating fair values of assets and companies must in part be based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's assumptions may give rise to impairment losses in the relevant periods.

Goodwill is reviewed based on an estimated fair value of the reporting unit it refers to. Fair value of the reporting unit is based on quoted market share price (adjusted to reflect a control premium for those subsidiaries in which we have effective control) or discounted cash flows of the reporting unit where quoted market share price is not available. US GAAP prescribes a two-phase process for impairment testing of goodwill. The first phase screens for impairment by comparing fair value to the book value of the reporting entities. If the fair value is less than the book value the second phase measures the impairment. When impairment is identified, the carrying amount of goodwill is reduced to its estimated fair value of the reporting unit.

For the impairment test in accordance with US GAAP, we use undiscounted cash flows, except for goodwill. This did not result in any material difference from the results of our impairment test in accordance with Norwegian GAAP as of December 31, 2003 and 2002.

Write-downs in 2003 were not significant. In 2003, we experienced an increase in the market value of our assets and investments. On the other hand, during 2001 and 2002 the market value of telecom companies and assets decreased significantly. Consequently, in 2001 and 2002, we made substantial write-downs of tangible assets, goodwill and other intangible assets, associated companies and joint ventures and other investments.

Depreciation and amortization

Depreciation and amortization is based on management estimates of the future useful life of tangible and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. We shortened the depreciation time for some tangible assets in our mobile networks in Malaysia in 2002 and in our Norwegian fixed and mobile networks in 2001.

Technological developments are difficult to predict. Ours and our competitors' views on the technological trends may change over time. Some of our assets and technologies, in which we invested several years ago are still in use and provide the basis for our new technologies. For example, our copper cables and infrastructure in our fixed networks are used as the basis for the rollout of our ADSL technology and lines. In our mobile business, the development and launch of UMTS technology and services have been slower than the telecommunications industry anticipated a few years ago. In addition, in our Norwegian operations we have reduced our capital expenditure the latest years, as we have been able to utilize our previous capital expenditure more efficiently. We review the future useful life of tangible and intangible assets periodically taking into consideration the factors mentioned above and any other material relevant factor. In case of significant changes in our estimates, depreciation and amortization charges are adjusted.

Business combinations
We are required to allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. For our larger acquisitions, we have engaged independent third-party appraisal firms to assist us in determining the fair values of the assets acquired and liabilities assumed. Such valuations require management to make significant estimates and assumptions. The significant purchased intangible assets recorded by Telenor include customer contracts, brands and licenses. The significant tangible assets include mainly networks.

Critical estimates in valuing certain tangible and intangible assets include but are not limited to: future expected cash flows from customer contracts and licenses, replacement cost for brand and for tangible assets. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Income taxes
We record valuation allowances to reduce our deferred tax assets to an amount that is more likely than not to be realized. Our valuation allowances relate mainly to our foreign operations. Furthermore, we have not recorded deferred tax assets that may be realized upon possible future disposal of shares in subsidiaries and associated companies, until a liquidation or sale has been decided. Historically, deferred tax assets relating to losses in our foreign entities, from which we deduct our valuation allowances in accordance with our accounting policies, have subsequently been realized through the disposal of such entities. While we have considered future taxable income and feasible tax planning strategies in determining the amount of our valuation allowances, any difference in the amount that we ultimately may realize would be included as income in the period in which such a determination is made.

To the extent Telenor ASA should dispose of shares in Telenor Eiendom Holding AS, or dispose of shares in entities demerged from Telenor Eiendom Holding AS, we believe that any taxes will be computed on the difference between the consideration received and the high tax base cost of the shares determined in connection with the in kind contribution prior to our IPO in December 2000. You should read "Income Taxes" for additional information on the in kind contribution.

We have realized significant tax losses on shareholdings, both through liquidation and sale of shares to third parties and between companies in our Group. Even though we believe that these tax losses are tax deductible, in 2002 the Norwegian tax authorities challenged our evaluations in connection with one of our transactions. Our accounting policy is that we make provisions to cover for changes in our in tax assessments, pending the outcome of our appeal against these decisions. You should read note 13 and note 24 to the consolidated financial statements for additional information on the challenge by the Norwegian Tax authorities.

On March 26, 2004, the Norwegian government issued and submitted to the Norwegian parliament (Storting) a consultation paper outlining certain proposals for a future tax reform. The main proposal relating to the taxation of companies is a tax exemption on dividend income and on capital gains deriving from disposal of shares. As a result of such exemption, capital losses deriving from disposals of shares would not be tax deductible. If the government's proposals receive sufficient support in the Storting, the government might submit draft legislation relating to the proposed tax reform to the Storting in the fall of 2004, in which case the tax exemptions described above could become effective from the fiscal year commencing on January 1, 2004.

Pension costs, pension obligations and pension plan assets
Calculation of pension costs and net pension obligations (the difference between pension obligations and pension plan assets) are made based on a number of estimates and assumptions. Changes in, and deviations from, estimates and assumptions (actuarial gains and losses) affect fair value of net pension liabilities, but are not recorded in our financial statements unless the accumulated effect of such changes and deviations exceed 10% of the higher of our pension benefit obligations and our pension plan assets at the beginning of the year. From 10% up to 15% the excess amount is recognized in the profit and loss statement over an estimated average remaining service period of 12 years and any amount in excess of 15% is recognized over a shorter period of 5 years. Actuarial losses have increased starting as of 31 December 1999, and were estimated to be approximately NOK 1.0 billion as of 31 December 2003. These actuarial losses relate to our Norwegian defined benefit plans and were approximately 21% of our pension benefit obligations as of 31 December 2003.

The increase in actuarial losses was mainly due to the reduction in our discount rate as of 31 December 1999 and again as of 31 December 2003, a lower than estimated actual return on plan assets due to the reduction in share prices in the period 1999 to 2002, that was partially offset by a higher than estimated return in 2003, and higher salary increases and pensions adjustments than we had originally estimated in the period 1999 to 2002. Our key assumptions for our Norwegian defined benefit plans, which constitute the major part of our pension plans, are evaluated each year. In 2003, long-term interest rates were reduced and, consequently, we reduced our discount rate from 6.5% to 5.7% as of 31 December 2003. We also made some other adjustments to our estimates, but the lower discount rate had the most significant effect on the fair value of our pension obligations, which increased. As of 31 December 2003, our assumptions were: 5.7% discount rate, 6.1% expected return on plan assets, 3.4% rate of compensation increase, 3.4% expected increase in the social security base amount, 3.4% annual adjustments to pensions and a 12-year estimated average remaining service period. Changes in these assumptions, as well as deviations from these assumptions and other actuarial assumptions, may affect the estimated net present value of our net pension obligations, actuarial gains and losses and future years pension expenses.

The table below shows an estimate of the potential effects of a one percentage points change in our key assumptions for our defined benefit plans. As of 31 December 2003 we estimate our pension expense for 2004 for our defined benefit plans to be approximately NOK 820 million. Such expenses were NOK 698 million of our total pension expenses of NOK 760 million in 2003.

The following estimates and our estimated pension expense for 2004 are based on facts and circumstances as of 31 December 2003, and the actual results may deviate from these estimates.

in NOK millions	Discount rate +1%	Discount rate -1%	Compensation rate +1%	Compensation rate -1%	Social Security base amount +1%	Social Security base amount -1%	Annual adjust-ments to pensions +1%	Annual adjust-ments to pensions -1%
Changes in pension liabilities	(830)	890	660	(540)	(220)	220	500	(410)
Unrecognized actuarial losses	(830)	890	660	(540)	(220)	220	500	(410)
Expenses due to amortization of actuarial losses	(110)	150	110	(90)	(40)	40	90	(70)
Net periodic benefit cost including effect due to amortization of actuarial losses (as shown above)	(280)	340	250	(210)	(90)	90	190	(160)

Legal proceedings

We are subject to various legal proceedings and claims, the outcomes of which are subject to significant uncertainty. We evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require us to increase or decrease the amount we have accrued for any matter or accrue for a matter that has not been previously accrued because it was not considered probable. You should read "note 24 to the consolidated financial statements" for additional information on legal proceedings.

INFLATION

Our results in recent years have not been substantially affected by inflation. Inflation in Norway as measured by the consumer price index during the years ended 31 December 2001, 2002 and 2003 was 3.0%, 1.3% and 2.5% respectively.

NORWEGIAN GAAP COMPARED WITH US GAAP

Our consolidated financial statements have been prepared under Norwegian GAAP, which differs from US GAAP in several respects. We have prepared a reconciliation of our net income for the years ended 31 December 2001, 2002 and 2003, and of our shareholders' equity as of 31 December 2002 and 2003.

The significant differences between Norwegian GAAP and U.S. GAAP affecting our net income and shareholders equity are described in note 31 to our audited consolidated financial statements.

Under US GAAP, net income (loss) for the years ended 31 December 2001, 2002 and 2003 would have been NOK 7,004 million, NOK (3,658) million and NOK 5,036 million, respectively, as compared to, NOK 7,079 million, NOK (4,298) million and NOK 4,560 million, respectively, under Norwegian GAAP.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Telenor Group 1 January–31 December

In NOK millions, except per share amounts	Note	2003	2002	2001
Revenues	2	52,889	48,668	40,604
Gains on disposal of fixed assets and operations	2	232	158	5,436
Total revenues		**53,121**	**48,826**	**46,040**
Operating expenses				
Costs of materials and traffic charges	4	13,094	12,485	10,204
Own work capitalized	5	(571)	(567)	(1,002)
Salaries and personnel costs	6,7	9,561	10,104	10,128
Other operating expenses	8,9	12,506	13,188	12,397
Losses on disposal of fixed assets and operations		229	147	63
Depreciation and amortization	14,15	10,597	10,236	7,251
Write-downs	14,15	145	3,553	3,822
Total operating expenses		**45,561**	**49,146**	**42,863**
Operating profit (loss)		**7,560**	**(320)**	**3,177**
Associated companies	16	1,231	(2,450)	8,237
Financial income and expenses				
Financial income		586	567	897
Financial expenses		(2,023)	(1,833)	(1,396)
Net currency loss		(1)	(311)	(402)
Net gain (loss) and write-downs of financial items		73	(789)	(258)
Net financial items	12	**(1,365)**	**(2,366)**	**(1,159)**
Profit (loss) before taxes and minority interests		**7,426**	**(5,136)**	**10,255**
Taxes	13	(2,376)	480	(3,897)
Profit (loss) before minority interests		**5,050**	**(4,656)**	**6,358**
Minority interests		(490)	358	721
Net income (loss)		**4,560**	**(4,298)**	**7,079**
Net income (loss) per share in NOK (basic), excluding treasury shares		2.57	(2.42)	3.99
Net income (loss) per share in NOK (diluted), excluding treasury shares		2.57	(2.42)	3.99

CONSOLIDATED BALANCE SHEET

Telenor Group at 31 December

In NOK millions	Note	2003	2002
Assets			
Deferred tax assets	13	3,850	4,866
Goodwill	15	9,224	10,100
Other intangible assets	15	5,536	6,682
Tangible assets	3, 15	35,722	39,265
Financial assets	16	14,014	13,249
Total fixed assets		**68,346**	**74,162**
Inventories		504	632
Current receivables, etc.	17	9,232	8,868
Short-term investments	18	384	532
Cash and cash equivalents	27	7,644	5,264
Total current assets		**17,764**	**15,296**
Total assets		**86,110**	**89,458**
Equity and liabilities			
Shareholder's equity		37,237	33,685
Minority interests		3,646	3,603
Total equity and minority interests		**40,883**	**37,288**
Liabilities			
Provisions	19	**1,645**	**1,176**
Long-term interest-bearing liabilities	20, 21	25,376	28,805
Long-term non-interest-bearing liabilities	22	754	473
Total long-term liabilities		**26,130**	**29,278**
Short-term interest-bearing liabilities	20	386	3,591
Short-term non-interest-bearing liabilities	22	17,066	18,125
Total short-term liabilities		**17,452**	**21,716**
Total equity and liabilities		**86,110**	**89,458**
Assets pledged	23	8,148	9,892
Guarantee liabilities	23	2,557	2,515
Contingent liabilities	24		

Oslo, 25 March 2004

Thorleif Enger
Chairman of the Board of Directors

Bjørg Ven
Vice-chairman of the Board of Directors

Hanne de Mora
Board member

Einar Førde
Board member

Jørgen Lindegaard
Board member

Liselott Kilaas
Board member

John Giverholt
Board member

Harald Stavn
Board member

Per Gunnar Salomonsen
Board member

Irma Tystad
Board member

Jon Fredrik Baksaas
President & CEO

CONSOLIDATED CASH FLOW STATEMENT

Telenor Group 1 January—31 December

In NOK millions	2003	2002	2001
Proceeds from sale of goods and services	53,208	50,480	39,771
Payments to suppliers of goods and services and of other operating expenses	(25,714)	(25,056)	(22,234)
Payments to employees, pensions, social security tax, tax deductions	(9,400)	(9,643)	(9,186)
Interest etc. received	1,318	796	739
Interest etc. paid	(2,494)	(1,629)	(1,405)
Other proceeds and payments related to operating activities	(131)	(142)	366
Payment of taxes and public duties	(3,111)	(1,948)	(1,058)
Net cash flow from operating activities [1]	**13,676**	**12,858**	**6,993**
Proceeds from sale of tangible and intangible assets	523	210	1,413
Purchase of tangible and intangible assets	(6,536)	(9,098)	(11,558)
Cash receipts from sale of subsidiaries and associated companies, net of cash transferred	2,327	191	37,919
Cash payments on purchase of subsidiaries and associated companies, net of cash received	(506)	(12,232)	(6,125)
Proceeds from sale of other investments	1,072	271	314
Payments for other investments	(334)	(1,069)	(1,072)
Net cash flow from investment activities	**(3,454)**	**(21,727)**	**20,891**
Proceeds from long-term liabilities	779	19,567	4,199
Proceeds from short-term liabilities	311	184	442
Payments on long-term liabilities	(4,990)	(10,140)	(28,103)
Payments on short-term liabilities	(3,122)	(549)	(482)
Proceeds from issuance of shares to minorities in subsidiaries	32	181	89
Proceeds from issuance of shares	–	19	21
Purchase of own shares from and dividend paid to minorities in subsidiaries	(7)	–	–
Payment of dividends	(890)	(621)	(532)
Net cash flow from financing activities	**(7,887)**	**8,641**	**(24,366)**
Effect on cash and cash equivalents of changes in foreign exchange rates	45	(347)	15
Net change in cash and cash equivalents	**2,380**	**(575)**	**3,533**
Cash and cash equivalents at 1 January	5,264	5,839	2,306
Cash and cash equivalents at 31 December	**7,644**	**5,264**	**5,839**
Reconciliation [1]			
Net income (loss)	4,560	(4,298)	7,079
Minority interests	490	(358)	(721)
Taxes	2,376	(480)	3,897
Profit before taxes and minority interests	**7,426**	**(5,136)**	**10,255**
Income taxes paid	(3,283)	(2,050)	(1,173)
Net (gain) loss including write-downs of financial items	(76)	778	(5,115)
Depreciation, amortization and write-downs	10,742	13,789	11,073
Associated companies	(1,231)	2,450	(8,237)
Changes in inventories	3	(39)	32
Changes in accounts receivable and prepayments from customers	1,017	1,593	(368)
Changes in accounts payable and prepaid expenses	119	126	(436)
Difference between expensed and paid pensions	134	359	(106)
Currency (gains) losses not relating to operating activities	(78)	391	367
Change in other accruals	(1,097)	597	701
Net cash flow from operating activities	**13,676**	**12,858**	**6,993**

CONSOLIDATED STATEMENT OF SHAREHOLDER'S EQUITY

Telenor Group

	Number of shares	Nom amount (NOK)	Share capital (NOK mill.)	Other paid capital (NOK mill.)	Other equity (NOK mill.)	Cumulative translation adjustment (NOK mill.)	Treasury shares (NOK mill.)	Total (NOK mill.)
Balance as of 31 December 2000	**1,802,151,899**	**6**	**10,813**	**18,613**	**6,565**	**(337)**	**(180)**	**35,474**
Net income for the year 2001	–	–	–	–	7,079	–	–	7,079
Dividends	–	–	–	–	(621)	–	–	(621)
Translation adjustments	–	–	–	–	–	192	–	192
Employee share issue	578,753	6	3	17	–	–	–	20
Distribution of shares to the employees	–	6	–	(11)	–	–	11	–
Balance as of 31 December 2001	**1,802,730,652**	**6**	**10,816**	**18,619**	**13,023**	**(145)**	**(169)**	**42,144**
Net income for the year 2002	–	–	–	–	(4,298)	–	–	(4,298)
Dividends	–	–	–	–	(799)	–	–	(799)
Translation adjustments	–	–	–	–	–	(2,723)	–	(2,723)
Employee share issue	695,520	6	4	15	–	–	–	19
Consolidation Canal Digital	–	–	–	–	(658)	–	–	(658)
Balance as of 31 December 2002	**1,803,426,172**	**6**	**10,820**	**18,634**	**7,268**	**(2,868)**	**(169)**	**33,685**
Net income for the year 2003	–	–	–	–	4,560	–	–	4.560
Dividends	–	–	–	–	(1,776)	–	–	(1,776)
Translation adjustments	–	–	–	–	–	816	–	816
Employee share issues	595,109	6	4	22	–	–	–	26
Consolidation Comincom/Combellga	–	–	–	–	(35)	–	–	(35)
Consolidation GrameenPhone	–	–	–	–	(39)	–	–	(39)
Balance as of 31 December 2003	**1,804,021,281**	**6**	**10,824**	**18,656**	**9,978**	**(2,052)**	**(169)**	**37.237**

	2003	2002	2001
Average number of shares primary (exclusive treasury shares)	1,775,340,935	1,774,637,008	1,772,330,267
Average number of shares fully diluted (exclusive treasury shares)	1,775,755,932	1,774,637,008	1,774,086,782
Dividend per share in NOK	1.00	0.45	0.35

Please see note 30 for further information about number of shares etc.

In 2003, Telenor increased its ownership interests in the subsidiaries Comincom/Combellga and GrameenPhone. The increase in net excess values beside goodwill was recorded directly against the shareholder's equity in 2003.

In 2002, the shareholders' equity decreased by NOK 658 million in connection with the consolidation of Canal Digital. As of 30 June 2002, the acquisition of the remaining 50% of Canal Digital was completed and Telenor obtained effective control. Due to the transfer of risk for the company's results of operations at the time of entering into the agreement to acquire Canal Digital in June 2001, 50% of the company's loss, amortization of net excess values and calculated financing expenses in the period between the agreement and consolidation has been recorded directly against the shareholder's equity.

Equity available for distribution as dividends from Telenor ASA was NOK 11,611 million as of 31 December 2003.

Minority Interests

In NOK millions	in % 31.12.03	Minority part of net income (loss) 2003	Minority part of net income (loss) 2002	Minority part of net income (loss) 2001	Minority interests in the balance sheet 31.12.03	Minority interests in the balance sheet 31.12.02
Telenor Venture AS [1]	–	(30)	(6)	(83)	–	65
Telenor Venture II ASA	49.9	(32)	(67)	(7)	136	143
Kyvistar G.S.M. JSC	44.7	256	51	–	998	787
OJSC Comincom/Combellga [1]	–	14	15	6	–	160
DiGi.Com bhd	39.0	68	47	44	1,131	1,113
GrameenPhone Ltd [1]	49.0	283	162	126	448	328
EDB Business Partner ASA	48.2	(26)	(555)	(764)	888	914
Other		(43)	(5)	(43)	45	93
Total		**490**	**(358)**	**(721)**	**3,646**	**3,603**

[1] In 2003, Telenor increased its ownership interest to 51.0% in GramenPhone Ltd. The voting interest remained unchanged at 51.0%. In August 2003, Telenor increased its ownership interests in the subsidiary Comincom/Combellga to 100%. Telenor sold its ownership interests in exchange for shares in the listed company Golden Telecom Inc. as of 1 December 2003. In December 2003, Telenor sold its ownership interests in Telenor Venture AS.

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Telenor Group

General

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

The Norwegian Government formed Telenor ASA in July 2000 to act as the holding company for the Telenor Group. In October 2000, the Norwegian Government contributed all of the shares of Telenor AS (subsequently renamed Telenor Communications AS), the former holding company for the Telenor Group, to Telenor ASA in exchange for all of the issued shares of Telenor ASA. Telenor ASA was formed with identical share capital as Telenor AS and, prior to its acquisition of Telenor AS, had no assets or liabilities and conducted no operations other than those incidental to its formation.

The consolidated financial statements for Telenor ASA and its subsidiaries (the Group) are prepared in accordance with Norwegian GAAP. The Group's accounting principles differ, in certain respects, from United States generally accepted accounting principles (US GAAP). The differences and the related effects on the Group's net income (loss), shareholder's equity, revenues, total assets and long-term interest-bearing liabilities are set forth in note 31.

Consolidation principles

The Group's consolidated accounts include Telenor ASA and subsidiaries in which Telenor ASA has effective control. Subsidiaries are consolidated from the moment effective control is obtained. Effective control generally exists when Telenor has more than 50% ownership.

Successive share purchases are treated separately when the successive purchases are small, fair value has increased significantly or a long time has passed since the previous share purchase.

All significant intercompany transactions and balances have been eliminated.

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

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

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

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net of tangible and intangible assets acquired and liabilities incurred in business combinations. Goodwill is amortized on a straight-line basis over the estimated useful economic life, based on an individual assessment.

Revenue recognition

Revenues are primarily comprised of traffic fees, subscription and connection fees, interconnection fees, fees for leased lines and leased networks, fees for data network services, fees for TV distribution and satellite services, IT service, installation and sale of customer equipment. Revenues from directory advertising activities of Telenor Media were included up to 1 October 2001, the effective date for the sale of this subsidiary.

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

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

Revenues from sale of customer equipment and IT service and installation are recognized when products are delivered or when services are rendered to customers. Revenues from sale of equipment which are delivered together with services are recognized at the time of delivery of the equipment when the delivery of the equipment can be separated from the delivery of the services. If the delivery of equipment cannot be separated from the sale of services, revenue from equipment is recognized when revenue from services are recognized. Revenues from operating services are recognized on the basis of actual use for volume-based contracts, and on a linear basis over the contract period for term-based contracts. Revenues from software licenses are recognized when delivered. Revenues from software developed specifically for customers are recognized over the development period in line with the percentage of completion.

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

Revenues are normally reported gross with a separate recording of expenses to vendors of products or services. However, when Telenor only acts as an agent or broker on behalf of suppliers of products or services, revenues are reported on a net basis.

Pensions
Defined benefit plans are valued at the present value of accrued future pension benefits at the balance sheet date. Pension plan assets are valued at their fair value. Changes in the pension obligations due to changes in pension plans are recognized over the estimated average remaining service period (12 years). Accumulated effect of changes in estimates, changes in assumptions and deviations from actuarial assumptions (actuarial gains or losses) that is less than 10% of the higher of pension benefit obligations and pension plan assets at the beginning of the year is not recorded. When the accumulated effect is between 10% and 15% the excess amount is recognized in the profit and loss statement over the estimated average remaining service period. Accumulated effects above 15% are recognized in the profit and loss statement over 5 years. The net pension cost for the period is classified as salaries and personnel costs.

Research and development costs
Research and development costs are expensed as incurred.

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

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

Leases
Finance leases, which provide the Group with substantially all the rights and obligations of ownership are capitalized as fixed assets. The capital lease liabilities are valued at the present value of minimum lease payments.

Foreign currency transactions
Transactions involving foreign currencies are translated into Norwegian Krone using the prevailing exchange rates at the time of the transactions. Financial instruments denominated in foreign currencies are translated using period end exchange rates. The resulting gain or loss is charged to financial items for the period, unless hedge accounting is applied.

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

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

Derivatives and hedge accounting for interest-bearing liabilities and firm commitments
For interest-bearing liabilities Telenor does not recognize changes in fair value due to changes in interest rates.

Telenor uses derivatives to manage its exposure to fluctuations in exchange rates and interest rates. Instruments used are interest rate swaps, interest rate options, forward rate agreements, cross currency swaps and foreign currency forward contracts.

To qualify for hedge accounting, the instruments must meet pre-defined correlation criteria. This involves prospective documentation that justifies expectations that the hedge will be effective in the future, as well as assessment of sufficient hedge effectiveness during the lifetime of the hedge. It is a requirement that the hedges generate financial statement effects which substantially offset the position being hedged.

For interest rate derivatives that qualify for hedge accounting, Telenor does not recognize unrealized changes in fair value due to changes in interest rates. Amounts to be paid or received under interest rate swaps and cross currency interest rate swaps that are designated and effective as a hedge of interest-bearing liabilities are accrued as interest income or expense, respectively. Hedge of interest rate risk on interest-bearing liabilities is conducted on a portfolio basis.

Exchange rate effects on currency swaps designated as hedges of interest-bearing assets or liabilities are recorded as foreign exchange gain or loss and included in the carrying value of the hedged item. Foreign currency forward contracts are marked to market and changes in fair value are recorded as foreign exchange gain or loss.

Gains and losses on foreign exchange contracts that are designated as hedges of firm commitments are deferred and recognized in income at the same time as the related transactions, provided that the hedged transaction is eligible for hedge accounting.

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

Derivatives that do not meet the hedging criteria are recorded at their market value with the resulting gain or loss reflected under financial items.

Taxes
Deferred tax assets and liabilities are calculated with full allocation for all temporary differences between the carrying amount of assets and liabilities in the financial statements and for tax purposes, including tax losses carried forward. The enacted tax rates at the balance sheet date and undiscounted amounts are used. Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilized. Deferred tax assets which will be realized upon sale or liquidation of subsidiaries or associated companies are not recorded until realization or liquidation is decided. Deferred taxes are calculated on retained earnings in foreign subsidiaries based on the estimated taxation on transfer of funds to the parent company, based on the enacted tax rates and regulation as of the date of the balance sheet.

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

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

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

For investments in associated companies and joint ventures, a loss in value which is other than a temporary decline is recognized.

Impairment is assessed when changes in circumstances indicate that the carrying amount of the investments may not be recoverable. This may be indicated by a fall in market values or revised earnings forecasts for the individual companies. When evaluating if a decline in value has occurred and if the decline is other than temporary, several factors are considered, including discounted cash flows, quoted share prices (if available), market values of similar companies and third party evaluations where appropriate.

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

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

Tangible assets, intangible assets, depreciation and amortization
Tangible and intangible assets are carried at historical cost less accumulated depreciation and amortization. Interest has been capitalized on assets under construction.

Impairment of tangible and intangible assets is assessed when changes in circumstances indicate that their carrying amount may not be recoverable. The assessment is made based on estimated recoverable amount, which is the highest of estimated discounted future cash flows and sales price less cost to sell. When such amounts are less than the carrying amount of the asset, a write-down to estimated recoverable amount is recorded.

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

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

Intangible assets are amortized over the expected economic useful life, mainly on a straight-line basis.

Assets retirement obligation
Telenor has contractual obligations to remove assets at the termination of lease contracts or when Telenor decide to leave a location within fixed telephone, mobile telephone or TV-distribution. The amounts of the obligations to be paid in the future are highly uncertain and depend on a series of assumptions such as the following: technological development, economical and regulatory issues, whether lessor will require the installation removed and if a third party will take over the obligations on acquisition of assets. In most situations, the timing of the asset retirement, if any, will be a long way into the future and result in significant uncertainty whether the obligation will actually be paid. Assets retirement obligations are therefore limited to known and planned removals within a reasonable timeframe.

Options and employee stock ownership program
For options that have an intrinsic value when they are granted a compensation expense is recognised over the estimated option period. Options with no intrinsic value as of grant date are not expensed. Social security tax on options is recorded over the estimated option period. Discounts in the employee stock ownership program has been recorded as salaries and personnel costs when the discount is given or when bonus shares are issued. Payments from employees for shares which are issued by Telenor ASA under the option plan or the employee stock ownership program are recorded as an increase in shareholders equity. Payments from employees for shares which are issued under the subsidiaries option plans are recorded as an increase in minority interests.

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

Actual results could differ from those estimates.

Changes in classification
In 2003, a reclassification of software in administrative support systems from tangible assets to intangible assets was made. NOK 1,737million in book value as of 31 December 2002, NOK 648 million in amortization and NOK 101 million in write-downs for 2002 and NOK 403 million in amortization for 2001 was reclassified. These changes affected mainly our Mobile and Fixed business areas.

In 2001, some adjustments related to gross/net reporting of revenues and expenses were made. The changes had no material effect on the financial statements. The adjustments were mainly related to accounting for dealer commissions for prepaid cards and for content services. Dealer commissions are now recorded as an expense instead of a reduction of revenue. Commissions are expensed as incurred. Revenues and related other operating expenses were increased with NOK 204 million for 2001. In addition, accrued expenses of NOK 42 million were expensed in 2001 related to this change. This change affected our Mobile business area.

Payment for content sold on behalf of external content providers has been recorded as a reduction in revenues from 2001. Previously, this was recorded gross as revenues and expenses, respectively. Revenues and related costs of materials were decreased with NOK 332 million for 2001. These changes affected our Mobile and Fixed business areas.

Implementation of International Financial Reporting Standards (IFRS)
The European Union (EU) have decided that listed companies within the EU will have to use International Financial Reporting Standards (IFRS) in the consolidated financial statements as of 1 January 2005. Due to the agreement with the European Economic Association, this also applies to Norwegian listed companies.

Telenor expects that the first reporting according to IFRS will be the first quarter of 2005 with comparable figures for 2004. Telenor has made a preliminary evaluation of the potential differences between the current accounting principles for Telenor and the accounting principles in accordance with IFRS. Because not all accounting principles according to IFRS and the rules for first time implementation of IFRS are finalized yet, other material differences may occur beside those mentioned below.

The implementation of IFRS may affect:

- Accounting for acquired goodwill.
- Accounting for tangible and intangible assets including depreciation and amortization and asset removal obligations.
- Accounting for financial investments, liabilities and derivatives including hedge accounting.
- Accounting for pensions.
- Accounting for share based payments
- Accounting for dividends – dividends are not recorded as deduction to equity before it is declared.
- Accounting for translation adjustments.
- Accounting for taxes.

In addition, presentation and note disclosures may be affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1. ACQUISITIONS AND DISPOSALS

During the three years ended 31 December 2003, Telenor entered into the following significant acquisitions and disposals. Each acquisition was recorded using the purchase method of accounting. The summary does not include capital increases or other types of financing by Telenor.

Significant acquisitions in 2003

in NOK millions Company	Country	Change in interest %	Business	Purchase price	Net excess value	Amortization period
Golden Telecom Inc [4]	Russia	20.4	Telecommunication	1,378	850 [1] [2]	5–20 years [2]
APR Media Holding AS [5]	Norway	44.8	TV-distribution	402	74 [1] [2]	5–15 years [2]
GrameenPhone	Bangladesh	4.6	Mobil Communication	86	39 [3]	10 years
OJSC Comincom/Combellga [4]	Russia	25.0	Telecommunication	217	30 [3]	18 years

[1] Net excess value is included in the book value of associated companies and joint ventures.
[2] Preliminary evaluations and allocations.
[3] Partially recorded directly to equity.
[4] In 2003 Comincom/Combellga became a wholly-owned subsidiary and later in 2003 Telenor sold its ownership interests in exchange for shares in Golden Telecom Inc.
[5] The ownership interest in APR Media Holding AS was acquired by exchange of Telenor's shareholding in A-Pressen ASA.

Acquisition of Sonofon Holding A/S in 2004
On 12 February 2004, Telenor acquired an additional 46,5% of the outstanding common shares in Sonofon Holding A/S. After completion of the acquisition, Telenor owns 100% of the outstanding common shares and the result of operations will be included in the consolidated financial statements from that date. Sonofon Holding A/S is one of the leading mobile operators in Denmark and offers high quality GSM voice and data communication services on 900 and 1800 MHz frequency in addition to fixed line telephony and Internet access primarily to the business segment. This acquisition is part of Telenor's strategy to gain control of operations to take advantage of synergies stemming from coordinated activities in a number of markets. The aggregate purchase price was approximately NOK 3.66 billion and was paid in cash. The value was set based on a fair value after negotiations between the parties. The allocation of the purchase price has been based on independent financial experts' estimates of the fair values of assets and liabilities acquired.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the dates of consolidation [1]:

in NOK millions	Sonofon12 February 2004
Deferred tax assets	-
Goodwill	5,660
Other intangible assets	4,358
Tangible assets and financial fixed assets	2,447
Current assets	1,187
Total assets	**13,652**
Deferred taxes	1,090
Long-term liabilities	3,072
Short-term liabilities	1,831
Total liabilities	**5,993**
Minority interest	-
Net assets at the date of consolidation	**7,660**
Book value as an associated company at the date of consolidation	(3,999)
Purchase price last acquisition	**3,661**

[1] These figures include consideration for the last acquisitions and the carrying value for the prior investment, when the company was accounted for as an associated company.

Total other intangible assets of Sonofon Holding A/S were NOK 4,358 million at the date of consolidation, of which NOK 1,398 million relates to identified intangible assets in Telenor's latest acquisition. Of this amount NOK 706 million was assigned to customer relationship (4 years average useful life) and NOK 373 million was assigned to trademarks (15 years average useful life) NOK 22 million to licenses (8 years average useful life) and NOK 297 million in administrative software systems (5 years average useful life).

Goodwill of NOK 5,660 million relates to the Mobile Business Area. Of this NOK 2,929 million relates to Telenor's latest acquisition and is estimated to have a useful life of 20 years. Goodwill on prior acquisitions is amortized according to original plan.

Significant disposals 2003
Telenor sold the shares in Comincom/Combellga in exchange for shares in the listed Russian fixed-line operator Golden Telecom Inc. A loss of NOK 26 million before taxes was recorded.

Telenor sold 9% of its shares in Cosmote and recorded a gain before taxes of NOK 1,515 million. The cash consideration was NOK 2.1 billion.

Significant Acquisitions in 2002:

in NOK millions Company	Country	Change in interest %	Business	Purchase price	Net excess value	Amortization period
Pannon GSM RT.	Hungary	74.2	Mobile Communication	7,906	7,741	5–20 years
Canal Digital	Norway [5]	50.0	TV-distribution	2,166	2,244	5–15 years
Kyivstar G.S.M. JSC [6]	Ukraine	8.8	Mobile Communication	294	1,005 [7]	5–20 years
COMSAT Mobile Comunications [2]	USA	100.0	Satellite Mobile Communications	743	22	10 years
Utfors AB [1) 4]	Sweden	90.0	Telecommunication	153	(351)	18 years
Glocalnet AB [4]	Sweden	37.2	Telecommunication	102	50 [3]	10 years
VimpelCom-Region	Russia	17.5	Mobile Communication	432	-	-

[1] Telenor holds convertible loans, which may increase the ownership share up to 96%. Net excess value is recorded as negative goodwill.
[2] Asset purchase agreement.
[3] Net excess value is included in the book value of associated companies and joint ventures.
[4] Preliminary evaluations and allocations.
[5] The parent company is Norwegian. Canal Digital Group conducts business in the Nordic region via subsidiaries.
[6] Telenor has an option to acquire a further 2.3% of the share capital.
[7] Includes minority share of NOK 533 million.

Acquisition of Pannon GSM, Kyivstar and Canal Digital in 2002
On February 4, 2002, Telenor acquired an additional 74.2% of the outstanding common shares in Pannon GSM. After completion of the acquisition, Telenor owns 100% of the outstanding common shares and the result of Pannon GSM operations have been included in the consolidated financial statements from that date. Pannon GSM is one of the leading mobile operators in Hungary and offers high quality GSM voice and data communication services on 900 and 1800 MHz frequency. This acquisition is part of Telenor's strategy to gain control of operations to take advantage of synergies stemming from coordinated activities in a number of markets. The aggregate purchase price was approximately NOK 8 billion and was paid in cash. The value was set based on a fair value after negotiations between the parties. The allocation of the purchase price has been based on independent financial experts estimates of the fair values of assets and liabilities acquired.

On 30 June 2002, Telenor acquired an additional 50% of the outstanding common shares in Canal Digital. After completion of the acquisition, Telenor owns 100% of the outstanding common shares and the result of Canal Digital operations have been included in the consolidated financial statements from that date. As a result of the transfer of risk for the company’s operating results at the time of entering into the agreement in June 2001, 50% of the Canal Digital’s loss, amortization of net excess values and calculated financing expenses in the period between agreement and consolidation has been recorded directly against the shareholders’ equity in 2002. Canal Digital distributes subscription based satellite broadcasting to households based on smart cards and to cable-TV operators. Furthermore, the company delivers solutions for distribution and management. The aggregate purchase price was approximately NOK 2.2 billion and was paid in cash. This acquisition is part of Telenor's strategy to gain control of operations to take advantage of synergies stemming from coordinated activities in a number of markets. The value was set based on a fair value after negotiations between the parties. The allocation of the purchase price has been based on independent financial experts estimates of the fair values of assets and liabilities acquired.

In 2002, Telenor acquired an additional 8.8% of the outstanding common shares in Kyivstar. After completion of the acquisition, Telenor owns 54.2% of the outstanding common shares and the result of Kyivstar operations have been included in the consolidated financial statements from 1 September 2002. Telenor has an option to acquire a further 2.3% of the share capital. Kyivstar is a leading mobile operator in the Ukraine and offers high quality GSM voice and data communication services on 900 and 1800 MHz frequency. This acquisition is part of Telenor's strategy to gain control of operations to take advantage of synergies stemming from coordinated activities in a number of markets. The aggregate purchase price was approximately NOK 0.3 billion and was paid in cash. The value was set based on a fair value after negotiations between the parties. The allocation of the purchase price has been based on independent financial experts estimates of the fair values of assets and liabilities acquired.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the dates of consolidation [1]:

in NOK millions	Pannon GSM 4 February 2002	Canal Digital 30 June 2002	Kyivstar 1 September 2002
Deferred tax assets	–	128	31
Goodwill	5,613	1,988	371
Other intangible assets	2,626	298	956
Tangible assets and financial fixed assets	2,517	636	1,644
Current assets	1,102	520	271
Total assets	**11,858**	**3,570**	**3,273**
Deferred taxes	308	63	153
Long-term liabilities	1,793	653	740
Short-term liabilities	1,121	981	840
Total liabilities	**3,222**	**1,697**	**1,733**
Minority interest	–	–	671
Net assets at the date of consolidation	**8,636**	**1,873**	**869**
Book value as an associated company at the date of consolidation	(730)	(365)	(575)
Recorded directly against equity	–	658	–
Purchase price last acquisition	**7,906**	**2,166**	**294**

[1] These figures include consideration for the last acquisitions and the carrying values for the prior investments, when the companies were accounted for as associated companies.

Total other intangible assets of Pannon GSM were NOK 2,626 million at the date of consolidation, of which NOK 2,128 million relates to identified intangible assets in Telenor's latest acquisition. Of this amount NOK 1,727 million was assigned to customer relationship (5 years average useful life) and NOK 275 million was assigned to trademarks (10 years average useful life) and NOK 126 million to licenses (6—12 years average useful life).

Goodwill of NOK 5,613 million relates to the Mobile Business Area with a useful life of 20 years. Goodwill on prior acquisitions is amortized according to original plan.

Total other intangible assets of Canal Digital were NOK 298 million at the date of consolidation, of which NOK 227 million relates to identified intangible assets in Telenor's latest acquisition. Of this amount NOK 111 million was assigned to customer relationship (5 years average useful life) and NOK 116 million was assigned to trademarks (15 years average useful life).

Goodwill of NOK 1,988 million relates to the Plus Business Area with a useful life of 15 years. Goodwill on prior acquisitions is amortized according to original plan.

Total other intangible assets of Kyivstar were NOK 956 million at the date of consolidation, of which NOK 635 million relates to identified intangible assets in Telenor's latest acquisition. Of this amount NOK 522 million was assigned to customer relationship (5 years average useful life) and NOK 48 million was assigned to licenses (9 years average useful life) and NOK 65 million was assigned to trademarks (10 years average useful life).

Goodwill of NOK 371 million relates to the Mobile Business Area with a useful life of 20 years. Goodwill on prior acquisitions is amortized according to original plan.

Pro forma information (unaudited)
The following unaudited pro forma financial information presents results as if the acquisition of Pannon GSM, Kyivstar, Canal Digital, COMSAT and Utfors had occurred at the beginning of the respective periods:

in NOK millions, except per share data	2002	2001
Pro forma revenues	52,023	53,999
Profit before taxes and minority interests	(5,693)	8,322
Pro forma net income	(4,854)	5,487
Pro forma net income per share in NOK	(2.74)	3.10

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

Significant Disposals in 2002
There were no significant disposals in 2002.

Significant Acquisitions in 2001

in NOK millions Company	Country	Change in interest %	Business	Purchase price	Net excess value	Amortization period
DiGi.Com bhd	Malaysia	28.1	Mobile Communication	3,223	3,003	3–20 years
VimpelCom	Russia	[1]	Mobile Communication	255	-	-
Otrum Electronics ASA	Norway	33.1	TV-distribution	266	91 [2]	10 years
Sweden On-Line AB	Sweden	100.0	TV-distribution	165	130	10 years
Telenordia AB	Sweden	50.0	Telecommunication	130	115	0.5–1 year
SAIT Communications S.A	Belgium	100.0	Satellite Mobile Communications	189	180	10 years
DnB IT-operations	Norway	100.0	Operation services	597	390	7 years
Unigrid AB	Sweden	100.0	Operation services	122	97	10 years
Accept Data AS	Norway	100.0	Information technology	65	56	10 years
Wireless Matrix Corporation	Canada	30.8	Mobile Communication	317	225 [2]	3 years

[1] Telenor reduced its ownership share through a share issue in VimpelCom, and acquired shares to maintain the voting interest of 25%.
[2] Net excess value is included in the book value of associated companies and joint ventures.

On 1 September 2001, Telenor acquired an additional 28.1% of the outstanding common shares in DiGi.Com. After completion of the acquisition Telenor owns 61% of the outstanding common shares and the results of DiGi.Com operations have been included in the consolidated financial statements since that date. Under current Malaysian law Telenor is required to reduce its ownership interest in DiGi.Com to below 50% by 2006. DiGi.Com is a leading telecommunications service provider in Malaysia with a full range of telecommunications-related services. DiGi.Com is Malaysia's market leader in prepaid services. This acquisition is part of Telenor's strategy to gain control of operations to take advantage of synergies stemming from coordinated activities in a number of markets. The aggregate purchase price was NOK 3.2 billion and was paid in cash. The value was set based on the stock price through a partial tender offer.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the dates of consolidation [1]:

in NOK millions	DiGi.Com 1 September 2001
Goodwill	3,835
Other intangible assets	773
Tangible assets and financial assets	4,271
Current assets	794
Total assets	**9,673**
Long-term liabilities	1,727
Short-term liabilities	968
Total liabilities	**2,695**
Minority interests	1,316
Net assets at the date of consolidation	**5,662**

[1] These figures include consideration for the last acquisition and the carrying value for the prior investment, when the company was accounted for as an associated company.

Total intangible assets of DiGi.Com was NOK 773 million at the date of consolidation, of which NOK 668 million relates to identified intangible assets in Telenor's latest acquisition. Of this amount NOK 302 million was assigned to customer relationship (3–5 years average useful life), NOK 199 million was assigned to licenses (15 years average useful life) and NOK 167 million was assigned to trademarks (10–20 years average useful life).

Goodwill of NOK 3,835 million relates to the Mobile Business Area with a useful life of 20 years.

Pro forma information (unaudited)

The following unaudited pro forma financial information presents results as if the acquisition of DiGi.Com had occurred at the beginning of 2001:

in NOK millions, except per share data	2001
Pro forma revenues	47,678
Profit before taxes and minority interests	10,122
Pro forma net income	6,922
Pro forma net income per share in NOK	3.905

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

Significant Disposals in 2001

In January 2001, Telenor sold Norcom Networks Communications Inc. in exchange for shares in the listed company Wireless Matrix Corporation. A gain of NOK 259 million before taxes was recorded.

In January 2001, Telenor sold its 10% ownership interest in VIAG Interkom and recorded a gain before taxes of NOK 10.7 billion. The cash consideration was NOK 20.7 billion.

In April 2001, Telenor sold its 49.5% ownership interest in Esat Digifone and recorded a gain before taxes of NOK 10.7 billion. The cash consideration was NOK 11.4 billion.

Telenor sold the business area Telenor Media with effect from 1 October 2001. A gain of NOK 5.0 billion before taxes was recorded. The cash consideration was NOK 5.8 billion. The disposal was in line with the strategy to dispose of non-core business.

Set forth below is the split between the continued and the discontinued operations of Telenor Media:

in NOK millions, except per share data	2001
Net income for Telenor Media	187
Gain on sale of Telenor Media	5,000
Tax on gain on sale of Telenor Media	(72)
Effect on net income of discontinued operations	5,115
Net income for Telenor Group	7,079
Net income from continued operations (excluding Telenor Media)	1,964
Net income per share in NOK from discontinued operations (Telenor Media)	2.89
Net income per share in NOK from continued operations (excluding Telenor Media)	1.11

2. REVENUES

in NOK millions	2003	2002	2001
Analog (PSTN)/digital (ISDN and ADSL)	15,031	14,189	13,668
Mobile telephony	20,823	17,199	9,531
Leased lines	994	1,008	1,065
Satellite and TV-distribution	6,758	5,903	3,879
Other network based activities	3,324	2,784	2,633
Customer equipment	1,146	1,528	2,165
IT service and installations	3,527	4,626	5,009
Advertising, etc.	-	-	1,266
Other	1,286	1,431	1,388
Revenues	**52,889**	**48,668**	**40,604**
Gain on disposal of fixed assets and operations	232	158	5,436
Total revenues	**53,121**	**48,826**	**46,040**

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

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

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

Satellite includes revenues from satellite broadcasting, distribution of TV channels to the Nordic market, satellite-based network, and revenues from maritime satellite communication. TV-distribution includes revenues from subscription, connection and distribution of TV channels through cable and satellite, and sale of program cards.

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

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

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

Advertising, etc. includes sale of advertising related to directory activities and sales of directories, etc, mainly through our subsidiary Telenor Media, which we sold as of 1 October 2001.

Other includes revenues from contracting, rent etc.

3. KEY FIGURES BUSINESS AREAS

As of 1 January 2003 the business area structure was changed. Fixed consists of the former business area Networks and parts of the operations in the former business area Business Solutions, and IT-operations from Corporate functions and Group activities and the Internet part of the former business area Plus. The broadcast part of the former business area Plus is reported as Broadcast. Nextra International and the software services part of the former business area Business Solutions is included in Other businesses units. Mobile is unchanged. The comparable figures for previous years are restated to reflect the new business area structure.

Mobile comprises the Group's mobile communication business, including voice, data, Internet, content services and electronic commerce in Norway and in selected countries outside Norway. *Fixed* comprises the Group's fixed network in Norway and delivers services including analog PSTN, digital ISDN, ADSL, Internet and leased lines, as well as communication solutions and managed services to the business market in Norway, and has activity in selected countries outside of Norway. *Broadcast* comprises the Group's TV-based activities within the Nordic region *EDB Business Partner* is an Oslo Stock Exchange listed IT group, which delivers solutions and operating services. *Other Business units* comprised business units as Satellite Services, Satellite Networks, Teleservice, Venture, Software services as well as Nextra International whose activities were phased out during 2003. *Corporate functions and Group activities* comprise activities such as Real Estate, Research and Development, strategic Group projects, Group Treasury, International services, the internal insurance company and central staff and support functions. Telenor Media was sold with effect from 1 October 2001.

The business area information reported below for 2003, 2002 and 2001 was consistent with reporting to the chief operating decision-makers in these periods, considered changes in the structure of the business areas in 2003, and was used by the chief operating decision-makers for assessing performance and allocating resources.

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

Gains and losses from Internal transfer of business, Group contribution and dividends are not included in the profit and loss statements for the business areas. Eliminations of profit and loss items are primarily sales and purchases between the business areas. Balance sheet eliminations are primarily Group internal receivables and payables.

Profit and loss 2003

in NOK millions	Revenues [1]	External revenues [1]	EBITDA [2]	Depreciation, amortization and write-downs	Operating profit (loss)	Associated companies and joint ventures	Net financial items	Profit (loss) before taxes and minority interests
Mobile	23,810	22,483	9,567	4,343	5,224	1,639	(2,182)	4,681
Fixed	20,509	18,796	6,665	4,134	2,531	8	(736)	1,803
Broadcast	4,820	4,661	1,229	1,048	181	(84)	(909)	(812)
EDB Business Partner	4,289	3,229	399	403	(4)	(13)	(71)	(88)
Other business units	4,205	3,590	408	528	(120)	(318)	(314)	(752)
Corporate functions and Group activities	2,317	362	23	387	(364)	(2)	2,846	2,480
Elimination	(6,829)	–	11	(101)	112	1	1	114
Total	**53,121**	**53,121**	**18,302**	**10,742**	**7,560**	**1,231**	**(1,365)**	**7,426**

[1] Revenues include gains on disposal of fixed assets and operations.
[2] See table below for definition and reconciliation of EBITDA.

Definition and reconciliation of EBITDA

in NOK millions	2003	2002	2001
Net income (loss)	**4,560**	**(4,298)**	**7,079**
Minority interests	490	(358)	(721)
Taxes	2,376	(480)	3,897
Profit (loss) before taxes and minority interests	**7,426**	**(5,136)**	**10,255**
Net financial items	1,365	2,366	1,159
Associated companies	(1,231)	2,450	(8,237)
Operating profit (loss)	**7,560**	**(320)**	**3,177**
Depreciation and amortization	10,597	10,236	7,251
Write-downs	145	3,553	3,822
EBITDA	**18,302**	**13,469**	**14,250**

Balance and investments at 31 December 2003

in NOK millions	Other fixed assets	Associated companies	Current assets	Total assets	Long-term liabilities incl. provisions	Short-term liabilities	Invest-ments
Mobile	37,883	8,064	12,151	58,098	38,542	12,828	3,762
Fixed	13,761	1,451	8,595	23,807	10,571	8,556	2,161
Broadcast	6,268	514	3,278	10,060	8,503	2,530	266
EDB Business Partner	2,326	–	995	3,321	790	926	305
Other business units	2,644	18	2,528	5,190	2,891	1,479	263
Corporate functions and Group activities	64,081	–	12,170	76,251	19,782	27,944	346
Elimination	(68,783)	119	(21,953)	(90,617)	(53,304)	(36,811)	(86)
Total	**58,180**	**10,166**	**17,764**	**86,110**	**27,775**	**17,452**	**7,017**

Profit and loss 2002

in NOK millions	Revenues [1]	External revenues [1]	EBITDA [2]	Depreciation, amortization and write-downs	Operating profit (loss)	Associated companies and joint ventures	Net financial items	Profit (loss) before taxes and minority interests
Mobile	20,346	19,079	7,482	6,068	1,414	(2,030)	(2,050)	(2,666)
Fixed	20,022	18,352	5,597	4,866	731	(5)	(297)	429
Broadcast	3,605	3,364	499	974	(475)	(264)	(812)	(1,551)
EDB Business Partner	4,341	3,386	348	757	(409)	(5)	(86)	(500)
Other business units	5,040	4,255	178	914	(736)	(132)	(943)	(1,811)
Corporate functions and Group activities	2,259	390	(569)	362	(931)	(1)	1,929	997
Elimination	(6,787)	–	(66)	(152)	86	(13)	(107)	34
Total	**48,826**	**48,826**	**13,469**	**13,789**	**(320)**	**(2,450)**	**(2,366)**	**(5,136)**

[1] Revenues include gains on disposal of fixed assets and operations.
[2] See table above for definition and reconciliation of EBITDA.

Balance and investments at 31 December 2002

in NOK millions	Other fixed assets	Associated companies	Current assets	Total assets	Long-term liabilities incl. provisions	Short-term liabilities	Invest-ments
Mobile	36,644	8,532	8,833	54,009	36,846	23,377	12,625
Fixed	16,647	112	8,277	25,036	12,789	10,790	3,530
Broadcast	7,448	608	3,321	11,377	11,379	2,203	2,769
EDB Business Partner	2,433	17	1,495	3,945	921	1,358	255
Other business units	4,092	210	3,166	7,468	5,000	2,026	1,072
Corporate functions and Group activities	70,326	1	20,033	90,360	22,498	25,117	1,120
Elimination	(72,917)	9	(29,829)	(102,737)	(58,979)	(43,155)	(71)
Total	**64,673**	**9,489**	**15,296**	**89,458**	**30,454**	**21,716**	**21,300**

Profit and loss 2001

in NOK millions	Revenues [1]	External revenues [1]	EBITDA [2]	Depreciation, amortization and write-downs	Operating profit (loss)	Associated companies and joint ventures	Net financial items	Profit (loss) before taxes and minority interests
Mobile	12,558	11,260	4,067	1,572	2,495	9,677	(496)	11,676
Fixed	19,691	17,824	5,546	4,511	1,035	(874)	(319)	(158)
Broadcast	2,626	2,420	344	1,070	(726)	(546)	(397)	(1,669)
EDB Business Partner	4,811	3,353	447	1,655	(1,208)	130	(94)	(1,172)
Media	1,343	1,263	313	51	262	(12)	21	271
Other business units	5,719	4,528	(718)	1,925	(2,643)	(107)	(551)	(3,301)
Corporate functions and Group activities	7,259	5,396	4,494	316	4,178	(6)	691	4,863
Elimination	(7,967)	(4)	(243)	(27)	(216)	(25)	(14)	(255)
Total	**46,040**	**46,040**	**14,250**	**11,073**	**3,177**	**8,237**	**(1,159)**	**10,255**

[1] Revenues include gains on disposal of fixed assets and operations.
[2] See table above for definition and reconciliation of EBITDA.

Geographic distribution of revenues based on customer location [1]

in NOK millions	2003	2002	2001
Norway	31,206	31,044	36,555
Other Nordic	4,699	3,298	2,235
Western Europe	1,343	1,588	2,061
Central Europe	5,998	5,348	800
Eastern Europe	3,551	1,619	828
Asia	4,906	4,409	2,346
Other countries	1,418	1,520	1,215
Total revenues	**53,121**	**48,826**	**46,040**

Geographic distribution of revenues based on company location [1]

in NOK millions	2003	2002	2001
Norway	33,589	33,224	39,453
Other Nordic	4,032	2,492	878
Western Europe	923	1,580	2,144
Central Europe	5,720	4,966	505
Eastern Europe	3,378	1,427	705
Asia	4,706	4,295	2,088
Other countries	773	842	267
Total revenues	**53,121**	**48,826**	**46,040**

[1] Revenues include gains on disposal of fixed assets and operations. Gain on disposal of foreign subsidiaries is recorded as relating to the country in which the subsidiary was located.

Assets by geographical location of the company

	Tangible assets		Total assets	
in NOK millions	2003	2002	2003	2002
Norway	23,167	26,365	31,849	33,290
Other Nordic	1,361	1,495	8,524	7,509
Western Europe	67	164	13,190	13,997
Central Europe	2,817	2,881	12,635	13,827
Eastern Europe	2,137	2,363	7,668	6,646
Asia	5,828	5,584	11,342	13,184
Other countries	345	413	902	1,005
Total assets	**35,722**	**39,265**	**86,110**	**89,458**

4. COSTS OF MATERIALS AND TRAFFIC CHARGES

in NOK millions	2003	2002	2001
Traffic charges – network capacity	7,183	6,463	4,853
Traffic charges – satellite capacity	1,343	1,527	1,190
Costs of materials etc.	4,568	4,495	4,161
Total costs of materials and traffic charges	**13,094**	**12,485**	**10,204**

5. OWN WORK CAPITALIZED

in NOK millions	2003	2002	2001
Costs of materials etc.	25	29	220
Salaries and personnel costs	301	303	396
Other operating expenses	245	235	386
Total own work capitalized	**571**	**567**	**1,002**

6. SALARIES AND PERSONNEL COSTS

in NOK millions	2003	2002	2001
Salaries and holiday pay	7,248	7,659	7,897
Social security tax	1,151	1,168	1,132
Pension costs including social security tax	760	789	591
Other personnel costs	402	488	508
Total salaries and personnel costs	**9,561**	**10,104**	**10,128**

The average number of employees was 21,750 in 2003, 23,000 in 2002, and 22,400 in 2001.

7. PENSION OBLIGATIONS

Telenor provides defined benefit pension plans for substantially all employees in Norway. In addition, the Norwegian government provides social security payments to all retired Norwegian citizens. Such payments are calculated by reference to a base amount annually approved by the Norwegian parliament. Benefits are determined based on the employee's length of service and compensation. The cost of pension benefit plans is expensed over the period which the employee renders services and becomes eligible to receive benefits.

12,904 of the Group's employees were covered through Telenor Pension Fund as of 31 December 2003. The Group has a few group pension schemes with independent insurance companies and a separate pension plan for executive employees. Plan assets consisting primarily of bonds and shares fund these pension plans. For employees outside of Norway, contribution plans are dominant.

Telenor has two early retirement pensions plans. The agreement-based early retirement plan (AFP) was established in 1997. Under this scheme employees may retire upon reaching the age of 62 years or later. The other plan is an early retirement plan that was offered to the employees within established criteria until the end of 1996. Telenor ASA covers the cost of early retirement. The present value of the estimated pension obligation is included in the calculation of the pension obligation presented below. This early retirement plan does not have any plan assets.

Actuarial gains and losses are mainly due to changes in assumptions in 2003 and in 1999, primarily reduction in the discount rate, as well as lower actual return on plan assets than estimated, due to the reduction in share prices earlier years, partially offset by higher return on plan assets in 2003. In 2003 the long-term interest rates in Norway were reduced, which led to a reduction in the discount rate to 5.7% as of 31 December 2003 compared to 6.5% as of 31 December 2002.

The plan assets are measured at 31 December 2003. The benefit obligations are measured at 30 September 2003 adjusted for best estimate of the financial assumptions at 31 December 2003.

in NOK millions	2003	2002
Change in benefit obligation		
Benefit obligation at the beginning of the year	3,929	3,335
Service cost	455	543
Interest cost	252	218
Actuarial gains and losses	463	40
Acquisitions and sale	(21)	5
Benefits paid	(343)	(212)
Benefit obligations at the end of the year	**4,735**	**3,929**
Change in plan assets		
Fair value of plan assets at the beginning of the year	2,759	2,400
Actual return on plan assets	409	(38)
Acquisitions and sale	(17)	8
Pension contribution	454	531
Benefits paid	(317)	(142)
Fair value of plan assets at the end of the year	**3,288**	**2,759**
Funded status	**1,447**	**1,170**
Unrecognized prior service costs	(137)	(154)
Unrecognized net actuarial losses	(1,016)	(852)
Prepaid social security tax	44	27
Total provision for pensions	**338**	**191**
Total provision for pensions at 01.01	**191**	**64**
Acquisitions and sale	(2)	63
Net periodic benefit costs	698	737
Pension contribution	(454)	(531)
Benefits paid	(26)	(70)
Social security tax on pension contribution and benefits paid	(69)	(74)
Total provision for pensions at 31.12. (Note 19)	**338**	**191**

The accumulated benefit obligation for all defined benefit pension plans was 3,731 NOK and 2,984 NOK at 31 December, 2003 and 2002 respectively.

Information for pension plans with an accumulated benefit obligation in excess of plan assets

in NOK millions	2003	2002
Projected benefit obligation	4,281	3,387
Accumulated benefit obligation	3,367	2,585
Fair value of plan assets	2,872	2,307

Assumptions used to determine benefit obligations at 31 December

	2003	2002
Discount rate in %	5.7	6.5
Rate of compensation increase in %	3.4	3.5
Expected increase in the social security base amount in %	3.4	3.0
Annual adjustments to pensions in %	3.4	3.0

Assumptions used to determine net periodic benefit costs for years ended 31 December

	2003	2002	2001
Discount rate in %	6.5	6.5	6.5
Expected return on plan assets in %	7.5	7.5	7.5
Rate of compensation increase in %	3.5	3.5	3.5
Expected increase in the social security base amount in %	3.0	3.0	3.0
Annual adjustments in pensions in %	3.0	3.0	3.0

Components of net periodic benefit cost

in NOK millions	2003	2002	2001
Service cost	455	543	435
Interest cost	252	218	186
Expected return on plan assets	(204)	(185)	(164)
Amortization of prior service costs	11	14	23
Amortization of actuarial gains and losses	100	57	16
Social security tax	84	90	68
Net periodic benefit costs	**698**	**737**	**564**
Contribution plan costs	62	52	27
Total pension costs charged to profit (loss) for the year	**760**	**789**	**591**

Telenor's pension plan weighted average asset allocations at 31 December 2003 and 2002, by asset category were as follows:

Asset category

	2003	2002
Bonds	72%	79%
Equity securities	25%	16%
Other	3%	5%
Total	**100%**	**100%**

The plan assets are invested in bonds issued by governments, municipals, financial institutions and corporations. Bonds held in foreign currencies are mainly currency hedged. Investments in equity securities are restricted to a maximum of 35% of the plan assets. The plan assets are invested both in Norwegian and foreign equity securities. The currency hedging policy for foreign equity securities is evaluated per investment.

The expected long-term return on plan assets as of 31 December 2003 was 6.1%. Expected return on plan assets are calculated based on the estimated 20-year Norwegian government bond yield at 31 December 2003, adjusted for a credit spread to high quality corporate bonds and an expected long-term yield on equity securities above government bonds, weighted by the expected long-term allocations between government bonds, corporate bonds and equity securities. The calculations of the expected long-term yield on equity securities above government bonds are based on historical long-term yield.

Telenor expects to contribute with approximately NOK 570 million to the pension funds in 2004.

In 2003, some of Telenor's Swedish subsidiaries, mainly Telenor AB (including Utfors AB), changed their pension plan to a multiemployer plan. The plan is currently accounted for as a defined contribution plan.

8. OTHER OPERATING EXPENSES

in NOK millions	2003	2002	2001
Cost of premises, vehicles, office equipment etc.	1,876	2,196	2,267
Operation and maintenance	3,477	3,418	2,673
Travel and travel allowances	474	560	750
Postage freight, distribution and telecommunication	281	327	343
Concession fees	505	425	130
Marketing and sales commission	2,583	2,069	1,787
Advertising	1,187	916	598
Bad debt [1]	209	337	362
Consultancy fees and external personnel [2]	1,298	1,394	2,246
Workforce reductions, loss contracts and exit from activities [3]	287	982	625
Other	329	564	616
Total other operating expenses	**12,506**	**13,188**	**12,397**

[1] See note 9.

[2] Includes fees for consultants and external personnel, which perform services that are sold to external customers or capitalized on fixed assets.

[3] See note 11.

9. BAD DEBT

in NOK millions	2003	2002	2001
Provisions as of 1 January	643	543	462
Provisions as of 31 December	592	643	543
Change in provisions for bad debt	**(51)**	**100**	**81**
Other changes in provisions for bad debt [1]	36	(119)	60
Realized losses for the year	309	418	264
Recovered amounts previously written off	(85)	(62)	(43)
Total bad debt	**209**	**337**	**362**

[1] Includes effects of disposal and acquisition of businesses and translation adjustments.

10. RESEARCH AND DEVELOPMENT COSTS

Research and development costs amounted to NOK 461 million, NOK 531 million and NOK 916 million for 2003, 2002 and 2001, respectively. Research and development activities relate to new technologies, new products, security in the network and new usages of the existing network. It is expected that research and development costs will create future profitability.

11. WORKFORCE REDUCTIONS, LOSS CONTRACTS AND EXIT FROM ACTIVITIES

In 2003, 2002 and 2001, provisions were made for workforce reduction, loss contracts and exit from activities. Loss contracts relate mainly to contractual obligations related to activities that are no longer of use in the ongoing business, loss on delivery contracts and loss on property leases.

The following tables displays roll forward of the accruals from 31 December 2000:

in NOK millions	31.12.2000 balance	2001 additions in profit and loss	2001 additions recorded directly in balance	2001 amount utilized	2001 amounts taken to income	31.12.2001 balance
Workforce reductions						
Mobile	–	12	–	–	–	12
Fixed	–	35	–	–	–	35
EDB	–	38	–	–	–	38
Other business units	–	60	–	33	–	27
Total workforce reductions	**–**	**145**	**–**	**33**	**–**	**112**
Loss contracts and exit from activities						
Mobile	47	–	–	39	–	8
Fixed	–	22	–	–	–	22
Boadcast	–	49	–	22	–	27
EDB	6	132	42	55	–	125
Other business units	5	203	–	83	–	125
Corporate functions and group activities	–	74	–	4	–	70
Total loss contracts and exit from activities	**58**	**480**	**42**	**176**	**–**	**377**
Total	**58**	**625**	**42**	**236**	**–**	**489**

in NOK millions	31.12.2001 balance	2002 additions in profit and loss	2002 additions recorded directly in balance	2002 amount utilized	2002 amounts taken to income	31.12.2002 balance
Workforce reductions						
Mobile	12	120	–	21	–	111
Fixed	35	275	22	56	1	275
Broadcast	–	46	–	2	–	44
EDB	38	105	–	80	–	63
Other business units	27	88	–	27	–	88
Corporate functions and group activities	–	82	–	–	–	82
Total workforce reductions	**112**	**716**	**22**	**186**	**1**	**663**
Loss contracts and exit from activities						
Mobile	8	–	–	8	–	–
Fixed	22	37	39	36	–	62
Broadcast	27	19	–	12	–	34
EDB	125	6	–	94	–	37
Other business units	125	7	–	40	39	53
Corporate functions, group activities and eliminations	70	237	–	57	–	250
Total loss contracts and exit from activities	**377**	**306**	**39**	**247**	**39**	**436**
Total	**489**	**1,022**	**61**	**433**	**40**	**1,099**

in NOK millions	31.12.2002 balance	2003 additions in profit and loss	2003 additions recorded directly in balance	2003 amount utilized	2003 amounts taken to income	31.12.2003 balance
Workforce reductions						
Mobile	111	–	–	80	21	10
Fixed	275	56	6	175	52	110
Broadcast	44	18	3	43	3	19
EDB	63	91	4	92	4	62
Other business units	88	64	1	105	2	46
Corporate functions and group activities	82	8	–	40	13	37
Total workforce reductions	**663**	**237**	**14**	**535**	**95**	**284**
Loss contracts and exit from activities						
Fixed	62	16	3	48	14	19
Broadcast	34	–	–	13	8	13
EDB	37	138	–	32	2	141
Other business units	53	9	6	35	33	–
Corporate functions, group activities and eliminiations	250	39	7	115	–	181
Total loss contracts and exit from activities	**436**	**202**	**16**	**243**	**57**	**354**
Total	**1,099**	**439**	**30**	**778**	**152**	**638**

Provisions as of 31 December:

in NOK millions	2003	2002
Short-term (note 22)	402	865
Long-term (note 19)	236	234
Total	638	1,099

Additions recorded directly in the balance sheet in 2003 mainly consisted of translations adjustments.
Additions recorded directly in the balance sheet in 2002 and 2001 related to provisions for liabilities in companies which were acquired during these years, as a consequence of events and decisions made in the companies prior to the time of consolidation.

Provisions for workforce reductions as of 31 December 2001 included more than 250 employees, approximately 1,600 employees as of 31 December 2002 and more than 800 employees as of 31 December 2003.

12. FINANCIAL INCOME AND EXPENSES

in NOK millions	2003	2002	2001
Dividends from satellite organizations	–	–	97
Interest income	484	476	740
Other financial income	102	91	60
Total financial income	**586**	**567**	**897**
Interest expenses	(2,033)	(1,901)	(1,638)
Other financial expenses	(45)	(96)	(53)
Capitalized interest	55	164	295
Total financial expenses	**(2,023)**	**(1,833)**	**(1,396)**
Net foreign currency (loss)	**(1)**	**(311)**	**(402)**
Gain on disposal of financial assets	95	59	491
Loss and disposal of financial assets	(91)	(31)	(150)
Write-downs and reversal of write-downs of financial assets	69	(817)	(599)
Net gain (loss) and write-downs of financial assets	**73**	**(789)**	**(258)**
Net financial items	**(1,365)**	**(2,366)**	**(1,159)**

In 2003, the write-downs, which were made in 2002 on the shares in the listed company New Skies Satellites and on the capital contribution to Telenor Pension Fund, were reversed due to increased market values. During 2002 and 2001, write-downs were made on shares and other financial assets, for diminution in values other than temporary. The write-downs were triggered by a fall in market values. Listed shares were written down to the quoted market prices. For non-listed shares, individual estimates of the fair values were made. In 2002, the value of the capital contribution to Telenor Pension Fund was written down to the book value of the equity in the Pension Fund as of 31 December 2002.

13. TAXES

in NOK millions	2003	2002	2001
Profit (loss) before taxes and minority interests			
Norway	3,634	(1,150)	2,683
Outside Norway [1]	3,792	(3,986)	7,572
Total profit (loss) before taxes and minority interests	**7,426**	**(5,136)**	**10,255**
Current taxes			
Norway	11	2,769	1,826
Outside Norway	761	1,478	1,758
Total current taxes	**772**	**4,247**	**3,584**
Deferred taxes			
Norway	916	(4,005)	(555)
Outside Norway	688	(722)	868
Total deferred taxes	**1,604**	**(4,727)**	**313**
Total income tax expense (income)	**2,376**	**(480)**	**3,897**

[1] Includes associated companies and subsidiaries outside Norway. Gains and losses from disposal of companies are related to the countries in which the disposed companies were located. The gains and losses are, however, to a large extent liable to tax in Norway, except the sale of VIAG Interkom in 2001.

Effective tax rate

in NOK millions	2003	2002	2001
Expected income taxes according to statutory tax rate (28%) [1]	2,079	(1,438)	2,871
Net losses from associated companies and subsidiaries outside Norway [2]	347	1,012	1,778
Net non-deductible expenses and (non-taxable income)	108	85	(1,404)
Amortization and write-downs of goodwill	148	850	399
Previous not recognized deferred tax assets	(747)	(725)	(205)
Not recognized tax assets current year	52	73	470
Tax claim related to Sonofon	–	2,409	–
Court case in Greece	(200)	414	–
Liquidation of Telenor Digifone Holding AS	–	(3,227)	–
Deferred taxes on retained earnings in subsidiaries	655	–	76
Other	(66)	67	(88)
Income tax expense (income)	**2,376**	**(480)** [3]	**3,897**
Effective tax rate in %	**32.0**	**N/A** [3]	**38.0**

[1] Norwegian nominal statutory tax rate is 28%.
[2] Includes amortization and write-downs of Telenor's excess values in respect of associated companies.
[3] There was a loss before taxes and minority interests in 2002, and a tax income.

In 2003, Telenor recorded deferred taxes on retained earnings in certain companies outside Norway due to their good financial performance. Telenor now expects to receive dividends from these companies. The effective tax rate in 2003 and previous years was also affected by negative results from certain associated companies and subsidiaries outside Norway and amortization and write-downs of goodwill, on which deferred tax assets have not been recognized. This was partially offset by tax-related losses upon decisions for liquidation and disposal of companies included in the line item "Previous not recognized deferred tax assets". A large portion of the amortization and write-downs of goodwill in EDB Business Partner in 2003 and previous years have reduced taxes.

In 2003, Telenor Eiendom Holding AS realized a tax loss of NOK 2.8 billion in connection with the sale of shares in Telenor Business Solutions AS to Telenor Business Solutions Holding AS as part of the overall restructuring of the Group. Telenor's opinion is that this is a bona fide tax loss and Telenor intends to claim this loss as a regular loss on our tax returns for 2003. Due to the challenge of Telenor's tax return regarding the tax loss in connection with the sale of shares in Sonofon in 2001, discussed below, Telenor did not reflect the tax effect deriving from the sale of shares in Telenor business Solutions AS in the results for 2003. However, we will recognize this tax effect if either the final court decision regarding the Sonofon tax loss is favorable to Telenor, or the Norwegian tax authorities recognize the tax loss following the assessment of Telenor's 2003 tax returns.

In 2002, Telenor realized tax losses on the simultaneous liquidation of Telenor Digifone Holding AS and Nye Telenor Communications I AS. Telenor Digifone Holding AS was the company that realized the sale of shares in Esat Digifone in 2001. The taxable loss was due to a high cost price for tax purposes for the shares owned by Telenor ASA. Furthermore, in 2002 Telenor decided to sell or liquidate some companies on which valuation allowances had been recorded or the related deferred tax assets had not been regcognized in previous years. These effects have been recorded in the reconciliation line item "Previous not recognized deferred tax assets".

During the ordinary tax assessment for 2002, the tax assessment authorities in Norway notified Telenor Communication AS (now Telenor Eiendom Holding AS) that its tax return for the financial year 2001 had not been accepted insofar as the loss deriving from the disposal of the shares in Sonofon Holding A/S was concerned. As a result of this tax claim, the current tax for 2001 was increased by NOK 2.4 billion, which was expensed in 2002. Telenor recognized this tax loss upon the disposal of shares in Sonofon Holding A/S to Dansk Mobil Holding AS, a sister company of Telenor Eiendom Holding AS. The disposal was carried out as an integral part of the overall restructuring of our Group. In January 2003, Telenor initiated proceedings against the Norwegian Tax Authorities. The change of Telenor's tax return has increased the RISK adjustment (adjustment of the taxable costprice, that only affect Norwegian investors) for Telenor ASA as of 1 January 2002 by NOK 3.44 per share. Any subsequent reassessment as a result of a court ruling in favor of Telenor will decrease the RISK adjustment with effect from 1 January in the year of reassessment.

In 2002, Telenor expensed NOK 0.4 billion in connection with a court ruling in Greece, as this was the best estimate of the amount Telenor could be required to pay in case of a final outcome unfavorable to Telenor. However, in 2003 Telenor agreed to a settlement of this judicial proceeding, and NOK 0.2 billion was taken to income.

The disposal of shares in Sonofon was realized in 2001 for tax purposes, and reduced Telenor's estimated current taxes by NOK 2.4 billion. As mentioned above, the tax authorities in 2002 challenged the tax return for 2001. In 2001, Telenor recorded current taxes of NOK 4.6 billion on the gains on sale of VIAG Interkom and Esat Digifone, in addition to deferred taxes on these sales of NOK 1.5 billion. There was also a low taxable gain from the sale of Telenor Media due to a high cost price for tax purposes established in connection with the formation of the new holding company Telenor ASA in 2000, where the new tax values established was based on estimated market values at that time.

Tax losses carried forward

Tax losses carried forward in selected countries expire as follows:

in NOK millions	Norway	Sweden	Other Nordic	Malaysia	Other	Total
2004	6	–	3	–	27	36
2005	–	–	12	–	19	31
2006	–	–	26	–	38	64
2007	–	–	72	–	89	161
2008	–	–	46	–	100	146
2009 and later	7,300	–	206	–	330	7,836
Not time-limited	–	3,324	52	421	108	3,905
Total tax losses carried forward	**7,306**	**3,324**	**417**	**421**	**711**	**12,179**

In 2002, Telenor realized a tax loss to be carried forward in Norway, related mainly to the liquidation of Telenor Digifone Holding AS. Most of the tax effect of tax losses in Norway and Malaysia (DiGi.Com) are recorded as tax assets because it is more probable than not that these tax losses will be utilized in the future. Deferred tax assets on the main part of the rest of the tax losses have been reduced by valuation allowances.

Tax losses in subsidiaries which will be liquidated are to a large extent not included in the preceeding table.

Deferred taxes as of 31 December	Assets	Liabilities	Assets	Liabilities
in NOK millions	2003	2003	2002	2002
Tangible and intangible assets	2,658	(1,367)	2,669	(1,342)
Associated companies	5,122	(124)	5,777	(704)
Retained earnings in foreign subsidiaries	–	(737)	–	(76)
Other long-term items	1,237	(542)	534	(868)
Total long-term assets and liabilities	**9,017**	**(2,770)**	**8,980**	**(2,990)**
Total current assets and liabilities	**417**	**(156)**	**703**	**(198)**
Tax losses carried forward	**3,426**	**–**	**4,943**	**–**
Deferred taxes	**12,860**	**(2,926)**	**14,626**	**(3,188)**
Valuation allowances	**(6,900)**	**–**	**(7,088)**	**–**
Net deferred taxes	**3,034**	**–**	**4,350**	**–**
Of which deferred tax assets	3,850	–	4,866	–
Of which deferred tax liabilities (note 19)	(816)	–	(516)	–

Deferred taxes have not been recognized on undistributed earnings from domestic entities, which can be remitted tax-free as dividends. Deferred taxes are calculated on retained earnings in foreign subsidiaries based on the estimated taxation on transfer of funds to the parent company, based on the enacted tax rates and regulation as of the date of the balance sheet.

Changes in valuation allowances

in NOK millions	2003	2002
Balance at the beginning of the year (opening balance)	**7,088**	**5,597**
Changes in opening balance of valuation allowances	(554)	(103)
Net losses from associated companies and subsidiaries outside Norway	347	1,012
Other not recognized tax assets this year	52	73
Acquisitions and divestitures	3	171
Currency adjustment	(36)	338
Balance at the end of the year	**6,900**	**7,088**

Valuation allowances as of 31 December 2003 were mainly related to losses from associated companies, including amortization and write-downs of net excess values, by approximately NOK 5.1 billion, and tax losses carried forward, mainly in foreign subsidiaries, by approximately NOK 1.3 billion.

Preliminary RISK regulation (regulation of the taxable cost price) per share for Telenor ASA for 2003 is calculated to be negative by NOK 0.99 per share.

14. AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

Specification of amortization, depreciation and write-downs

	Tangible assets			Goodwill			Other intangible assets		
in NOK millions	2003	2002	2001	2003	2002	2001	2003	2002	2001
Amortization and depreciation	7,986	7,624	5,863	686	1,002	668	1,925	1,610	720
Write-downs	104	424	1,430	16	2,632	2,266	25	497	126
Total	**8,090**	**8,048**	**7,293**	**702**	**3,634**	**2,934**	**1,950**	**2,107**	**846**

Specification of write-downs

	2003			2002			2001		
in NOK millions	Tangible assets	Goodwill	Other intangible assets	Tangible assets	Goodwill	Other intangible assets	Tangible assets	Goodwill	Other intangible assets
Mobile	33	–	2	33	2,138	118	22	–	–
Fixed	19	–	5	340	160	–	649	187	6
Broadcast	15	–	3	47	–	83	494	–	–
EDB Business Partner	12	16	–	8	356	–	–	1,259	3
Others	25	–	15	(4)	(22)	296	265	820	117
Total	**104**	**16**	**25**	**424**	**2,632**	**497**	**1,430**	**2,266**	**126**

The write-downs of tangible assets in 2003 were insignificant. The write-downs of tangible assets in Fixed in 2002 were mainly related to Fixed – Norway. In connection with the integration of our operating service business in Fixed – Norway with our internal IT operating environment, we decided to reduce the number of operating platforms and we wrote down operating platforms and equipment that no longer were in use. Equipment related to operating contracts was evaluated based on expected cash flows including terminal value at the end of the contract period. In Broadcast, in 2002 write-downs were made primarily on equipment for TV-distribution due to the low demand in the small antenna TV-networks market in Denmark and Sweden. Write-downs of tangible assets in Fixed in 2001 related mainly to the transatlantic fiber capacity (TAT 14) by NOK 533 million. Write-downs in Broadcast were mainly related to satellite and satellite equipment by NOK 490 million. Write-downs of tangible assets on Others in 2001 related mainly to Nextra International due to evaluations of the earnings potential and a review of our strategy, TTYL which we decided to close down in 2001 and Satellite Networks in connection with evaluations of the earnings potential in parts of the operations, including the Poland operations.

Write-downs of goodwill were insignificant in 2003. The write-downs of goodwill in 2002: In Mobile DiGi.Com was written-down as a result of continued low publicly quoted share prices. The write-down was based on the publicly quoted share price at 31 December 2002, adjusted to reflect a control premium. The write-downs in Fixed were partially related to the Internet operations in the Czech Republic and Slovakia. The write-downs in EDB Business Partner was based on discounted expected cash flows.

The write-downs of goodwill in 2001. Write-downs in Fixed was made within managed services based on evaluations of the earnings potential in parts of the operations. Due to the significant decline in the market value of EDB Business Partner's shares and the entire sector in which EDB Business Partner operates, goodwill related to the Consulting, IT Operations and Bank & Finance areas were written down. In Others, the write-downs mainly related to Nextra International and Itworks as a result of a reassessment of the business prospects and strategy of the activities.

Write downs of other intangible assets were insignificant in 2003. In 2002, we wrote down parts of our IT-systems portfolio in Mobile that was no longer in use. The write-downs of other intangible assets in Broadcast in 2002 was primarily related to delayed commercialization of new broadcasting standards, as well as reduced expectations for the use of interactive TV as a payment facility. The write-downs in Others in 2002 related to CA-software based on a review of the sales potential. Write-downs in Others in 2001 related to Nextra International and TTYL.

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15. TANGIBLE AND INTANGIBLE ASSETS

In 2003, a reclassification of software in administrative support systems from tangible assets to intangible assets was made. The reclassifications amounted to NOK 1,737 million in book value as of 31 December 2002, NOK 648 million in amortization and NOK 101 million in write-downs for 2002 and NOK 403 million in amortization for 2001. These changes affected mainly our Mobile and Fixed business areas.

Accumulated capitalized interest (cost) was NOK 1,169 million as of 31 December 2003.

Tangible assets

in NOK millions	Accumulated cost 01.01.03	Additions 2003	Translation adjustm. and reclassification 2003	Disposals 2003	Depreciation and write-downs 2003	Acc. depr. and write-downs 31.12.03	Book value 31.12.03	Book value 31.12.02
Local, regional & trunk networks	37.759	1.457	364	(591)	(2.235)	(28.821)	10.168	10.849
Mobile telephone network and switches	16.073	2.487	(259)	(28)	(2.050)	(8.388)	9.885	9.625
Subscriber equipment	323	80	20	(41)	(59)	(285)	97	82
Switches and equipment	14.408	485	347	(1.187)	(1.223)	(11.614)	2.439	3.335
Radio installations	1.675	15	(1)	(33)	(12)	(638)	1.018	1.034
Cabel TV equipment	1.741	69	(157)	(30)	(202)	(832)	791	996
Land	829	8	(99)	(26)	(2)	(1)	711	822
Buildings	10.267	537	90	(319)	(403)	(4.107)	6.468	6.417
Support systems	8.312	1.042	(40)	(1.257)	(1.788)	(6.338)	1.719	2.908
Satellites	2.185	–	(395)	–	(116)	(1.173)	617	789
Total [1]	**93.572**	**6.180**	**(130)**	**(3.512)**	**(8.090)**	**(62.197)**	**33.913**	**36.857**
Work in progress [2]	2.408	(585)	(14)	–	–	–	1.809	2.408
Total tangible assets	**95.980**	**5.595**	**(144)**	**(3.512)**	**(8.090)**	**(62.197)**	**35.722**	**39.265**

[1] Includes book value of NOK 2,533 million for capital leases as of 31 December 2003, mainly switches, GSM Mobile telephone network, fixed-line network and satellites.
[2] Net additions.

The Group has entered into Cross Border QTE Leases for telephony switches, GSM Mobile network and fixed-line network with a book value as of 31 December 2003 of NOK 1,530 million. Telenor has provided defeasance of all amounts due by us under these agreements with highly rated financial institutions and US Government related securities. The financial institutions then release the payments over the life of the leases in accordance with their contractual terms. During the course of the leases, Telenor maintains the rights and benefits of ownership of the equipment. Telenor has received benefits of NOK 530 million since the parties can depreciate the equipment for tax purposes. The amounts are deferred over the expected lease periods. See note 31 for further information.

Intangible assets

in NOK millions	Accumulated cost 01.01.03	Additions 2003	Translation adjustm. and reclassification 2003	Disposals 2003	Depreciation and write-downs 2003	Acc. depr. and write-downs 31.12.03	Book value 31.12.03	Book value 31.12.02
Goodwill	**16,942**	**3**	**70**	**(1,500)**	**(702)**	**(6,291)**	**9 224**	**10,100**
Other intangible assets								
Customer base	2,714	16	46	(61)	(554)	(983)	1,732	2,237
Licenses	1,725	76	(4)	(30)	(199)	(905)	862	1,030
Trademarks	574	–	3	–	(55)	(100)	477	530
Others	4,568	967	42	(225)	(1,142)	(2,992)	2,360	2,555
Work in progress [1]	330	(225)	–	–	–	–	105	330
Total other intangible assets	**9,911**	**834**	**87**	**(316)**	**(1,950)**	**(4,980)**	**5,536**	**6,682**
Total	**26,853**	**837**	**157**	**(1,816)**	**(2,652)**	**(11,271)**	**14,760**	**16,782**

[1] Net additions.

Changes in the carrying value of goodwill for the year ended 31 December 2003:

in NOK millions	Mobile	Fixed	Broadcast	EDB Business Partner	Others	Total
Balance as of 1 January 2003	6,111	(33)	2,311	1,498	213	10,100
Goodwill acquired	4	(77)	–	79	(3)	3
Translation adjustments and reclassification	172	(77)	(16)	19	29	127
Amortization	(400)	95	(197)	(151)	(33)	(686)
Write-downs (impairment losses)	–	–	–	(16)	–	(16)
Goodwill written off related to disposal of business units	–	(251)	(32)	(7)	(14)	(304)
Balance as of 31 December 2003	**5,887**	**(343)**	**2,066**	**1,422**	**192**	**9,224**

Goodwill related to the following subsidiaries and operations

in NOK millions	Book value 31.12.03	Amortization period	Year of acquisition
Pannon GSM	5,027	10–20 years	2002
Canal Digital Group	1,732	10–15 years	2002
Kyivstar	288	12–20 years	2002
Utfors AB	(343)	18 years	2002
DiGi.Com bhd	567	15–20 years	2001
Canal Digital Sverige AB [1]	147	10 years	2001
Unigrid AB	107	10 years	2001
Marlink	149	10 years	2001
DnB IT Operations	274	7 years	2001
Fellesdata AS	861	20 years	2000
Telenor Avidi AS (alfaNett)	168	10 years	2000
Others	247	3–20 years	
Total	**9,224**		

[1] Sweden On Line AB and Nät Holding AB.

16. FINANCIAL ASSETS

in NOK millions	2003	2002
Long-term receivables *)	1,629	1,299
Shares and other investments **)	2,219	2,461
Associated companies and joint ventures ***)	10,166	9,489
Total financial assets	**14,014**	**13,249**

***) Long-term receivables**

in NOK millions	2003	2002
Interest-bearing		
Receivables on associated companies and joint ventures [1]	1,456	1,169
Loans to employees	24	31
Other long-term receivables	27	63
Provision for bad debt	(5)	(4)
Non-interest-bearing		
Receivables on associated companies and joint ventures	1	4
Other long-term receivables	126	36
Provision for bad debt	–	–
Total long-term receivables	**1,629**	**1,299**

[1] In 2002 and 2003, interest-bearing receivables on associated companies and joint ventures related mainly to Bravida and Sonofon. As of 31 December 2003, interest-bearing receivables on Bravida and Sonofon were NOK 551 million and NOK 823 million respectively, and as of 31 December 2002 NOK 430 million and NOK 685 million respectively.

****) Shares and other investments**

Specification of shares and other investments as of 31 December 2003: in NOK thousands	No. of shares owned by Telenor	Share owned in %	Book value
Inmarsat Holding Ltd.	79,539,869	15.0	669,925
COSMOTE S.A [1]	29,705,255	9.0	472,543
Intelsat Ltd.	6,855,530	4.1	441,544
New Skies Satellites N.V. [1]	4,709,400	4.0	224,901
Eutelsat S.A.	4,127,130	0.4	35,458
Cosmoholding Albania S.A.	48,000	3.0	23,283
Inmarsat Group Holdings Ltd.	4,036,143	15.0	16,350
Carrot Communication ASA	1,662,791	5.9	10,500
Essnet AB	330,000	3.3	9,900
OnTarget AS	2,048	10.0	6,250
Energivekst AS	45,000	4.3	4,750
Sørlandets Teknologisenter AS	1,300	11.5	1,300
Leiv Eiriksson AS	14,969	1.5	1,030
RKS AB [1]	194,401	1.2	766
Capital contribution to Telenor Pensjon Fund	–	–	285,755
Other [2]	–	–	14,251
Total other shares and investments			**2,218,506**

[1] COSMOTE S.A., New Skies Satellites N.V., and RKS AB are listed companies. The market values as of 31 December 2003 for Telenor's shares were NOK 2,692 million, NOK 228 million and NOK 1 million respectively. As of 26 February 2004 Telenor entered an agreement to sell the remaining shares in COSMOTE for NOK 3.1 billion.

[2] Other includes shares in companies where Telenor owns more than 10%, which are not specified due to insignificant book values.

*****) Associated companies and joint ventures**

in NOK millions	2003	2002	2001
Balance as of 1 January	9,439	14,186	39,088
Investments	1,914	883	2,319
Transferred to/from other investments and disposal	(3,167)	(1,420)	(34,626)
Net income	329	341	(318)
Gains (losses) on disposal [1]	1,507	36	21,579
Amortization of net excess values	(579)	(862)	(1,427)
Write-downs of net excess values	(26)	(1,965)	(11,597)
Equity and translations adjustments	592	(1,760)	(832)
Balance as of 31 December	**10,009**	**9,439**	**14,186**
Of which investments carried with a negative value (classified as provisions) (note 19)	157	50	60
Total associated companies and joint ventures	**10,166**	**9,489**	**14,246**

[1] Specification of gains and losses on disposal

in NOK millions	2003	2002	2001
VIAG Interkom	–	–	10,705
Esat Digifone	–	–	10,740
Ephorma AS	–	–	100
European Medical Solutions Group AS	–	–	41
Extel	–	40	–
COSMOTE S.A.	1,515	–	–
StavTeleSot J.S.C	65	–	–
A-pressen ASA	(72)	–	–
Other	(1)	(4)	(7)
Total	**1,507**	**36**	**21,579**

Associated companies and joint ventures are carried at negative values where Telenor has a corresponding liability above and beyond the capital contributed.

Write-downs of Telenor's net excess values on associated companies in 2003 were insignificant. Write-downs of Telenors net excess values on associated companies in 2002 were mainly related to Sonofon, with NOK 1,000 million, DTAC NOK 829 million and UCOM NOK 52 million. The write-downs were triggered by a significant fall in the market values for telecommunication companies. For DTAC and UCOM the write-downs were made to the quoted market price as of 31 December 2002. The fair value for Sonofon was estimated based on estimates of future cash flows and comparison to similar companies.

Furthermore, the engagement in OniWay was written down by NOK 316 million (included in net income from associated companies) to zero based on an evaluation of the values in the company.

Write-downs of Telenor's net excess values on associated companies in 2001 related primarily to Sonofon (NOK 7,500 million), DTAC/UCOM (NOK 3,400 million) and Telenordia (NOK 665 million).

Specifications of investments in associated companies and joint ventures:

in NOK millions

Company	Share owned in %	Book value 31.12.02	Invest-ments/ disposals during 2003	Share of net income [1] [2]	Amortization and write-downs of net excess values [6]	Equity and trans-lation adjust-ments	Book value 31.12.03	Net excess value 31.12.03 [12]
Sonofon Holding A/S [3]	53.5	3,747	–	19	(444)	548	3,870	3,960
VimpelCom [4] [11]	29.0	2,025	–	544	(37)	(152)	2,380	166
COSMOTE S.A. [5]	–	1,011	(2,649)	1,540	(2)	100	–	–
DTAC [6] [11]	29.9	554	–	71	(66)	27	586	277
UCOM [6] [11]	24.9	219	–	35	(26)	11	239	257
European Telecom S.A (ProMonte) [7]	44.1	172	–	35	–	2	209	–
StavTeleSot J.S.C [8]	–	32	(104)	65	–	7	–	–
ZebSign AS	50.0	20	–	(14)	(15)	6	(3)	–
Teleringen AS	47.5	2	–	1	–	–	3	–
ONE GmbH	17.5	745	–	(94)	–	110	761	–
Wireless Matrix Corporation [9]	22.7	21	–	(33)	40	4	32	–
Nordialog Oslo AS	48.0	10	–	7	–	–	17	–
Oslo Lufthavn Tele & Data AS	50.0	9	–	1	–	(2)	8	–
Glocalnet AB [11]	37.0	104	–	19	(5)	(16)	102	53
Golden Telecom Inc	20.4	–	1,379	12	(15)	(26)	1,350	820
A-pressen ASA [10]	–	484	(414)	(54)	(16)	–	–	–
APR Media Holding AS [10]	44.8	–	402	2	(5)	–	399	68
Otrum Electronics ASA [11]	33.0	96	–	(5)	–	–	91	–
BitCom AB	49.0	8	–	65	–	1	9	3
TIBE Reklame Holding AS	–	9	–	1	(9)	(1)	–	–
World Wide Mobile Communications AS	40.0	43	–	16	–	(9)	50	–
Bravida ASA	47.1	150	82	(314)	–	–	(82)	–
TeleVenture Management AS	23.9	12	–	1	–	(3)	10	–
Doorstep AS	50.0	5	–	2	–	–	7	–
Telenor Renhold & Kantine AS	50.0	3	–	3	–	(2)	4	–
Extend AS	43.9	–	3	(1)	–	–	2	–
Polarsat Inc.	44.0	–	14	2	–	2	18	–
Others		(42)	34	(25)	(5)	(15)	(53)	3
Total		**9,439**	**(1,253)**	**1,836**	**(605)**	**592**	**10,009**	**5,607**

[1] Includes pretax gains and losses on disposal and Telenor's share of the companies' net income after taxes.
[2] Share of net income after taxes are partly based on preliminary results for some of the companies. Actual figures may deviate from the preliminary figures.
[3] Jointly controlled according to a shareholders agreement. A wholly-owned subsidiary subsequent to the acquisition of the remaining shares as of 12 February 2004.
[4] Telenor had a voting interest of 25% plus 13 shares in VimpelCom as of 31 December 2003. As of 31 Desember 2003 Telenor also had an direct ownership interest of 14.9% in VimpelCom's 55.3% owned subsidiary VimpelCom-Region, which is included in the results and book value of VimpelCom in the table above. An extraordinary General Meeting of Shareholders of VimpelCom approved the statutory merger of VimpelCom and VimpelCom-Region, subject to regulatory approval among other things. Subsequent to the merger Telenor will own approximately 26.6% and 29.9% of VimpelCom's total voting stock and total common stock, respectively.
[5] As of 31 December 2003, Telenor had an ownership interest of 9% in COSMOTE S.A, included as part of shares and other investments.
[6] As of 31 December 2003, UCOM had an ownership interest of 41.7% in DTAC.
[7] As of 31 December 2003, ProMonte GSM was wholly-owned by European Telecom S.A. and Telenor had an ownership interest of 44.1% in European Telecom.
[8] StavTeleSot was sold in January 2003 to VimpelCom-Region.

[9] Reclassifications of Telenor's net excess values on Wireless Matrix Corporation as of 1 january 2003 led to a reversal in 2003 of previously amortized net excess values.

[10] In 2003, Telenor's shareholdings in A-pressen ASA was transferred to APR Media Holding AS. As of 31 december 2003 APR Media Holding AS owned 98.9% of the shares in A-pressen ASA.

[11] Market values as of 31 December 2003 for listed associated companies: VimpelCom: NOK 7,647 million, DTAC: NOK 1,716 million, UCOM: NOK 546 million, Glocalnet AB: NOK 320 million, Otrum Electronics ASA: NOK 108 million.

[12] Net excess values at the date of acquisition are the differences between Telenor's acquisition cost and Telenor's share of equity of the associated companies.

17. CURRENT RECEIVABLES

in NOK millions	2003	2002
Accounts receivables		
Accounts receivables	6,241	6,481
Provision for bad debt	(564)	(585)
Total accounts receivables	**5,677**	**5,896**
Other current receivables		
Interest-bearing		
Receivables on associated companies and joint ventures	–	16
Receivables on employees	–	3
Other receivables	29	17
Non-interest-bearing		
Receivables on associated companies and joint ventures	322	182
Receivable on employees	26	27
Other short-term receivables	421	330
Provision for bad debt	(23)	(54)
Total other current receivables	**775**	**521**
Prepaid expenses and accrued revenues		
Prepaid expenses	1,260	772
Accrued revenues	1,520	1,679
Total prepaid expenses and accrued revenues	**2,780**	**2,451**
Total current receivables	**9,232**	**8,868**

Due to the large volume and diversity of the Group's customer base, concentrations of credit risk with respect to trade accounts receivables are limited.

18. SHORT-TERM INVESTMENTS

in NOK millions	2003	2002
Bonds/Commercial paper	301	260
Shares [1]	83	272
Total short-term investments	**384**	**532**

[1] Specification of shares classified as current assets as of 31 December 2003.

in NOK thousands	No. of shares owned by Telenor	Share owned in %	Book value
North Node AB	1,350,924	46.4	24,753
Virtual Garden AS	2,500,000	21.0	8,535
Viva Technologies AS	74,806,919	18.0	7,521
Voice Provider AB	45,217	25.9	5,972
Sonat AB	52,063	27.6	5,682
The Mobile Media Company AS	365,896,990	30.9	5,409
Trøndelag Vekst AS	18,961	2.9	3,000
Other listed companies		–	21,367
Other shares etc. [1]		–	844
Total shares classified as current assets			**83,083**

[1] Includes companies where Telenor owns more than 10%, which are not specified due to insignificant book values.

Market value of Telenor's ownership interest in other listed companies totaled NOK 34.4 million as of 31 December 2003.

19. PROVISIONS

in NOK millions	2003	2002
Provisions for pensions	338	191
Deferred tax liabilities	816	516
Provisions for workforce reduction, loss contracts and exit from activities1)	236	234
Negative values associated companies	157	50
Other provisions	98	185
Total provisions	**1,645**	**1,176**

[1] See note 11.

20. INTEREST-BEARING LIABILITIES

in NOK millions	Limit	2003	2002
Euro Commercial paper program (ECP)	USD 500	–	–
U.S. Commercial paper program (USCP)	USD 1,000	–	–
Norwegian Commercial paper	–	–	1,105
EMTN program	USD 6,000	17,480	17,563
Norwegian Bonds	–	3,076	3,142
Capital discount related to bonds	–	(31)	(40)
Derivatives related to long-term interest-bearing liabilities [1]	–	(990)	(300)
Revolving credit facility EUR	EUR 1,500	–	–
Total long-term interest-bearing liabilities Telenor ASA		**19,535**	**21,470**
Long-term interest-bearing liabilities subsidiaries [2]		5,841	7,335
Total long-term interest-bearing liabilities Telenor Group		**25,376**	**28,805**
Short-term interest-bearing liabilities Telenor Group		386	3,591
Total interest-bearing liabilities Telenor Group		**25,762**	**32,396**

[1] Foreign currency derivatives used to convert the cash flows of a debt instrument into another currency (hedging instruments).
[2] Specified below.

Long-term interest-bearing liabilities Telenor ASA

Up to November 2003, Telenor had a EUR 1 billion and a USD 1 billion revolving credit facility. These facilities have been terminated and replaced with a EUR 1.5 billion revolving credit facility with final maturity in November 2008. According to Telenor's Finance Policy, this committed credit facility should at any time serve as refinancing source for all outstanding commercial paper (ECP, USCP and Norwegian). Commercial paper is classified as long-term, irrespective of the actual maturity date.

All borrowings in Telenor ASA are unsecured. The financing agreements except commercial paper, contain provisions restricting the pledge of assets to secure future borrowings without granting a similar secured status to the existing lenders (negative pledge) and also contain certain covenants limiting disposals of significant subsidiaries and assets.

The table below shows the debt instruments issued by Telenor ASA. Hedging instruments related to these borrowings are not included in the table.

in NOK millions	Average interest rate 31.12.03	Amount in currency 31.12.03	Amount in NOK 31.12.03	Amount in NOK 31.12.02
Norwegian commercial paper				
NOK			–	1,105
EMTN program				
AUD	4,45%	37	185	146
CHF	3.70%	550	2,972	4,002
EUR	5.60%	1,240	10,413	9,001
JPY	2.39%	22,500	1,404	1,818
SEK	3.42%	150	139	119
USD	5.50%	350	2,336	2,437
Norwegian bonds				
NOK	5.13%	3,076	3,076	3,142
Total Telenor ASA			**20,525**	**21,770**

The table below includes debt instruments, cross currency swaps and interest rate swaps. When the currency or interest rate exposure of the underlying borrowings has been altered through the use of derivatives, this is reflected in the figures in the table.

in NOK millions	Average interest rate 31.12.03	Amount in currency 31.12.03	Amount in NOK 31.12.03	Amount in NOK 31.12.02
Norwegian commercial paper				
NOK			–	1,105
EMTN program				
CZK	3.38%	461	119	107
EUR	3.16%	748	6,297	6,183
GBP	5.13%	13	155	146
NOK	5.52%	5,949	5,949	6,498
SEK	4.75%	653	606	944
USD	2.22%	491	3,279	3,422
Norwegian bonds				
EUR	2.87%	47	396	981
GBP	4.93%	20	238	224
NOK	5.37%	2,496	2,496	1,860
Total Telenor ASA			**19,535**	**21,470**

Long-term interest-bearing liabilities in subsidiaries

in NOK millions Company	Debt instrument	Currency	Average interest rate 31.12.03	31.12.03	31.12.02
DiGi.Com	Borrowings from financial institutions	USD	2.39%	130	226
DiGi.Com	Borrowings from financial institutions	MYR	6.87%	1,023	1,191
GrameenPhone	Borrowings from financial institutions	USD	4.74%	120	262
GrameenPhone	Borrowings from financial institutions	NOK	3.70%	25	25
GrameenPhone	Borrowings from NORAD	NOK	3.40%	50	50
Kyivstar	Vendor financing	USD	–	–	113
Kyivstar	Bonds	USD	12.23%	1,105	696
Pannon GSM	Bonds	HUF	13.78%	1,076	1,040
EDB Business Partner	Borrowings from financial institutions	NOK	7.50%	450	450
EDB Business Partner	Borrowings from financial institutions	NOK	4.12%	50	50
EDB Business Partner	Borrowings from financial institutions	SEK	4.00%	56	147
EDB Business Partner	Finance lease	NOK	8.03%	37	64
Business Solutions	Vendor financing – SW licenses	NOK	8.00%	175	656
Business Solutions	Finance lease	NOK	7.00%	68	200
Satellite Services	Finance lease [1)]	NOK	1.77%	1,004	1,114
Canal Digital	Finance lease [2)]		–	455	550
Telenor Eiendom Holding	Norwegian Commercial Paper	NOK	–	–	435
Miscellaneous				17	66
Total long-term interest-bearing liabilities in subsidiaries				**5,841**	**7,335**

[1)] Satellite leases (Thor II and III). This financing is guaranteed by Telenor ASA

[2)] This financing is guaranteed by Telenor ASA. Denominated in DKK, EUR, NOK and SEK.

The interest-bearing liabilities in subsidiaries are generally not guaranteed by Telenor ASA and are subject to standard financial covenants.

Telenor entered into Cross Border QTE Leases for telephony switches, GSM Mobile network and for fixed-line network in 1998, 1999 and 2003. Telenor has provided defeasance of all amounts due by us under these agreements with highly rated financial institutions and US Government related securities. The leasing obligations and the defeased amounts are shown net on the balance sheet, and are not reflected in the tables. See notes 15, 21, 23 and 31.

Short-term interest-bearing liabilities Telenor Group

in NOK millions		Average interest rate 31.12.03	31.12.03	31.12.02
Telenor Eiendom Holding	Provision tax claim	–	–	2,409
Telenor Mobile Communication	Provision court case	–	–	530
DiGi.Com	Vendor financing and term loans	6.84%	334	362
Kyivstar	Bonds and vendor financing	13.00%	37	144
Miscellaneous			15	146
Total short-term interest-bearing liabilities Telenor Group			**386**	**3,591**

At the end of 2003, Telenor reduced short-term interest-bearing liabilities by approximately NOK 3 billion by paying a tax claim regarding the sale of Sonofon Holding A/S and in connection with a settlement of the legal dispute in Greece.

Maturity profile of interest-bearing liabilities as of 31 December 2003

in NOK millions	Total as of 31.12.03	2004	2005	2006	2007	2008	2009	2010	2011	After 2011
EMTN program	16,405	1,054	1,526	3,311	3,079	1,159	2,403	–	377	3,496
Domestic bonds	3,130	–	1,059	–	1,872	–	–	–	–	199
Total Telenor ASA	**19,535**	**1,054**	**2,585**	**3,311**	**4,951**	**1,159**	**2,403**	**–**	**377**	**3,695**
Subsidiaries, short-term	386	386	–	–	–	–	–	–	–	–
Subsidiaries, long-term	5,841	1,619	2,426	721	432	271	244	128	–	–
Total subsidiaries	**6,227**	**2,005**	**2,426**	**721**	**432**	**271**	**244**	**128**	**–**	**–**
Telenor Group	**25,762**	**3,059**	**5,011**	**4,032**	**5,383**	**1,430**	**2,647**	**128**	**377**	**3,695**

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Telenor ASA's treasury function is responsible for funding, foreign exchange risk, interest rate risk and credit risk management for the parent company and for companies owned more than 90%. Subsidiaries owned less than 90% normally have standalone financing.

Telenor has limited activity related to interest rate and currency trading. As of 31 December 2003, Telenor did not have any outstanding open trading positions.

Interest rate risk
Telenor is exposed to interest rate risk through funding and cash management activities. Changes in market interest rates affects the fair value of assets and liabilities. Interest income and interest expense in the profit and loss statement, as well as interest payments, are influenced by interest rate changes.

The objective for interest rate risk management is to minimize interest cost and at the same time hold the volatility of future interest payments within acceptable limits. To achieve this, Telenor use a simulation model that takes into account market variables and the portfolio composition. The average duration band of the liability portfolio is 0.5–2.5 years. As at 31 December 2003, the average duration was 2.05 years.

Telenor applies interest rate derivatives to manage the interest rate risk of the debt portfolio. This typically involves interest rate swaps, whereas forward rate agreements and interest rate options are used to a lesser extent.

Below is a sensitivity analysis that shows the change in fair value due to a one percentage point increase in interest rates. The matrix is divided into time intervals. The interest rate risk is allocated to the next rate fixing date for floating rate instruments, and to the maturity date for fixed rate instruments. Consequently, the matrix shows the interest rate risk distribution of the portfolio.

The table below includes interest-bearing liabilities, interest rate derivatives and currency derivatives.

NOK in millions equivalent
as of 31 December 2003

		Decrease in fair value due to 1% increase in interest rates							
Currency	Face value	0–1 year	1–2 years	3–4 years	4–5 years	6–7 years	7–8 years	8–9 years	Beyond 9 years
CZK	188	0.50	–	–	–	–	–	–	–
DKK	48	–	–	–	0.65	–	–	–	–
EUR	6,751	5.51	31.47	–	25.98	24.37	6.76	6.27	139.93
GBP	300	1.22	–	–	–	–	–	–	–
HUF	802	7.23	–	–	–	–	–	–	–
MYR	1,333	7.11	–	–	–	–	–		–
NOK	8,820	21.12	53.89	–	63.14	8.64	–	–	117.31
SEK	1,340	1.75	9.47	–	3.00	–	–	–	–
UAH	73	0.35	–	–	–	–	–	–	–
USD	6,220	13.08	24.03	–	10.75	1.49	–	–	–
Interest-bearing liabilities [1)]	**25,875**	**57.87**	**118.86**	**–**	**103.52**	**34.50**	**6.76**	**6.27**	**257.24**

[1)] The figure deviates from note 20, due to the inclusion of derivatives not related to interest-bearing liabilities.

Exchange rate risk
Telenor is exposed to changes in the value of the Norwegian Krone relative to other currencies. Telenor has invested in companies that have other functional currencies than Norwegian Krone. In addition, companies that mainly operate in Norwegian Krone will have transactions denominated in currencies other than Norwegian Krone.

The book value of Telenor's net investments in foreign entities varies with changes in the value of Norwegian Krone compared to other currencies. The net income of the Group is also affected by changes in exchange rates, as the profit and loss contributions of foreign entities are translated to Norwegian Krone using the average exchange rate for the period. If these companies pay dividends, it will typically be done in their local currency. Management's strategy to handle exchange rate exposures related to net investments is to issue financial instruments in the currencies involved. Combinations of money market instruments (commercial paper and bonds) and derivatives (foreign currency forward contracts and currency swaps) are typically used for this purpose.

Norwegian entities will also be exposed to exchange rate risk rising from revenues or operating expenses in foreign currencies. This exchange rate risk is normally not hedged by Telenor.

Exchange rate risk also arises when Norwegian entities enter into other transactions denominated in foreign currency, or when agreements are made to acquire or dispose of investments outside Norway. Committed cash flows equivalent to NOK 50 million or higher are hedged economically using options or forward contracts. Hedge accounting is often not permitted for these kinds of hedging relationships, which leads to gains and losses on the transactions being charged directly to profit and loss. Exchange rate risk related to debt instruments in foreign entities is also a part of the risk exposure of the Telenor Group.

Hedging as described above is only carried out in currencies that have well-functioning capital markets.

The table below shows the currency distribution of the Group's interest-bearing assets, liabilities and derivatives in other currencies than Norwegian Krone as of 31 December, 2003:

Face value in millions, local currency	AUD	CHF	CZK	DKK	EUR	GBP	HUF	JPY	MYR	SEK	UAH	USD
Interest-bearing assets	–	–	–	68	7	–	17,745	–	339	178	–	448
Interest-bearing liabilities	(37)	(550)	–	(42)	(1,368)	–	–	(22,500)	(758)	(461)	(58)	(560)
Currency swaps	37	550	(461)	–	556	(33)	(33,363)	22,500	–	(503)	–	(141)
Forward contracts	–	–	(270)	–	–	8	(10,700)	–	–	(480)	–	(230)
Total	**–**	**–**	**(731)**	**26**	**(805)**	**(25)**	**(4,918)**	**–**	**(419)**	**(1,266)**	**(58)**	**(483)**

Credit risk
Credit risk is the loss that the Group would suffer if a counterpart failed to perform its financial obligations.

There is limited credit risk related to the account receivables due to the high number of customers.

Telenor has entered into Cross Border QTE Leases for telephony switches, GSM Mobile network and fixed-line network. Telenor has provided defeasance of all amounts due by us under these agreements with highly rated financial institutions and US Government related securities. The leasing obligations and the defeased amounts are shown net on the balance sheet, see notes 15, 20, 23 and 31. The payment obligation was NOK 6.6 billion as of 31 December 2003.

Telenor invests surplus liquidity in short-term interest-bearing assets. Credit risk is inherent in such instruments. Financial derivatives with positive replacement value for Telenor, taking into account legal netting agreements, also represent a credit risk.

Credit risk arising from financial transactions is reduced through diversification, through accepting counterparts with high credit ratings only and through setting strict limits on aggregated credit exposure towards each counterpart. Telenor ASA has legal netting agreements (ISDA agreements), which allows gains to be offset against losses in a bankruptcy situation with the 16 banks that are counterparts in derivative transactions. As of 31 December 2003, Telenor ASA has collateral agreements with three banks in derivative transactions. Both ISDA agreements and collateral agreements are means to reduce overall credit risk.

Fair value of derivatives with positive replacement value for Telenor ASA was equivalent to NOK 1,757 million as of 31 December 2003, taking into account netting agreements. Credit exposure for Telenor ASA is monitored on a daily basis.

Liquidity risk
Liquidity risk is the risk that companies in the Group do not have liquidity available to pay their obligations on time.

The Group has established Group account systems in Norway, Sweden, Denmark, Hungary and the United Kingdom to manage the cash flows in the Group as efficient as possible. Efficient cash management also involves using currency swaps when appropriate.

Surplus liquidity within the Group account systems is invested in interest-bearing instruments with short time to maturity and low default risk. Telenor ASA has also established one committed credit facility to minimize the Group's liquidity risk, see note 20.

Management emphasizes financial flexibility. An important part of this is to minimize liquidity risk through ensuring access to a diversified set of funding sources.

Other market risks
Telenor is exposed to equity market risk through investments in equity instruments.

Fair values of financial instruments
The estimated fair values of the company's financial instruments are based on market prices and the valuation methodologies described below. However, prudence is recommended in interpreting market data to arrive at an estimated fair value. Accordingly, the estimates presented herein may only be indicative of the amounts the company could realize in the future.

Fair values of debt instruments issued by Telenor ASA have been calculated using an interest rate curve, which incorporates estimates of the Telenor ASA credit spreads as of 31 December 2003. The credit curve has been extrapolated from trades observed in the secondary market of Telenor ASA debt instruments with different maturities.

Fair value of debt instruments issued by subsidiaries has been determined by market quotes where such are available. Fair value of other floating rate instruments in subsidiaries is assumed to be equal to the book value.

For all other interest-bearing liabilities fair values have been estimated using the Telenor ASA credit curve described above.

Fair values of currency swaps, foreign currency forward contracts and interest rate swaps are estimated by the present value of future cash flows, calculated by using quoted swap curves and exchange rates as of 31 December 2003. Options are revalued using appropriate option pricing models.

Fair values for listed shares are based on quoted prices at the end of the relevant years. Listed companies consolidated in the Telenor Group or accounted for by using the equity method, are not included in the table below.

The table below shows book value and fair value of some financial instruments as of 31 December 2003 and 2002:

	2003		2002	
in NOK millions	Book value	Fair value	Book value	Fair value
Financial assets				
Listed shares	720	2,955	296	275
Cash and short-term money market investments	7,952	7,952	5,524	5,524
Financial liabilities				
Long-term interest-bearing liabilities [1]	(26,366)	(27,713)	(29,105)	(29,813)
Short-term interest-bearing liabilities	(386)	(386)	(3,591)	(3,591)
Instruments used for interest rate and exchange rate risk management				
Gain interest rate swaps	–	285	–	205
Loss interest rate swaps	–	(377)	–	(214)
Interest rate options asset	49	90	2	1
Interest rate options liability	–	(24)	–	(4)
Gain cross currency interest rate swaps [1]	1,944	2,235	1,153	1,528
Loss cross currency interest rate swaps [1]	(954)	(670)	(853)	(697)
Gain foreign currency forward contracts	12	12	34	34
Loss foreign currency forward contracts	(62)	(62)	(167)	(167)

[1] These items are included in long-term interest-bearing liabilities in the balance sheet, see note 20.

22. NON-INTEREST-BEARING LIABILITIES

in NOK millions	2003	2002
Accounts payable	3,750	3,072
Government taxes, tax deductions etc.	2,135	2,199
Dividends payable	1,776	799
Current taxes	641	2,717
Accrued expenses	4,484	5,315
Prepaid revenues	3,163	2,647
Provision for workforce reductions, loss contracts and exit from activities [1]	402	865
Other current liabilities	715	511
Total current non-interest-bearing liabilities	**17,066**	**18,125**
Long-term non-interest-bearing liabilities	754	473
Total non-interest-bearing liabilities	**17,820**	**18,598**

[1] See note 11.

23. PLEDGES AND GUARANTEES

in NOK millions	2003	2002
Interest-bearing liabilities secured by assets pledged	2,692	3,278
Book value of assets pledged	8,148	9,892

Pledged assets and the liabilities secured by pledged assets as of 31 December 2003 related to DiGi.Com, GrameenPhone and the satellite leases (Thor II and Thor III).

in NOK millions	2003	2002
Guarantees	**2,557**	**2,515**

Guarantees provided, where the related liability is included in the balance sheet are not shown in the table. Furthermore, purchased bank guarantees are not included. Guarantees as of 31 December 2003 are described below.

Guarantees provided in connection with entering into the Cross Border QTE Leases are not included in the preceding table, see notes 15, 20, 21 and 31. These guarantees are provided for the payment of all lease obligations. As of 31 December 2003 and 2002 these guarantees amounted to NOK 7,165 million (USD 1,073 million) and NOK 4,293 million (USD 616 millions), respectively.

The table above includes a guarantee liability of approximately NOK 854 million related to Bravida, mainly in connection with Bravida's deliveries to a project in Sweden, see note 26.

In 2001, Telenor provided a guarantee to Intelsat of USD 117 million (NOK 781 million as of 31 December 2003) for the fulfilment of the committed investment in satellite capacity in 2004 of NOK 626 million, see note 25.

In 2002, Telenor provided a guarantee for up to approximately EUR 68 million (NOK 570 million as of 31 December 2003) in favor of the lenders of interest-bearing financing to the associated company ONE GmbH (previously Connect Austria). Payments under the guarantee may be required if the financial covenants in these loan agreements are breached by ONE GmbH.

Telenor has provided a guarantee for a termination fee of the satellite leases (Thor II and Thor III) of NOK 271 million. The leasing periods end in 2009 and 2010, respectively.

In addition, Telenor has provided performance and payment guarantees for subsidiaries of an aggregate amount of approximately NOK 81 million.

24. COMMITMENTS AND CONTINGENCIES

Telenor is involved in a number of legal proceedings, including among others those regarded as being material and described below, concerning matters arising in connection with the conduct of Telenor's business. Provisions have been made to cover unfavorable rulings or deviations in tax assessments, pending the outcome of appeals by Telenor against these decisions, as described below. Furthermore, provisions have been made to cover the expected outcome of the other proceedings to the extent that negative outcomes are likely, and reliable estimates can be made. However, most of the proceedings against Telenor are of such a nature that provisions cannot be estimated. While acknowledging the uncertainties of litigation Telenor believes that, based on the information available to date, these matters will be resolved without any material negative effect on Telenor's financial position.

In January 2003, Telenor initiated proceedings against the Norwegian tax authorities before the Oslo District Court relating to the non-recognition of a tax loss deriving from the sale of shares in Sonofon Holding A/S from Telenor Eiendom Holding AS to Dansk Mobil Holding AS. The disputed amount is approximately NOK 8.6 billion, which results in a tax charge of NOK 2.4 billion. Proceedings before the Oslo District Court were held in January 2004 and the ruling is pending.

In November 2003, Sense Communication AS initiated legal proceedings against Telenor before the Oslo District Court claiming up to NOK 170 million excluding interest, based on allegations that Telenor prices in a service provider agreement for the period 2000–2003 had been excessive and not in accordance with the requirements for cost oriented pricing. Sense has given notice to the effect that the claim might be recalculated in order to encompass year 2003 and such other relevant years. The Oslo District Court has not yet decided a date for commencement of court hearings.

The Liquidators of Enitel AS initiated in December 2003 legal proceedings against Telenor before Asker and Bærum District Court. The claim of damages and reimbursement of NOK 121 million plus interest is based on alleged overcharging for leased lines and traffic terminated in the fixed and mobile networks. The Oslo District Court has not yet decided a date for commencement of court hearings.

Disputes mentioned in note 24 to the Telenor's financial statements for 2002, where a verdict has been reached.
In 2001, NSB (Norwegian State Railways) initiated legal proceedings against Telenor. In a judgment from the Oslo District Court of March 2003 Telenor was acquitted. The result is legally binding.

The legal proceedings between Telenor and S&A Telecom Cyprus Ltd. (on behalf of WR Com Enterprises Ltd.) came to an end in 2003 after the parties agreed to an out of court settlement.

In 2002, TDC Tele Danmark AS, Telia Mobile AB, Sonera AB and Iceland Telecom Ltd. initiated legal proceedings against Telenor before a court of arbitration. The final legally binding judgment from the arbitration panel was presented to the parties in December 2003 and Telenor won the case in its entirety.

Tele 2 had initiated several legal proceedings against Telenor. An out of court settlement was reached in January 2004.

The legal proceedings initiated by Teletopia against Telenor before the Court of Appeal resulted in a judgment were Telenor was acquitted upon payment of NOK 0.6 million. Teletopia has filed an appeal with the Supreme Court.

25. CONTRACTUAL OBLIGATIONS

The Group has entered into agreements with fixed payments in the following areas as of 31 December 2003:

in NOK millions	2004	2005	2006	2007	2008	After 2008
Rent of premises	603	524	418	327	320	1,063
Rent of cars, office equipment, etc.	71	48	20	7	4	8
Rent of satellite and network capacity	448	176	672	71	66	287
IT-related agreements	346	203	112	17	–	–
Other contractual obligations	552	163	46	39	7	–
Committed investments						
Properties and equipment	381	34	31	29	25	–
Other contractual investments	4,358	4	4	–	–	–
Total contractual obligations	**6,759**	**1,152**	**1,303**	**490**	**422**	**1,358**

The table does not include agreements under which Telenor has no binding obligation to purchase, and do not include future investments due to the UMTS license in Norway.

Rent of satellite and network capacity includes payments under a MVNO-agreement (Mobile Virtual Network Operator) of NOK 558 million for 2006.

Other contractual investments for 2004 include USD 88 million for capital expenditure in satellite capacity (NOK 626 million calculated using the hedged USD/NOK exchange rate). Furthermore, payment for the remaining 46.5% ownership interest in Sonofon as of 12 February 2004 is included by NOK 3,661 million.

26. RELATED PARTIES

Telenor ASA was 62.6% owned by the Norwegian state (including treasury shares) as of December 2003.

The Norwegian telecommunications market is governed by the Electronic Communications Act of 25 June 2003 and other regulations issued pursuant to this Act, as well as by concessions (licenses) for certain activities in 2003. According to the concession on fixed network and the public telephony service, Telenor had to provide and maintain Universal Service Obligations (USO) – PSTN telephony to all households and companies, public pay phones, services for the disabled, emergency services – and Special Service Obligations (SSO) – the defense of Norway, coastal radio, services concerning Svalbard, wire services for ships, provisions of emergency lines for the police, fire department and ambulances – at a certain level in 2003. Telenor receives no compensation from the state for the provision of USO services, whereas compensation is given to Telenor for the provision of SSO. In 2003, 2002 and 2001 Telenor received NOK 106 million, NOK 82 million and NOK 80 million, respectively, under this agreement.

Due to the introduction of the Electronic Communications Act Telenor's fixed line operations will no longer be subject to a consession, but the requirements for USO/SSO services will be continued in general regulation. Telenor expects that the duties will continue.

Telenor provides mobile and fixed telephony services, leased lines, customer equipment, Internet connections, TV distributions and installation and IT operations/services to the state and companies controlled by the state in the normal course of business and at arm's-length prices.

As of 31 December 2003 GrameenPhone has borrowed NOK 50 million from NORAD. NORAD is part of the Minstry of foreign Affairs. The fixed rate loan has an interest of 3.4% and is a interest-only loan until 30 June 2004 and is thereafter paid off until 31 December 2010.

Telenor pays an annual fee to the Norwegian Post and Telecommunications Authority ("PT") for delivering telephony and mobile services. The fee was NOK 87 million in 2003, NOK 81 million in 2002 and NOK 81 million in 2001, respectively.

Canal Digital is a wholly-owned subsidiary of Telenor, performing satellite Broadcasting. The company was owned 50% by Telenor up to 30 June 2002, when Telenor completed the acquisition of the remaining 50% of the company and started consolidating the company. Canal Digital had agreements to sell products and services to other Telenor companies, mainly satellite broadcasting and cards for TV-decoders. The total amount invoiced for these products and services was NOK 223 million in 2002 (half year) and NOK 475 million in 2001, respectively. The transactions were based on arm's-length agreements.

Associated companies abroad hire personnel from Telenor. A total of NOK 24 million, NOK 21 million and NOK 29 million was invoiced for these services in 2003, 2002 and 2001, respectively.

Bravida has been an associated company from 1 November 2000, when Bravida was merged with BPA AB. Telenor's ownership share was 47.05% as of 31 December 2003. According to a shareholders agreement entered into at the time of the merger, Telenor shall decrease its ownership share in event of a listing of Bravida. In 2003, Group companies purchased goods and services for NOK 1,305 million from Bravida, NOK 1,868 million in 2002 and NOK 2,142 million in 2001, mainly for installation and other services. NOK 92 million, NOK 85 million and NOK 450 million in 2003, 2002 and 2001, respectively, were invoiced from Group companies to Bravida for sale of customer equipment and administrative services. Bravida also has agreements which ensures that Bravida is awarded a certain share of the purchases the business area Fixed will make related to installation and other services until the end of 2005. The transactions are based on arm's-length prices. Telenor had provided guarantees related to Bravida with a frame of approximately SEK 920 million (NOK 854 million) as of 31 December 2003. This is mainly related to a fulfillment guarantee given by Telenor in 2000 when Bravida was a subsidiary regarding Södra Länken, which is a engineering contract in Sweden. Telenor had outstanding loans of NOK 553 million to Bravida as of 31 December 2003, of which approximately NOK 551 million was long term (NOK 442 million in outstanding loans as of 31 December 2002 of which NOK 430 million was long-term loans). As of 31 December 2003, Telenor had outstanding liabilities to Bravida of NOK 86 million (NOK 30 million as of 31 December 2002). In February 2003, Telenor provided a short-term convertible loan of NOK 150 million to Bravida. This loan was reduced to NOK 73 million during 2003 as the other shareholders in Bravida subscribed for their pro rata share of the loan. The loan was converted to share capital in 2003. A new convertible loan of NOK 150 million was established in September 2003. Telenor participated with NOK 73 million (equal to their ownership interest in Bravida). The loan matures for payment 29 January 2007 and can in the period May 2006 to April 2007 be converted to shareholders equity. In February 2003, Telenor provided a financial guarantee to Svensk Eksportkreditt of SEK 331 million plus interest related to the Bravida engagement, in connection with which external parties provided collateral security in the form of mortgages of shares. This guarantee was redeemed on maturity in 2003.

The associated company TeleVenture Management AS performs management services for Telenor Venture, Telenor Venture II and Telenor Venture III. TeleVenture Management AS invoiced NOK 18 million in 2003, NOK 21 million in 2002 and NOK 23 million in 2001.

Zebsign, established in 2001 with 50% ownership by Telenor, delivers services for electronic identification and signature. In 2003, Zebsign had revenues for sale to other Telenor companies of NOK 1 million, NOK 41 million in 2002 and NOK 43 million in 2001.

Telenor acquired the associated company Glocalnet as of 31 December 2002. During 2003 Telenor invoiced Glocalnet NOK 361 million for telephony and dial-up Internet services. Accounts receivable from Glocalnet was NOK 124 million as of 31 December 2003.

27. ADDITIONAL INFORMATION ABOUT CASH FLOW

With the exception of certain companies, the Group has purchased bank guarantees for payment of the employees' tax deductions. The Group has established Group bank accounts with two banks. Under these agreements, Telenor ASA is the Group account holder, whereas the other companies in the Group are sub-account holders or participants. The banks can set off balances in their favor against deposits, so that the net position represents the net balance between the bank and the Group account holder.

Restricted bank accounts

in NOK millions	2003	2002	2001
For employees' tax deduction	22	88	114
Other	32	45	179
Total	**54**	**133**	**293**

Material non-monetary transactions

in NOK millions	2003	2002	2001
Investments in businesses	2,403	105	678
Financial leases	27	346	-
Total	**2,430**	**451**	**678**

Investments in businesses in 2003 consisted mainly of the following transactions related to changes in ownership interests: sales of shares in Comincom/Combellga in exchange for shares in Golden Telecom Inc. (NOK 1.3 billion recorded as associated companies), the sale of shares in Inmarsat in exchange for an ownership interest in Inmarsat's new holding company (NOK 0.7 billion recorded as shares and other investments), and the sale of shares in A-Pressen ASA in exchange for shares in APR Media Holding AS (NOK 0.4 billion recorded as associated companies).

28. MANAGEMENT COMPENSATION ETC.

The Group Management consist of Jon Fredrik Baksaas, Arve Johansen, Torstein Moland, Berit Svendsen, Jan Edvard Thygesen, Stig Eide Sivertsen, Morten Karlsen Sørby and Åsmund Løset (from 2 February 2004).

Aggregate remuneration for the board of directors and the corporate assembly for 2003 was NOK 1,630,834, and NOK 551,996, respectively. The members of the board of directors do not have any agreements which entitles them to extraordinary remuneration in the event of termination or change of office, or agreement for bonus, profit sharing, options or similar.

The annual salary for the president and chief executive officer Jon Fredrik Baksaas was NOK 3,200,000 in 2003. Telenor also paid pension premiums of NOK 1,677,463 and other compensation of NOK 118,478. Jon Fredrik Baksaas had no annual bonus agreement in 2003, however, he was granted 250,000 share options on 21 February 2003 with a maturity of 7 years. In addition 150,000 when he was appointed President and CEO on 21 June, 2002 and 100,000 in the share option program in 2002. Telenor's pension plan gives Mr. Baksaas the right to retire at the age of 60 with a supplementary pension, resulting in a total pension equal to 66% of pension-qualifying income. Pension-qualifying income is restricted to NOK 3,000,000, adjusted annually with the Consumer Price Index. The first adjustment occurred on 1 January, 2003. Mr. Baksaas has the right to receive salary for a period of 24 months if Telenor terminates the employment, provided that he does not undertake any other employment during such period, in which case the payment would be reduced by 75% of the salary for the new employment. There will be no holiday payment on this amount. The agreed period of termination notice is six months.

The table below shows information attached to each member of the Group Management, except for Jon Fredrik Baksaas, which is mentioned above.

	Agreed period	Severance		Share options	
Name/title	of notice	Pay	Pension benefits [1]	2003 [2]	2002 [2]
Senior Executive Vice President Arve Johansen [3]	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 60.	100,000	100,000
Senior Executive Vice President and CFO, Torstein Moland [3]	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 60.	100,000	100,000
Executive Vice President and CTO, Berit Svendsen	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 62.	75,000	100,000
Executive Vice President Jan Edvard Thygesen	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 62.	75,000	75,000
Executive Vice President Åsmund Løset	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 62.	30,000	–
Executive Vice President Morten Karlsen Sørby	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 62. The Pension-qualifying income will be equal to the salary of 31 December 2002, with an annual regulation according to the consumer price index.	75,000	70,000
Konserndirektør Stig Eide Sivertsen	6 months	No	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 62.	75,000	75,000

The bonus frame was 4 months of fixed salary in 2003. In addition, there may be an adjustment of +/-20% conditional upon performance according to certain non-financial criteria. If the budget is reached (under any given bonus criterion), 50% of the bonus is paid. 100% of the bonus may only be paid as a result of exceptional financial performance beyond budget.

[1)] Pension qualifying salary may be lower than actual fixed salary at the date of retirement. Any increase in fixed salary for the group management is conditional upon the implementation of a "cap" on pension qualifying salary similar to that provided in Morten Karlsen Sørby's pension agreement.
[2)] The share option programs for 2002 and 2003 are described in note 29.
[3)] Arve Johansen and Torstein Moland, both have agreements which entitle them to a possible transfer to other tasks within the organization with the right to compensation of half their salary. These agreements relate to a specified time period up to the age of retirement. The future pension benefits are based on the salary at the time of transfer to other work.

Total loans to employees were NOK 41 million as of 31 December 2003. The loans were mainly provided to finance cars purchased by the employees as an alternative to company cars and loans were provided in connection with the purchase of shares in the employee stock ownership program in December 2003 (NOK 16 million). The loans for purchase of shares were limited to NOK 5,970 per employee after discount. Loans for purchase of shares are non-interest-bearing and have terms of 11 months.

None of the directors have loans in the company.

The number of shares owned by the members of the board of directors, the corporate assembly and the Group management as of 31 December 2003 is shown below. Shares owned by the board of directors and the Group management includes closely related parties.

The Board of Directors	Number of shares as of 31.12.2003
Thorleif Enger	2,000
Bjørg Ven	10,000
Harald Stavn	3,503
Per Gunnar Salomonsen	1,671
Irma Tystad	813

The Corporate Assembly	Number of shares as of 31.12.2003
Mona Røkke	200
Berit Kopren	275
Stein Erik Olsen	989
Jan Riddervold	1,914
Arne Jenssen	407

The Group Management	Number of shares as of 31.12.2003
Jon Fredrik Baksaas	20,511
Arve Johansen	24,791
Torstein Moland	16,699
Berit Svendsen	4,767
Jan Edvard Thygesen	55,937
Åsmund Løset	3,118
Morten Karlsen Sørby	3,453
Stig Eide Sivertsen	28,424

Fees to auditors

The table below summarizes suggested audit fees for 2003 and 2002 and fees for audit related services, tax services and other services during 2003 and 2002. Fees include both Norwegian and foreign subsidiaries.

	Audit fees		Audit related fees tjenester		Fees for tax services tjenester		Other fees tjenester	
in NOK millions excluding VAT	2003	2002	2003	2002	2003	2002	2003	2002
Telenor ASA								
Group Auditor	2.6	2.5	4.9	5.4	1.1	1.5	–	0.9
Other Auditors	–	–	1.1	–	–	–	0.4	–
Other Group companies								
Group Auditor	21.9	16.1	12.2	6.7	5.2	3.0	1.0	0.7
Other Auditors	3.1	8.1	2.5	2.4	1.3	1.8	1.1	7.1

Fees for audit services include fees associated with the required statutory audits and the reviews of the Company's quarterly reports.

Audit-related fees principally included due diligence in connection with acquisitions and dispositions, information system audits and regulatory reporting audits. Tax fees included review of tax compliance and tax advice, mainly outside Norway.

29. SHARE OPTION PLANS

In the Telenor Group there are three share options programs: One for shares in Telenor ASA, one for the listed subsidiary company EDB Business Partner ASA and one for the listed subsidiary Utfors AB. The option program for Utfors was terminated in February 2004 without any exercise in 2003 or 2004, and is therefore not disclosed.

Option program for shares in Telenor ASA
In 2002, 85 managers and key personnel were granted options, and 110 managers and key personnel were granted options in 2003.

For options granted in 2002: One third of the options are vested each of the three years subsequent to the date of grant. The latest possible exercise date is seven years subsequent to the date of grant. The exercise price corresponds to the average closing price at Oslo Stock Exchange five trading days prior to the date of grant, increasing with an interest per commenced month corresponding to 1/12 of 12 months NIBOR (Norwegian Interbank interest rate). The options may only be exercised four times a year, during a ten-day period after the publication of the company's quarterly results. The latest possible exercise price is NOK 50.96 for options granted on 21 February 2002. For options granted Jon Fredrik Baksaas on 21 June 2002, the latest exercise price is NOK 42.12.

For options granted in 2003: One third of the options are vested each of the three years subsequent to the date of grant and are exercisable if the stock price at the time of exercise is higher than the average closing price at Oslo Stock Exchange five trading days prior to the date of grant, adjusted with 5.38% per year. The latest possible exercise date is seven years subsequent to the date of grant. The exercise price corresponds to the average closing price at Oslo Stock Exchange five trading days prior to the date of grant NOK 26.44. The options may only be exercised four times a year, during a ten-day period after the publication of the company's quarterly results.

Share options Telenor ASA	Number of share options	Exercise price at the end of option life [1]
Options granted in 2002 (21 February)	2,520,000	50.96
Options granted in 2002 (21 June)	150,000	42.12
Options forfeited in 2002	55,000	50.96
Balance at 31 December 2002	**2,615,000**	**50.45**
Options granted in 2003	2,850,000	26.44
Options forfeited in 2003	290,000	32.36
Options exercised in 2003	71,667	50.96
Balance at 31 December 2003	**5,103,333**	**38.06**

The table below details Telenors options outstanding by related option exercise price as of 31 December, 2003 and is based on the final exercise price. Some options may be exercised prior to the termination of the plan.

Weighted average exercise price (in NOK)	Share options outstanding	Weighted average remaining life in years	Options exercisable as of 31 December 2003 [1]
50.96 [2]	2,323,333	5 years	726,666
42.12 [3]	150,000	5 years	50,000
26.44 [4]	2,630,000	6 years	–

[1] Exercise prices for the share option programs of 2002 are calculated at the latest possible date of exercise, and based on 12 month NIBOR implied forward rates calculated of the spot curve (20 February, and 20 June, each year, respectively). For the share option program of 2003, the exercise price is fixed throughout the options' term, and is NOK 26.44. The options may only be exercised in a period right after the publication of Telenors quarterly financial results.
[2] First possible exercise was February 2003 for 1/3 of the options.
[3] First possible exercise was July 2003 for 1/3 of the options.
[4] First possible exercise was February 2004 for 1/3 of the options.

At the exercise of the options, Telenor maintains the right to redeem options by paying an amount in cash corresponding to the difference between the exercise price and closing price on the day the notification reached the company. The options may be exercised earlier than the end of the options term, as long as they are exercisable.

Option program for shares in EDB Business Partner ASA
The subsidiary EDB Business Partner ASA has stock compensation plans for its employees. The exercise price is based on the share price when the option was granted and is increased by 1% for each subsequent month until the date of exercise. Most of the options that are not exercised according to the plan can be carried forward to the next year. Options granted had one to four year terms, where one-third of vested options

become exercisable each year. Options vest over a one to three year period of continued employment. Vested but unexercised options can be carried forward to May 2004 or expire.

In 2003, 600,000 options at an exercise price of NOK 15.94 was granted to the new CEO for EDB Business Partner ASA at the time of appointment. One third of the options are vested each of the three years subsequent to the date of the grant and are exercisable if the stock price at time of exercise is higher than the price of the grant date adjusted with 5.38% per year. The options may only be exercised four times a year, during a ten-day period after the publication of the company's quarterly results. The latest possible exercise date is seven year after the grant date.

	Number of share options	Weighted average exercise price (NOK)
Balance at 31 December 2000	**12,324,478**	**121.6**
Options granted in 2001	699,070	106.3
Options exercised in 2001	1,400,594	62.9
Options forfeited in 2001	1,667,104	134.0
Balance at 31 December 2001	**9,955,850**	**126.7**
Options granted in 2002	269,445	67.0
Options exercised in 2002	–	–
Options forfeited in 2002	528,620	129.6
Balance at 31 December 2002	**9,696,675**	**124.9**
Options granted in 2003	600,000	15.9
Options exercised in 2003	–	–
Options forfeited in 2003	411,678	137.9
Balance at 31 December 2003	**9,884,997**	**117.7**

The table below details EDB Business Partner's options outstanding by related option exercise price as of 31 December 2003 and is based on the final exercise dates. Some options may be exercised prior to the termination of the plan.

Weighted average exercise price (in NOK)	Options outstanding	Weighted average remaining life (in years)	Options exercisable as of 31 December 2003
16	600,000	6.5	–
62	3,774,335	0.3	3,774,335
67	219,515	0.3	219,515
106	590,995	0.3	590,995
137	372,246	0.3	372,246
183	4,327,906	0.3	4,327,906

30. NUMBER OF SHARES, OWNERSHIP ETC.

Telenor ASA had as of 31 December 2003 a share capital of NOK 10,824,127,686 divided into 1,804,021,281 ordinary shares with a nominal value of NOK 6 each. All shares have equal voting rights and the right to receive dividends. As of 31 December 2003, the company had remaining 28,103,172 treasury shares of the total of 30,000,000, which were issued to Telenor as treasury shares to be used to grant additional bonus shares to retail investors in Norway pursuant to the global offering in December 2000. On 4 December 2001, 1,896,828 treasury shares were transferred as additional bonus shares to retail investors. The general meeting held in 2001 granted an authority to the Board of Directors that the remaining shares could be used for other purposes.

At the general meeting held on 8 May 2003, it was resolved to grant an authority to the board of directors to increase the share capital up to NOK 1,065,193,800 through issuance of up to 177,532,300 ordinary shares of NOK 6 nominal value each in connection with future investments. Such authority lasts until 1 July 2004. The Board of Directors may waive the pre-emptive rights of shareholders to such shares. The authority includes the issuance of shares against consideration other than cash and the issuance of shares in a merger. The purpose of the authority is to place the company in a better position for further growth. Such an increase in share capital may also be used in share option plans for managers and key personnel and stock ownership programs for employees. An employee stock ownership program took place in 2001, 2002 and 2003, under which 595,109 shares at a nominal value of NOK 6 each were subscribed for in December 2003. Telenor ASA established a share option plan on 21 February 2002 and on February 2003, see note 29. At the general meeting 8 May 2003 approval was given for the Board of Directors to acquire up to 90,171,308 own shares with a nominal value totaling up to NOK 541,027,848. The amount paid per share shall be a minimum of NOK 6 and a maximum of NOK 200. This authorization is valid until 1 July 2004.

The following shareholders had 1% or more of the total number of the 1,775,918,109 outstanding shares (excluding the 28,103,172 treasury shares) as of 31 December 2003:

Name of shareholders	Number of shares	%
Ministry of Trade and Industry	1,129,842,400	63.62
State Street Bank (nominee)	70,761,238	3.98
National Insurance Scheme Fund	49,754,000	2.80
Morgan Stanley (nominee)	24,020,822	1.35

In July 2003, the Norwegian state represented by the Ministry of Trade and Industry reduced its ownership interest in Telenor ASA (excluding the 28,103,173 treasury shares) from 78.9% to 63.6% through a private placement to institutional and other investors.

In January 2003, Telenor entered into an agreement with the Kingdom of Norway, as the largest shareholder in Telenor, regarding share buy back according to the approval by Telenor's Annual General Meeting on 8 May 2003. The Kingdom of Norway is committed to participate on a proportionate basis by way of canceling a proportionate number of its shares at the ordinary General Meeting in 2004. The Kingdom of Norway's ownership percentage in Telenor will thus remain unaffected.

31. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Group's consolidated financial statements have been prepared under Norwegian GAAP, which differs in certain respects from US GAAP. The principal differences between the Group's accounting principles under Norwegian GAAP and US GAAP are set out below:

Reconciliation of net income (loss) from Norwegian GAAP to US GAAP

in NOK millions, except per share amounts	Note	2003	2002	2001
Net income (loss) in accordance with Norwegian GAAP		4,560	(4,298)	7,079
Adjustments for US GAAP				
Depreciation of capitalized interest associated companies	1	(8)	(3)	(38)
Pensions	2	(25)	(24)	(25)
Amortization of license costs and related goodwill	3	(8)	(2)	(27)
Temporary investments in entities	4	67	12	43
Stock compensation	7	(42)	–	52
Sale and lease back of properties	8	(3)	49	36
Derivative financial instruments	9	(173)	47	171
Goodwill amortization	10	1,038	1,631	39
Goodwill impairment	10	–	(390)	–
Measurement date	11	(3)	12	–
Sale of software	12	78	(345)	–
Reversal of write-downs	13	(160)	–	–
Prepayments on equal terms	19	12	–	–
Asset retirement obligation	14	(38)	–	–
Cumulative effect of change in accounting principle	14	(258)	–	–
Other differences		28	–	–
Tax effect of US GAAP adjustments	16	90	(68)	(56)
Minority interests	5	(119)	(279)	(270)
Net income (loss) in accordance with US GAAP		**5,036**	**(3,658)**	**7,004**
Net income (loss) from continuing operations (excluding Telenor Media)		–	–	1,889
Revenues in accordance with US GAAP		**52,826**	**47,879**	**40,581**
Net income (loss) per share				
– From continuing operations (excluding Telenor Media)		–	–	1.07
– Cumulative effect on prior years of change in accounting principle		(0.10)	–	0.03
– In accordance with US GAAP (basic)		2.84	(2.06)	3.95
– In accordance with US GAAP (diluted)		2.84	(2.06)	3.95

Reconciliation of shareholder's equity from Norwegian GAAP to US GAAP

in NOK millions	Note	2003	2002
Shareholder's equity in accordance with Norwegian GAAP		37,237	33,685
Adjustments for US GAAP			
Dividends	17	1,776	799
Capitalized interest associated companies	1	17	25
Pensions	2	91	116
Amortization of license costs and related goodwill	3	12	20
Temporary investments in entities	4	(31)	(98)
Gains on subsidiaries' equity transactions and disposal of shares in subsidiary	5	700	700
Marketable equity securities – net of tax	6	1,676	(17)
Stock compensation	7	(214)	(172)
Sale and lease back of properties	8	(71)	(68)
Derivative financial instruments	9	(251)	(114)
Goodwill amortization	10	2,708	1,670
Goodwill impairment	10	(390)	(390)
Measurement date	11	680	683
Sale of software	12	(267)	(345)
Minimum pension liability	2	(113)	(34)
Reversal of write-downs	13	(160)	–
Asset retirement obligation	14	(296)	–
Subsequent acquisition	15	74	–
Prepayments on equal terms	19	12	–
Other differences	–	28	–
Tax effect of US GAAP adjustments	16	(122)	(223)
Minority interests	5	(561)	(438)
Shareholder's equity in accordance with US GAAP		**42,535**	**35,799**
Total assets in accordance with US GAAP		**101,088**	**97,511**
Long-term interest-bearing liabilities in accordance with US GAAP		**34,782**	**33,957**

The following table reflects the components of comprehensive income under U.S. GAAP

SFAS No. 130 "Reporting Comprehensive Income" established standards for the reporting and display of comprehensive income and its components. Comprehensive income includes net income and all changes in equity during a period that arise from non-owner sources, such as foreign currency items and unrealized gains and losses on securities available for sale.

		2003			2002			2001	
in NOK millions	Pretax	Tax	Net	Pretax	Tax	Net	Pretax	Tax	Net
Unrealized gain (loss) on securities	2,343	(656)	1,687	(58)	16	(42)	138	(39)	99
Net investment hedge	445	(150)	295	1,139	(269)	870	14	35	49
Minimum pension liability adjustment	(79)	22	(57)	(34)	10	(24)	–	–	–
Foreign currency translation	586	(38)	548	(3,722)	34	(3,688)	(86)	84	(2)
Other comprehensive income	**3,295**	**(822)**	**2,473**	**(2,675)**	**(209)**	**(2,884)**	**66**	**80**	**146**

Reconciliation

in NOK millions	2003	2002	2001
Net income (loss) in accordance with U.S. GAAP	5,036	(3,658)	7,004
Other comprehensive income	2,473	(2,884)	146
Total comprehensive income (loss)	**7,509**	**(6,542)**	**7,150**

Components of equity in accordance with U.S. GAAP:

in NOK millions	31 December, 2003	31 December, 2002	31 December, 2001
Share capital	10,824	10,820	10,816
Other paid capital	18,656	18,634	18,619
Other equity	13,685	9,423	13,796
Treasury shares	(169)	(169)	(169)
Accumulated other comprehensive income			
– unrealized gain (loss) on securities after tax	1,676	(24)	37
– net investment hedge	1,841	1,432	164
– foreign currency adjustments	(3,445)	(4,029)	(309)
– minimum pension liability adjustments	(113)	(34)	-
– deferred taxes	(420)	(254)	(10)
Total	**42,535**	**35,799**	**42,944**

(1) Capitalized interest
Under Norwegian GAAP, the Group has expensed interest incurred in connection with the financing of associated companies.

Under US GAAP, interest incurred on equity funds, loans and advances to associated companies, under a period which the associated company is undergoing activities necessary to start its planned principal operations and such activities include the use of funds to acquire qualifying assets for its operations, shall be capitalized.

(2) Pensions
In 1995, the Group began to account for pensions according to the accounting standard, which is substantially consistent with US GAAP. The change in accounting principle was offset directly against shareholder's equity.

Under US GAAP, the effect of adopting SFAS 87 would be amortized over the remaining average service period.

In accordance with US GAAP a provision is recorded directly against shareholders equity where the accumulated benefit obligation (ABO) exceeds plan assets. This is not in accordance with Norwegian GAAP.

Below is an overview of the total provisions for pensions in the balance sheet under US GAAP as of

in NOK millions	31 December 2003	31 December 2002
Benefit obligation	911	559
Plan assets	(78)	(90)
Intangible assets	(382)	(244)
Accumulated other comprehensive income	(113)	(34)
Total provisions for pensions	**338**	**191**

(3) Amortization of license costs and related goodwill
Up to the end of 1997 the Group amortized license costs and goodwill related to acquired licenses over a period not exceeding 10 years. With effect from 1998 the amortization period has been changed to the term of the license. In accordance with Norwegian GAAP this change has been accounted for as a change of estimate, with no retroactive restatement of prior periods.

Under the US GAAP reconciliation, this revision in the amortization period was accounted for retroactively.

(4) Temporary investment in entities
Investments in entities in which the Group has an ownership that is considered to be temporary in nature are recorded at cost or written down to fair value. The Group invests periodically in companies for the purpose of making profits.

Under US GAAP, all temporary investments with an ownership greater or equal to 20% are accounted for under the equity method or consolidated. The effect on the financial statements of temporary investments consolidated under US GAAP, are immaterial.

Total assets accounted for under the equity method for US GAAP was NOK 9,627 million for the year ended 31 December 2002 and 10,065 million for the year ended 31 December 2003.

Total assets accounted for under the cost method for US GAAP was NOK 64 million for the year ended 31 December 2002 and 3 million for the year ended 31 December 2003.

(5) Gain from subsidiaries equity transactions, disposal of shares in a subsidiary and minority interest
Under Norwegian GAAP, no gains from subsidiary's equity transactions and disposal of shares in a subsidiary are recognized.

Under US GAAP, the Group records gains from subsidiary equity transactions (SAB 51 transactions) and disposal of shares in a subsidiary through income.

Under Norwegian GAAP, the minority interest is measured at fair value of the consideration paid from the minority. The difference between the recorded equity in the subsidiary and value of the consideration paid by the minority will be amortized or written down through allocating results to minority.

This allocation is not consistent with US GAAP.

(6) Marketable equity securities
For investments in marketable equity securities classified as current assets that are managed as a portfolio, adjustment in the book value are only made if the aggregate holdings have a lower estimated fair value than the original cost. Other marketable shares are valued at the lower of cost or fair market value. Investment in marketable equity securities classified as long-term are valued at historical cost or possibly fair value if the decline in value is not temporary.

Under US GAAP, marketable equity securities are valued at their fair value for each security. For marketable equity securities classified as available for sale, unrealized gains and losses after tax are recorded directly to shareholder's equity. All listed shares are classified as available for sale in accordance with SFAS 115.

As of 31 December 2002 and 2003, available for sale securities at cost amounted to NOK 280 million and NOK 626 million, respectively, with unrealized loss before tax of NOK 21 million for 31 December 2002 and unrealized gain before tax of NOK 2,328 million for 31 December 2003, respectively. For the years ended 31 December 2002 and 2003, proceeds from the sale of available for sale securities was NOK 19 million and NOK 108 million, respectively. The gross realized loss from such sales was NOK 5 million for the year ended 31 December 2002 and NOK 53 million for the year ended 31 December 2003, respectively.

(7) Stock compensation
In 2002, Telenor introduced a share option program granting options to managers and key personnel. Options to subscribe 2,670,000 of Telenor's shares were granted in 2002 and options to subscribe 2,850,000 of Telenor's shares were granted in 2003.

The subsidiary EDB Business Partner ASA also has a stock compensation plans for its employees. A separate plan was introduced in 2003 for the new CEO.

In accordance with Norwegian GAAP, the Group did not recognize expense for stock options with no intrinsic value that were granted to employees.

In accordance with US GAAP, the measurement date for determining compensation costs for stock options is the first date at which the number of shares the employee is entitled to receive and the exercise price of the options are known.

Due to the features of the plans for Telenor ASA and EDB partner ASA, variable plan accounting for these options would apply under US GAAP and the intrinsic value of the options at the end of each reporting period, based on the presumed exercise price and the quoted market price of respective stocks, would be calculated and recorded as compensation expense over the vesting period.

Options for EDB Business Partner ASA are vested over a one to three year period of continued employment. Vested but unexercised options can be carried forward to May 2004 or expire. Options to the CEO may continue to 2010. Of the total options outstanding at year-end, options for 9.3 million shares have been accounted for as fixed plan awards. In fixed plan awards, the measurement date occurs on the grant date when both the number of shares of stock that may be acquired and the price to be paid by the employee are known. The options for the remaining 0.6 million shares of stock are considered variable plan grants because terms do not define the ultimate exercise price of the options.

Telenor has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options. However, pro forma information regarding net income and earnings per share is required by FASB Statement No. 148, "Accounting for Stock-Based Compensation", and has been determined as if Telenor and EDB Business Partner had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions. The assumptions for 2003 is shown in the table below.

	Risk free rate	Dividend yield	Volatility factor	Weighted average life
Telenor 2002 programs	6.40%	2.0%	31.3%	4.5 years
Telenor 2003 program	4.80%	2.0%	32.3%	4.5 years
EDB Business Partner 1999–2002 program	5.85%	0.0%	30.0%	0.3 years
EDB Business Partner 2003 program	5.05%	0.0%	66.9%	4.5 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. Had compensation cost for these plans been determined consistent with SFAS 123, the Group's net income (loss) according to US GAAP would have been the following:

in NOK millions except pr share amounts	2003	2002	2001
Net income (loss) as reported	**5,036**	**(3,658)**	**7,004**
Deduct stock based employee compensation expense included in reported net income, under US GAAP	39	–	(52)
Add stock based employee compensation expense determined under fair value based method for all awards under US GAAP	(25)	(34)	(94)
Pro forma net income (loss) in accordance with US GAAP	**5,050**	**(3,692)**	**6,858**
Net income (loss) per share in accordance with US GAAP			
Basic as reported in accordance with US GAAP	2.84	(2.06)	3.95
Basic pro forma in accordance with US GAAP	2.84	(2.08)	3.87
Diluted as reported in accordance with US GAAP	2.84	(2.06)	3.95
Diluted pro forma in accordance with US GAAP	2.84	(2.08)	3.87

The stock options may have a dilutive effect.

A summary of Telenor's and EDB Business Partner's stock option programs and related information are given in note 29.

(8) Sale and lease back of properties
Under Norwegian GAAP, the Group recognized gains from sale and lease back of properties when the lease back agreement is an operating lease agreement.

Under US GAAP, only gains from sale and lease back of properties that exceed the net present value of the lease back agreement can be recognized as gains. The remaining gains must be deferred over the lease periods.

(9) Derivative financial instruments
Effective 1 January 2001, US GAAP introduced Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138. This accounting standard requires that all derivative instruments be recorded on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships for which hedge accounting is applied.

Interest rate derivatives not held for trading purposes are carried at cost under Norwegian GAAP. Under US GAAP all derivatives are recorded marked-to-market and recognized on the balance sheet at fair value.

Under Norwegian GAAP Telenor may combine more than one instrument in hedging of net investments. Under US GAAP there are more stringent requirements of what instruments can be designated as hedging instruments and foreign exchange gains or losses are to a greater extent reported through earnings under US GAAP than Norwegian GAAP. Telenor's policy is to use instruments that may be used as hedging under both Norwegian GAAP and US GAAP, as long as this is cost effective.

The following information relates to derivative financial instruments under SFAS 133:

Derivative (and nonderivative) instruments designated as fair value hedging instruments
A significant portion of the debt issued by Telenor ASA is fixed rate bonds (87% of outstanding bonds as of 31 December 2003). Fixed rate bonds with long maturities impose a greater interest rate risk, in terms of mark-to-market risk, than management wishes to take on. As such the interest rate exposure on these bonds is often altered through entering into a derivative instrument that allows Telenor to receive a fixed interest and pay a specified floating interest rate. Telenor has designated these derivatives as fair value hedging relationships.

A common strategy for Telenor is to issue a fixed rate bond in the currency in which funding is to be raised and consequently enter into a "receive fixed/pay floating" interest rate swap. These fair value hedging relationships typically qualify for short cut treatment, as the requirements set out in paragraph 68 of SFAS 133 [1] are met.

A second hedging strategy for Telenor is to hedge a fixed rate bond issued in currency other than Norwegian Kroner with a receive "fixed non base/pay floating" base cross currency interest rate swap. In these cases the hedged risks would be benchmark interest rates and exchange rates [2]. The swap would be the hedging instrument and the bond would be the hedged object in the fair value hedging relationship. In certain cases a combination of swaps are designated as the hedging instrument. Short cut treatment would not be applicable using this strategy. Still the hedging effectiveness for these hedging relationships has proven to be close to 100%, which has been in line with management's expectations given the cash flows of the transactions involved.

Derivative instruments designated as cash flow hedging instruments
A hedge of a future expected transaction is a cash flow hedge. Future expected transactions in foreign currencies impose a foreign exchange rate risk that management often wish to eliminate. In these situations Telenor can mitigate the foreign exchange rate risk and fix the functional currency equivalent cash flows from the hedged item through entering into a derivative instrument. Gains or losses from the hedging instrument are recorded within other comprehensive income (OCI) until the hedged transaction occurs. The realised gain or loss is recorded in earnings during the same accounting periods as the hedged transaction affects profit and loss. Any ineffective components of the hedge results are charged to current income. Telenor had as at 31 December 2003 designated one cash flow hedging relationship.

Derivative (and nonderivative) instruments designated as hedging instruments of a net investment in a foreign operation
As described in Note 21 to the financial statements, Telenor hedges net investments in foreign currency by issuing debt in the various currencies or through entering into derivative transactions. Material hedging positions have been designated as net investment hedges. In 2003, the instruments involved have been bonds and forward contracts. To the extent these hedging relationships have proven to be effective, translation adjustments on these hedging instruments have been reported in the Cumulative Translation Adjustment section of equity.

Derivatives not designated as hedging instruments
Telenor has a duration-based target for interest rate risk management. Interest rate swaps are used to periodically rebalance the portfolio in order to be in line with the duration target. These derivatives do not qualify as hedging instruments, and are marked-to-market-through earnings.

Foreign currency swaps are frequently used for liquidity management purposes. No hedging relationships are designated in relation to these derivatives, and any changes in fair value are recognized through earnings.

Quantitative information

Fair value hedging relationships;	in NOK millions
Net loss recognized in 2003 earnings hedged items:	(692)
Net gain recognized in 2003 earnings hedging instruments	688
Amount of hedge ineffectiveness	(4)

No components of the derivative instruments' gain or loss have been excluded from the assessment of hedge effectiveness.

Hedges of foreign currency exposure of a net investment in a foreign operation;
Net amount of losses on hedging instruments included in the cumulative translation adjustment during 2003 was NOK 539 million.

For forward contracts the forward points have been excluded in determining hedge effectiveness. The hedge ineffectiveness charged to profit and loss in this context is immaterial.

Cash flow hedging relationships;
Net amount of loss on hedging instrument included in other comprehensive income during 2003 was NOK 38 million.

(10) Goodwill amortization and impairment of goodwill
Effective 1 July 2001, Telenor adopted Statement of Financial Accounting Standards No. 141 (SFAS 141), “Business Combinations” and effective 1 January 2002, Telenor adopted the full provision of statement 141 and Statement No. 142 (SFAS 142), “Goodwill and Other Intangible Assets”. SFAS 141 requires all business combinations initiated after 30 June 2001 to be accounted for under the purchase method, SFAS 141 also sets forth guidelines for applying the purchase method of accounting in the determination of intangible assets, including goodwill acquired in a business combination, and expands financial disclosures concerning business combinations consummated after 30 June 2001.

[1] A number of requirements are outlined in this paragraph. Among others; the notional amount of the swap matches the principal amount of the interest-bearing asset or liability, the fair value of the swap at its inception is zero, the formula for computing net settlements under the interest rate swap is the same for each net settlement.
[2] The benchmark interest rates in this instance would be the swap rates.

Under SFAS No. 142, goodwill is no longer amortized on a straight-line basis over its estimated useful life, but is tested for impairment on an annual basis and whenever indicators of impairment arise. SFAS No. 142 prescribes a two-phase process for impairment testing of goodwill. In the first phase Telenor identifies reporting units where goodwill must be tested for impairment by comparing net assets of each reporting unit to the respective fair value. In the second phase (if necessary) the impairment is measured by determining the fair value of goodwill by assigning the unit's fair value to each assets and liability of the unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. Telenor completed its first phase impairment analysis at the end of 2003 and concluded that no reporting units had a carrying value in excess of the fair value. The step two analyses was therefore not necessary at year end 2003.

In accordance with Accounting Principles Board ("APB") Opinion No. 20, "Accounting Changes," the effect of this accounting change is reflected prospectively. Supplemental comparative disclosure, according to US GAAP, as if the change had been retroactively applied, is as follows

in NOK million except per share amounts	2001
Reported net income	7,004
Goodwill amortization net of tax and minority interests	1,840
Adjusted net income	**8,844**
Earnings per share	
Reported earnings per share	3.95
Goodwill amortization per share net of tax and minority interests	1.04
Adjusted earnings per share	**4.99**

Under Norwegian GAAP, goodwill is amortized. Goodwill is tested yearly for impairment as under US GAAP. The second step of the goodwill impairment test is not consistent with Norwegian GAAP. Under Norwegian GAAP, goodwill is written down based on the difference between book value and fair value.

(11) Measurement date
Under US GAAP the measurement date for a business combination is the date assets are received and other assets are given, liabilities are assumed or incurred, or equity interests are issued, which is consistent with the date of consolidation

Under Norwegian GAAP, the measurement date for a business combination is the date the risk for the company's result of operations is transferred. The acquired company's results, amortization of net excess values and calculated financing expenses have been recorded directly against the Group's shareholders' equity in the period between the date for transfer of risk and the date of consolidation. The date of consolidation is consistent with US GAAP. This has resulted in a charge directly to shareholder's equity under Norwegian GAAP that is not consistent with US GAAP and a different valuation of tangible and intangible assets under Norwegian GAAP compared to US GAAP and therefore also differences in subsequent depreciation and amortization.

(12) Sale of software
Telenor is provider of full service application and IT operating systems services. Under Norwegian GAAP, revenue from sale of software licenses and software upgrades is recognized upon the delivery of the software licenses and software upgrades. Under US GAAP, revenue from sale of software licenses and software upgrades is deferred and recognized as revenue over remaining software maintenance period as the customer does not have access to the software unless Telenor provides software maintenance. In addition, in conjunction with these contracts, the Company may develop additional applications that are not essential to the use of the software. Under Norwegian GAAP, the fees for the development of the additional software are recognized based on the percentage of completion method of accounting. Under US GAAP, these development fees are also deferred and recognized as revenue over the remaining software maintenance period.

(13) Reversal of write-downs
Under Norwegian GAAP, a previous write down of tangible and intangible assets (excluding goodwill) must be reversed if the factors that triggered the impairment are no longer valid and if the underlying asset has recovered its value.

Under US GAAP, reversal of previous write-downs is not permitted.

(14) Asset retirement obligation
Effective 1 January 2003, Telenor changed its method of accounting for asset retirement obligations in accordance with FASB Statement No. 143, Accounting for Asset Retirement Obligations (SFAS 143). Previously, Telenor did to a limited extent recognize amounts related to asset retirement obligations. Under the new accounting method, Telenor recognizes asset retirement obligations in the period in which they are incurred. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

Under SFAS 143, an asset retirement obligation exists where Telenor has a legal obligation, whether contractual, by law, or by a promissory estoppel, to settle an asset retirement obligation. Where Telenor is required to settle an asset retirement obligation, Telenor has estimated and capitalized the net present value of the obligations and increased the carrying value of the related long-lived asset with an amount equal to the depreciated value of the asset retirement obligation. Subsequent to the initial recognition, an accretion expense is recorded relating to the asset retirement obligation, and the capitalized cost is expensed as ordinary depreciation in accordance with the related asset. In most situations, the timing of the assets removals will be a long time into the future and result in significant uncertainty as to whether the obligation actually will be paid.

Under Norwegian GAAP, asset retirement obligations are limited to expenses to material known and planned removals within a reasonable timeframe.

Telenor have asset retirement obligations relating primarily to equipment and other leasehold improvements installed on leased network sites and in administrative and network buildings. Those leases generally contain provisions that require Telenor to restore the sites to their original condition at the end of the lease term. The following table describes all changes Telenor's assets retirement obligation liability:

in NOK millions	2003
Asset retirement obligation at beginning of year	316
Liabilities incurred	38
Liabilities settled	(10)
Accretion expense	22
Revision in estimated cash flows	–
Asset retirement obligation at end of year	366

Asset retirement obligations in associated companies are included under Other differences. Telenor's share of costs for asset retirement obligations in associated companies was NOK 29 million in 2003, of which NOK 9 million was the cumulative change of accounting principle.

The cumulative effect of the change on prior years resulted in a charge to income of NOK 258 million (net of income taxes of NOK 187 million, 0.10 per share), which is included in income for the year ended 31 December 2003. The effect of the change on the year ended 31 December 2003 was to decrease income before the cumulative effect of the accounting change by NOK 27 million (0.02 per share). The pro forma effects of the application of Statement 143 as if the Statement had been adopted on 1 January 2001 (rather than 1 January 2003) are presented below:

in NOK millions, except per share amounts	2003	2002	2001
Reported net income (loss)	5,036	(3,658)	7,004
Assets retirement obligations net of tax and minority interests (cumulative effect of change in accounting principle in 2003)	187	(28)	(27)
Adjusted net income (loss)	5,223	(3,686)	6,977
Earnings per share			
Reported earnings (loss) per share	2.84	(2.06)	3.95
Adjusted earnings (loss) per share	2.94	(2.08)	3.93

The pro forma asset retirement obligation liability balances as if Statement 143 had been adopted on 1 January 2001 (rather than 1 January, 2003) are as follows:

in NOK millions	2002	2001
Pro forma amounts of liability for asset retirement obligation at beginning of year	265	217
Pro forma amounts of liability for asset retirement obligation at end of year	316	265

(15) Subsequent acquisitions of ownership interest in subsidiaries

Under US GAAP, assets and liabilities are identified and recorded in each subsequent acquisition of interest in subsidiaries.

Under Norwegian GAAP, changes in fair values for assets and liabilities for a subsequent acquisition in a subsidiary is recorded directly against equity. Goodwill is identified and accounted for in each acquisition.

(16) Taxes

The income tax effects of US GAAP adjustments are recorded as deferred taxes.

(17) Dividends

Under Norwegian GAAP, dividends payable reduce shareholder's equity for the year in which they relate.

Under US GAAP, dividends payable are recorded as a reduction of shareholder's equity when approved.

(18) Cross border QTE leases
The Group has entered into Cross Border QTE Leases for telephony switches, GSM Mobile network and fixed-line network. Telenor has provided defeasance of all amounts due by us under these agreements. The leasing obligations and the defeased amounts are shown net on the balance sheet

Both under Norwegian GAAP and under US GAAP Telenor have deferred the gain from the transactions since there is more than a remote possibility of loss of the gain due to indemnification or other contingencies.

Under US GAAP, assets and liabilities may not be offset except when there exists the legal right to offset the asset and liability. The legal right to offset the defeased amounts against the future lease obligations does not legally exist. Therefore, under US GAAP, the defeased amounts and the Group's future obligations under the QTE Leases are recorded gross on the consolidated balance sheet as financial assets and long-term interest-bearing liabilities in the amount of approximately NOK 6,203 million for the year ended 31 December 2003 and financial assets and long-term interest-bearing liabilities of NOK 3,557 million for the year ended 31 December 2002. This does not affect the profit and loss statement or shareholder's equity.

At 31 December 2003, future minimum annual rental commitments under finance lease liabilities are as follows under US GAAP:

in NOK millions	As of 31 December 2003
2004	1,252
2005	1,054
2006	1,012
2007	953
Later years through 2016	7,325
Total minimum lease payments	**11,596**
Less amount representing interest	3,452
Finance lease obligation under US GAAP	8,144
Finance lease obligation under Norwegian GAAP	1,564
Deferred gain (both Norwegian and US GAAP)	377

Finance lease property is included in tangible assets as follows (at net book value):

	As of 31 December	
in NOK millions	2003	2002
Telephony switches	121	221
GSM mobile network	276	478
Fixed-line network	1,133	–
Satellites	617	732
Set top boxes	304	334
Other	82	105
Total	**2,533**	**1,870**

(19) Prepayment on equal terms
Telenor entered into Mobile Virtual Network Operator (MVNO) agreement, which includes sale of traffic in telenor's GSM and UMTS network in Norway. At the same time a similar agreement for purchase of GSM and UMTS traffic in a network in Sweden was made with the same counterpart. The agreements contain a fixed nonrefundable prepayment and a variable prices based on the actual use of the services.
In accordance with Norwegian accounting principles the fixed and the variable element are recognized as revenues and traffic costs based on the actual usage. The prepayments between the parties are recognized in the balance sheet.

Under US GAAP the fixed prepayments between the parties have been nullified since these fixed payments are on equal terms and are non refundable. Consequently, the prepayments and the revenues and traffic costs have been eliminated.

(20) Revenue recognition
Under Norwegian GAAP, gains on the sale of fixed assets and operations are included in total revenues. Under US GAAP, such gains would be included below other operating income.

Under Norwegian GAAP, revenue from telecommunications installation fees and connection fees are recognized in revenue at the time of the sale and all initial direct costs are expensed as incurred. Under US GAAP, such connection and installation fees that do not represent a separate earnings process should be deferred and recognized over the periods that the fees are earned which is the expected period of the customer relationship. Initial direct costs to the extent of the deferred revenue should also be deferred over the same period that the revenue is recognized. The effect on net income of this difference is not material.

New US Accounting Standards

FIN 46

In January 2003, Financial Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities”, was issued as an interpretation of Accounting Research Bulletin No. 51, ‘‘Consolidated Financial Statements.’’ FIN 46 provides guidance on consolidating variable interest entities. The concept of a variable interest entity was established by FIN 46 and is an entity (i) which lacks sufficient equity investment at risk to permit the entity to finance its activities without additional subordinated financial support or (ii) where the equity investors lack one of three specified characteristics of a controlling financial interest.

In December 2003, the FASB published a revision to FIN No. 46 (“FIN 46-R”) to clarify some of the provisions of the interpretation and defer the effective date of implementation for certain entities and will now become applicable for Telenor in the first quarter of 2004.

Telenor is currently evaluating the effect that the adoption of FIN 46-R will have on its results of operations and financial condition.

EITF 00-21

In May 2003, the EITF reached a consensus on Issue 00-21, addressing how to account for arrangements that involve the delivery or performance of multiple products, services, and/or rights to use assets. Revenue arrangements with multiple deliverables are divided into separate units of accounting if the deliverables in the arrangement meet the following criteria: (1) the delivered item has value to the customer on a standalone basis; (2) there is objective and reliable evidence of the fair value of undelivered items; and (3) delivery of any undelivered item is probable. Arrangement consideration should be allocated among the separate units of accounting based on their relative fair values, with the amount allocated to the delivered item being limited to the amount that is not contingent on the delivery of additional items or meeting other specified performance conditions. Telenor will adopt EITF 00-21 for contracts entered into on or after 1 January 2004. Telenor is currently evaluating the impact that the statement will have on revenues or results of operations.

International Financial Reporting Standards

Telenor is to adopt International Financial Reporting Standards (“IFRS”) as primary generally accepted accounting principles (“GAAP”) by 2005 as required under European Regulation applicable to European public companies. The full set of IFRS applicable by 2005 is not yet known and still subject to endorsement by the European Commission.

Provided SEC regulations regarding the periods to be presented under a comprehensive set of GAAP is amended as proposed in March 2004 to allow foreign private issuers to include only two years of audited financial statements for their first year of reporting under IFRS, Telenor expects to select 1 January 2004 as its transition date to IFRS and thus to present restated 2004 and 2005 IFRS financial statements in its 2005 Form 20-F and to continue to report under Norwegian GAAP as primary GAAP in the meantime (2004)

Transition from Norwegian GAAP to IFRS is described under accounting principles, the additional reconciliation disclosure between IFRS and US GAAP will include narrative and tabular net income and shareholders’ equity reconciliations with respect to 2004 financial statements required under SEC Rules.

(21) Non-consolidated investees — 100 percent basis

The following table sets forth summarized unaudited financial information of Telenor's non-consolidated investees on a 100 percent combined basis. Telenor's share of these investments is accounted for using the equity method.

in NOK millions	2003	2002
Income Statement Data		
Operating revenues	42,498	48,285
Operating profit	3,574	5,246
Income before taxes and minority interests	1,751	3,177
Net income	924	1,819
Balance Sheet Data		
Current assets	12,813	14,925
Non-current assets	36,926	46,202
Assets	**49,739**	**61,127**
Current liabilities	14,004	16,028
Non-current liabilities	29,255	29,058
Minority interest	34	559
Shareholders' equity	6,446	15,482
Liabilities and shareholders' equity	**49,739**	**61,127**

STATEMENT OF PROFIT AND LOSS

Telenor ASA 1 January–31 December

In NOK millions	Note	2003	2002	2001
Revenues		582	605	270
Gains on disposal of operations		–	63	5,158
Total revenues		**582**	**668**	**5,428**
Operating expenses				
Salaries and personnel costs	2, 3	358	350	148
Other operating expenses	4	792	671	381
Losses on disposal of operations	5	–	1,390	–
Depreciation and amortization		55	39	6
Total operating expenses		**1,205**	**2,450**	**535**
Operating profit (loss)		**(623)**	**(1,782)**	**4,893**
Net financial items	6	**6,508**	**(3,494)**	**5,954**
Profit (loss) before taxes		**5,885**	**(5,276)**	**10,847**
Taxes	7	(770)	2,650	(4,947)
Net income (loss)		**5,115**	**(2,626)**	**5,900**
Proposed dividends		1,776	799	621
Group contribution distributed, net after taxes		–	137	9,363

BALANCE SHEET

Telenor ASA at 31 December

In NOK millions	Note	2003	2002
Assets			
Deferred tax assets	7	1,476	2,265
Other intangible assets	8	244	221
Tangible assets	9	24	30
Financial assets	10	80,562	85,495
Total fixed assets		**82,306**	**88,011**
Non-interest-bearing receivables on Group companies		121	258
Receivable Group Contribution		2,000	-
Non-interest-bearing receivables external		124	102
Cash and cash equivalents		533	-
Total current assets		**2,778**	**360**
Total assets		**85,084**	**88,371**
Equity and Liabilities			
Equity		**42,567**	**39,202**
Long-term interest-bearing liabilities	11	19,535	21,470
Long-term non-interest-bearing liabilities		218	195
Total long-term liabilities		**19,753**	**21,665**
Short-term interest-bearing liabilities	11	20,068	25,583
Short-term non-interest-bearing liabilities	12	2,696	1,921
Total short-term liabilities		**22,764**	**27,504**
Total equity and liabilities		**85,084**	**88,371**
Mortgages		-	-
Guarantee liabilities	13	4,155	6,934

Oslo, 25 March 2004

Thorleif Enger
Chairman of the Board of Directors

Bjørg Ven
Vice-chairman of the Board of Directors

Hanne de Mora
Board member

Einar Førde
Board member

Jørgen Lindegaard
Board member

Liselott Kilaas
Board member

John Giverholt
Board member

Harald Stavn
Board member

Per Gunnar Salomonsen
Board member

Irma Tystad
Board member

Jon Fredrik Baksaas
President & CEO

CASH FLOW STATEMENT

Telenor ASA 1 January–31 December

In NOK millions	2003	2002	2001
Profit before taxes	**5,885**	**(5,276)**	**10,847**
Taxes paid	71	(1,303)	(507)
Net (gain) loss	–	1,341	(5,158)
Depreciation and amortization	55	39	6
Group contribution	(2,000)	–	(16,336)
Write-down of shares and reversal of previous write-downs	(3,127)	5,893	11,705
Currency gain not relating to operating activities	1,171	(457)	–
Changes in accruals etc.	(3,272)	(63)	(51)
Net cash flow from operating activities	**(1,217)**	**174**	**506**
Purchase of tangible and intangible assets	(82)	(12)	(39)
Cash receipts from sale of subsidiaries	–	16	5,326
Cash payments on establishing new companies	(874)	(2,250)	(52)
Cash payments on establishing receivables on Group companies	8,230	(3,754)	(7,550)
Purchase of other investments	(6)	(753)	(93)
Net cash flow from investment activities	**7,268**	**(6,753)**	**(2,408)**
Proceeds from long-term liabilities	–	11,012	–
Proceeds from short-term liabilities	–	1,081	598
Payments of long-term liabilities	(3,592)	(6,935)	–
Payments of short-term liabilities	(1,081)	(300)	–
Proceeds from issuance of shares	–	19	21
Paid costs in connection with capital increase	–	–	(54)
Payments of dividend	(799)	(621)	(532)
Proceeds from Group contribution	–	5,682	5,485
Payments of Group contribution	–	(3,702)	(3,220)
Net cash flow from financing activities	**(5,472)**	**6,236**	**2,298**
Effect on cash and cash equivalents of changes in foreign exchange rates	**(46)**	**(53)**	**–**
Net change in cash and cash equivalents	**579**	**(343)**	**396**
Cash and cash equivalents at 1 January	–	396	–
Cash and cash equivalents at 31 December	533	–	396

STATEMENT OF SHAREHOLDER'S EQUITY

Telenor ASA

	Number of shares	Nom Amount (NOK)	Share Capital (NOK mill.)	other paid capital (NOK mill.)	Other equity (NOK mill.)	Treasury shares (NOK mill.)	Total (NOK mill.)
Equity at establishment considering contribution in kind 3 October, 2000	**1,400,000,000**	**6**	**8,400**	**5,600**	**4,611**	**–**	**18,611**
Shares dividend issue 10 November, 2000	30,000,000	6	180	(180)	–	–	–
Treasury shares	–	6		180	–	(180)	–
Shares issue December 2000	372,151,899	6	2,233	13,013	–	–	15,246
Net income for 2000 (21.07–31.12)	–	–	–	–	3,984	–	3,984
Dividends	–	–	–	–	(532)	–	(532)
Balance as of 31 December, 2000	**1,802,151,899**	**6**	**10,813**	**18,613**	**8,063**	**(180)**	**37,309**
Net income for the year 2001	–	–	–	–	5,900	–	5,900
Dividends	–	–	–	–	(621)	–	(621)
Employee share issue	578,753	6	3	17	–	–	20
Distribution of own shares	–	6	–	(11)	–	(11)	–
Balance as of 31 December, 2001	**1,802,730,652**	**6**	**10,816**	**18,619**	**13,342**	**(169)**	**42,608**
Net income for the year 2002	–	–	–	–	(2,626)	–	(2,626)
Dividends	–	–	–	–	(799)	–	(799)
Employee share issue	695,520	6	4	15	–	–	19
Balance as of 31 December, 2002	**1,803,426,172**	**6**	**10,820**	**18,634**	**9,917**	**(169)**	**39,202**
Net income for the year 2003	–	–	–	–	5,115	–	5,115
Dividends	–	–	–	–	(1,776)	–	(1,776)
Employee share issue	595,109	6	4	22	–	–	26
Balance as of 31 December, 2003	**1,804,021,281**	**6**	**10,824**	**18,656**	**13,256**	**(169)**	**42,567**

NOTES TO THE FINANCIAL STATEMENTS

Telenor ASA

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND GENERAL

Telenor ASA is a holding company and contains the Group Management, corporate functions and Telenor's internal bank (Telenor Finans). In addition there are some strategic Group projects, including Telenor's program for improving efficiency of operations, Delta 4, that are placed in Telenor ASA.

As of 15 April 2002, Telenor's internal bank, among other entities, was transferred from Telenor Communications AS (now Telenor Eiendom Holding AS) with assets and liabilities, including guarantee liabilities. Consequently the figures for 2002 are not directly comparable to 2001. The Group Management was transferred from Telenor Communications AS as of 1 January 2001, and corporate functions as of 1 July. In the first six months of 2001, Telenor ASA paid a service fee to Telenor Communications AS for corporate functions. In 2001, Telenor ASA owned shares in Telenor Communications AS, and Telenor Communications AS owned shares in a number of subsidiaries. As a part of the reorganization of the Telenor Group a number of holding companies were established in 2001. In 2002, the shares in Telenor Communications AS were demerged and distributed to the holding companies.

Revenues are mainly management fee from the Telenor Group and sale of consultancy services to other Group companies. Purchases from other companies within the Group consist mainly of consultancy fees in strategic Group projects, property lease, IT-operations and maintenance.

Telenor ASA conducts the main part of the external debt financing in Telenor, and provides loan to, and receives placements of liquid assets from Group companies. See note 20 to the consolidated financial statements.

Shares in subsidiaries and loans provided to these are evaluated at cost. Investments in subsidiaries are evaluated as a whole, and adjustments in the book value are only made if the aggregated holdings have a lower estimated fair value than the original cost or a loss in value for a separate investment is other than a temporary decline. The value of the investments in subsidiaries must be viewed together with the values in the consolidated accounts. Write-downs of the values of Telenor ASAs investments in subsidiaries have been performed in 2002 to better reflect the values in the consolidated financial statement. In 2003 are parts of these write-downs reversed as a consequence of increased values. The value adjustments are classified as financial items in the profit and loss statement.

Telenor ASA's accounting principles are similar to the accounting principles for the Telenor Group, as described. Where the notes for the parent company are substantially different from the notes for the Group, these are shown below. Otherwise refer to the notes to the consolidated financial statements for the Group.

2. SALARIES AND PERSONNEL COSTS

The Group's Chief Executive Officer and the Board of Directors have the same position in Telenor ASA. We refer to note 28 to the consolidated financial statements for the Group for further information on the compensation to the Board of Directors, management, auditor etc. for the year 2003.

in NOK million	2003	2002	2001
Salaries and holiday pay	187	213	98
Social security tax	33	36	14
Pension cost including social security tax	87	58	24
Other personnel costs	51	43	12
Total salaries and personnel costs	**358**	**350**	**148**

3. PENSION OBLIGATIONS

in NOK millions	2003	2002
Change in benefit obligation		
Benefit obligation at the beginning of the year	366	170
Service cost	47	29
Interest cost	24	24
Actuarial gains and losses	34	8
Transfer of businesses [2]	55	216
Benefits paid	(47)	(81)
Benefit obligations at the end of the year	**479**	**366**
Change in plan assets		
Fair value of plan assets at the beginning of the year	294	129
Actual return on plan assets	27	(6)
Transfer of business	61	141
Pension contribution	48	42
Benefits paid	(21)	(12)
Fair value of plan assets at the end of the year	**409**	**294**
Funded status	**70**	**72**
Unrecognized prior service costs [1]	(105)	(118)
Unrecognized net actuarial losses [1]	(155)	(104)
Accrued social security tax	(26)	(20)
Net accrued (prepaid) benefit cost	**(216)**	**(170)**
Net accrued (prepaid) benefit cost at 01.01	(170)	5
Transfer of business [2]	(52)	(116)
Net periodic benefit costs	87	58
Pension contribution	(48)	(42)
Benefits paid	(26)	(69)
Social security tax at pension contribution and benefits paid	(7)	(6)
Net accrued (prepaid) benefit cost at 31.12	**(216)**	**170**
Of which changes in pension plan scheme (note 10)	116	131
Of which net pension plan assets (note 10)	100	39

Assumptions as of 31 December, see note 7 in the consolidated financial statements for the Group

in NOK millions	2003	2002
Components of net periodic benefits costs		
Service cost	47	29
Interest cost	24	24
Expected return on plan assets	(21)	(20)
Amortization of prior service costs	13	13
Amortization of actuarial gains and losses	13	4
Social security tax	11	6
Net periodic benefit costs	**87**	**56**
Contribution plan costs	–	2
Total pension costs charged to the year's result	**87**	**58**

[1] The increase in unrecognized actuarial gain and losses in 2003 was related to changes in assumptions for 2003, of which the decrease in the discount rate contributed most. Unrecognized prior service costs and net actuarial losses from earlier years arose mainly from transferring employees from other Telenor companies in the years 2002 and 2001. The change in scheme (unrecognized prior service costs) is related to implementation of the early retirement scheme (AFP scheme) as of 1 January 1997, for wholly owned subsidiaries. The implementation effect is expensed over the estimated remaining service period. Change in scheme that is not expensed as of 31 December 2002, amounted to NOK 116 million. This amount is included in financial assets, see note 8 below.

[2] Transfer of business was mainly related to transferring from Telenor Communication AS (now Telenor Eiendom Holding AS) to Telenor ASA, which have increased benefit obligations, plan assets, net actuarial loss and amortization of acturial losses.

4. OTHER OPERATING EXPENSES

in NOK millions	2003	2002	2001
Cost of premises, vehicles, office equipment etc.	44	56	13
Operation and maintenance	87	47	14
Travel and travel allowances	14	38	24
Marketing, representation and sales commission	25	33	17
Consultancy fees and rent of personnel	524	326	276
Workforce reductions	–	27	–
Bad debt	12	18	–
Other	86	126	37
Total other operating expenses	**792**	**671**	**381**
Of which internal within Group companies	418	195	152

The increase in operation and maintenance are mainly caused by increase activity in the Group projects.

The increase in consultancy fees is related to internally purchase of services, as research and development and serving our international operations.

5. LOSSES ON DISPOSAL OF OPERATIONS

Losses on disposal of operations in 2002 were mainly related to the simultaneous liquidation of Nye Telenor Communications I AS, and Digifone Holding AS, see note 7 below. In connection with the liquidations a deferred tax asset arose, recorded as tax income, which more than compensated for the liquidation loss.

6. FINANCIAL INCOME AND EXPENSES

in NOK millions	2003	2002	2001
Interest income from Group companies	4,538	3,614	1,301
Group contribution from Group companies [1]	2,000	(66)	16,336
Total financial income	**6,538**	**3,548**	**17,637**
Interest expenses external	(1,179)	(923)	–
Other financial expenses	(3)	(8)	–
Interest expenses to Group companies	(1,039)	(661)	–
Write-downs and reversal of previous write-downs [2]	3,127	(5,863)	(11,705)
Total financial expenses	**906**	**(7,455)**	**(11,705)**
Net foreign gains	(934)	457	–
Net gains (losses) on financial assets	(1)	(44)	22
Total Financial income and expenses	**6,508**	**(3,494)**	**5,954**

[1] Negative Group contribution 2002 was an adjustment of Group contribution received for 2001.

[2] In 2003 we reversed a large part of the write-downs made in 2002, as a consequence of increase in values. Write-downs of the values of Telenor ASAs investments in subsidiaries were performed in 2002 to better reflect the values in the consolidated accounts. Group contribution distributed (net after taxes) had initially increased the book values of subsidiaries. The book values were written down in 2001 as the Group contributions in 2001 and 2000 were distributed to cover losses in the relevant subsidiaries.

7. TAXES

in NOK millions	2003	2002	2001
Profit before taxes in Norway	**5,885**	**(5,276)**	**10,847**
Current taxes in Norway	(18)	3	4,941
Deferred taxes in Norway	788	(2,653)	6
Total income tax expense (income)	**770**	**(2,650)**	**4,947**

in NOK millions	2003	2002	2001
Effective tax rate			
Expected income taxes according to statutory tax rate (28 %)	1,648	(1,477)	3,037
Non-taxable income	(869)	–	(1,368)
Non-deductable expenses	9	1,667	3,278
Liquidation of Nye Telenor Communications I AS	–	(2,843)	–
Insufficient taxes calculated earlier years	(18)	3	–
Tax expense (income)	**770**	**(2,650)**	**4,947**
Effective tax rate in %	**13,1%**	**N/A**	**45.6%**

Deferred taxes

in NOK millions	Assets 2003	Liabilities 2003	Assets 2002	Liabilities 2002
Long-term assets	8	(46)	14	(3)
Current assets	4	–	–	–
Long-term liabilities	–	(218)	–	(678)
Short-term liabilities	4	–	10	–
Tax losses carried forward	1,724	–	2,922	–
Deferred taxes	**1,740**	**(264)**	**2,946**	**(681)**
Valuation allowances	–	–	–	–
Net deferred taxes	**1,476**	**–**	**2,265**	**–**

Tax losses carried forward as of 31 December 2003, were NOK 6,158 million, and expire in nine years. No deferred tax asset was calculated on the reversal of write-downs of investments in subsidiaries in 2003. It is expected that Group contributions in future years will entail utilization of tax losses carried forward in Telenor ASA, and is therefore reported as a deferred tax asset in the financial statements.

In 2002, operations were transferred to Telenor ASA with a deferred tax liability in the balance sheet in the amount of NOK 388 million. This was mainly related to unrealized exchange gains on long-term liabilities in Telenor Finans. In 2002 a tax loss of approximately NOK 11.5 billion corresponding to a deferred tax asset of approximately NOK 3.2 billion, was realized in connection with the liquidation of Nye Telenor Communication I AS and Digifone Holding AS, see note 13 to the consolidated financial statements. In 2002 an accounting loss before taxes on the same shares of NOK 1.3 billions also was realized. In 2002, no Group contributions have been provided to Telenor ASA to cover the tax loss, as taxable income in subsidiaries in the tax Group in Norway have been utilized to cover tax losses in other subsidiaries in the tax Group.

No deferred tax was calculated on write-downs of investment in subsidiaries in 2002 and 2001.

In 2001, income of NOK 4,885 million was not taxable, mainly related to the gain on the sale of Telenor Media.

8. INTANGIBLE ASSETS

Intangible assets are related to UMTS, GSM licenses and investments in common economy systems in the Group.

in NOK millions	Book value 01.01.03	Net addition/ disposals 2003	Amortizations and write-downs 2003	Book value 31.12.03
Licenses	205		(19)	186
Other	16	59	(17)	58
Total	**221**	**59**	**(36)**	**244**

9. TANGIBLE ASSETS

in NOK millions	Book value 01.01.03	Net addition/ disposals 2003	Amortizations and write-downs 2003	Book value 31.12.03
Computer equipment	27	(1)	(14)	12
Other	3	14	(5)	12
Total	**30**	**13**	**(19)**	**24**

10. FINANCIAL ASSETS

in NOK millions	2003	2002
Shares in subsidiaries [1]	22,397	15,714
Receivables on associated companies [2]	1,342	440
Interest-bearing receivables on Group companies [3]	56,482	69,079
Other long-term shares and other investments	125	90
Changes in pension plan scheme	116	131
Net plan assets	100	39
Other receivables	–	2
Total financial assets	**80,562**	**85,495**

[1] See note 14.

[2] Receivables on associated companies and joint ventures at 31 December 2003 was mainly interest bearing loans to Bravida (NOK 477 million) and Sonofon (NOK 823 million).

[3] Interest-bearing receivables on Group companies are loans from Telenor Finans.

11. INTEREST-BEARING LIABILITIES

in NOK millions	2003	2002
Short-term interest-bearing liabilities to Group companies	20,067	24,499
Drawing on Group bank account	–	1,081
Other short-term interest-bearing liabilities	1	3
Total short-term interest-bearing liabilities	**20,068**	**25,583**
Long-term interest-bearing liabilities	19,535	21,470
Total interest-bearing liabilities	**39,603**	**47,053**

[1] Long-term interest-bearing liabilities are mainly external. See note 20 to the consolidated financial statements.

12. SHORT-TERM NON-INTEREST-BEARING LIABILITIES

in NOK millions	2003	2002
Accounts payable	41	10
Government taxes, tax deductions etc.	33	45
Dividends payable	1,776	799
Accrued expenses	462	540
Current taxes	–	–
Liabilities to Group companies	182	160
Group contribution	–	190
Other liabilities	202	177
Total short-term non-interest-bearing liabilities	**2,696**	**1,921**

13. GUARANTEE LIABILITIES

in NOK millions	2003	2002
Guarantee liabilities	4,155	6,934

The table does not include purchased bank guarantees or guarantees where the corresponding liabilities are recorded in the company's balance sheet. At 31 December 2003 and 2002 guarantees of NOK 7,165 million and NOK 4,293 million related to Cross Boarder QTE Lease agreements were not included in the table above, see note 23 to the financial statements of the Group.

The decrease in guarantee liabilities in Telenor ASA in 2003 compared to 2002 are mainly related to a provided guarantees for NOK 2.458 million in 2002 in connection with a tax claim. In 2003 the guarantee was reduced to NOK 253 million when Telenor ASA choosed to pay the claim, exclusive accrued interest rate, instead of pursue the guarantee, see note 23 in the financial statement of the Group. Reference is made to note 23 in the consolidated financial statements for the Group regarding guarantee liabilities for Bravida with NOK 854 million and Intelsat with NOK 781 million. Telenor ASA has submitted guarantees of NOK 1,508 million for the satellite-leases Thor II and Thor III, including termination fees of NOK 271 million. The leasing agreements end in 2008 and 2010. The leasing liability as of 31 December 2003 was recorded in subsidiaries NOK 1,004 million. Telenor ASA has submitted guarantees, limited up to NOK 455 million for financial leasing liabilities in Canal Digital. These leasing agreements end in the period of 2004–2007. In 2000, a fulfillment guarantee for deliveries between subsidiaries of NOK 162 million was provided. The guarantee ends in 2007. Furthermore, fulfillment guarantees of approximately NOK 142 million for deliveries and payments by subsidiaries to external parties have been provided.

14. SHARES IN SUBSIDIARIES AT 31 DECEMBER 2003

The table below sets forth Telenor ASA's ownership interest in its subsidiaries. These subsidiaries will mainly be holding companies and their directly owned subsidiaries. Several of the subsidiaries named in the second part, own shares in other subsidiaries as described in their respective annual reports.

in NOK thousands	Office	Share owned in %	Book value
Telenor Networks Holding AS	Norway	100.0	1,268,207
Telenor International Centre AS	Norway	100.0	100
Telenor Management Partner AS	Norway	100.0	20,000
Telenor Intercom Holding AS	Norway	100.0	1,278,992
Telenor Key Partner AS	Norway	100.0	19,000
Telenor Communication II AS	Norway	100.0	192,000
Telenor Satellite Mobile Holding AS	Norway	100.0	262,086
Telenor Mobile Holding AS	Norway	100.0	7,352,200
Telenor Satellite Networks Holding AS	Norway	100.0	246,579
Telenor Satellite Networks Holding II AS	Norway	100.0	-
Itworks Holding AS	Norway	100.0	-
Telenor Installasjon Holding AS	Norway	100.0	308,767
Telenor Business Solutions Holding AS	Norway	100.0	1,502,853
Dansk Mobil Holding II AS	Norway	100.0	-
Telenor Inma Holding AS	Norway	100.0	110
Telenor Business Partner Invest AS	Norway	100.0	1,150,376
Telenor Teleservice Holding AS	Norway	100.0	27,452
Telenor Broadcast Holding AS	Norway	100.0	4,607,362
Telenor Eiendom Holding AS	Norway	100.0	4, 159,523
Telenor KB AS	Norway	100.0	100
Telenor Norge AS	Norway	100,0	1,020
TOTAL			**22,396,727**

Shares in subsidiaries owned through subsidiaries

	Office	Share owned in %
Telenor Networks Holding AS		
Telefonselskapet AS	Norway	100.0
Telenor Global Services AS	Norway	100.0
Telenor Svalbard AS	Norway	100.0
Telenor Privat AS	Norway	100.0
Telenor Telecom Solutions AS	Norway	100.0
Telenor International Centre AS		
Telenor Magyarorszag KFT	Hungary	99.3
Telenor Russia AS	Norway	100.0
Telenor Intercom Holding AS		
Nye Telenor Mobile Communications I AS	Norway	100.0
Telenor Communication II AS		
Transacty Slovakia j.s.c	Slovakia	65,6
Digitania RT	Hungary	99.99
Digitania Czech Republic a.s.	Czech	100.0
Telenor Satellite Services AB	Sweden	100.0
Argos Take Care of It S.A	Morocco	99.9
TTYL AS	Norway	100.0
Telenor Venture III AS	Norway	100.0
Telenor Forsikring AS	Norway	100.0
Telenor Venture II ASA	Norway	50.1
Telenor Kapitalforvaltning ASA	Norway	100.0
Telenor Irland AB	Sweden	100.0
Smartcash AS	Norway	100.0
Gintel AS	Norway	60.0
Telenor Satellite Mobile Holding AS		
Telenor Satellite Services AS	Norway	100.0
Telenor Mobil Holding AS		
Nye Telenor Mobile Communications III AS	Norway	100.0
Telenor Mobile Communications AS	Norway	100.0
Telenor East Invest AS	Norway	100.0
Telenor Mobile Sverige AS	Norway	100.0
Telenor Greece AS	Norway	100.0
Nye Telenor Mobile Communications II AS	Norway	100.0
Telenor Mobil AS	Norway	100.0
Wireless Mobile International AS	Norway	100.0
Telenor Mobile Interactive USA AS	Norway	100.0
Commit AS	Norway	100,0
MobilData Kjeden AS	Norway	100,0
Telenor Telehuset AS	Norway	100,0
Mapsolutions AS	Norway	100,0
OYO AS	Norway	100,0
Telenor Satellite Networks Holding AS		
Telenor Satellite Networks AS	Norway	100.0

(cont.)	Office	Share owned in %
Telenor Business Solutions Holding AS		
Telenor Business Solutions AS	Norway	100.0
Telenor Bedrift AS	Norway	100.0
Nextra Russia Invest AS	Norway	100.0
IT Drift AS	Norway	100.0
TBS Infrastructure AB	Sweden	100.0
Nye Telenor East Invest AS	Norway	100.0
Infonet Telecom AS	Norway	80.0
Nextra Active AS	Norway	100.0
Nextra Messaging AS	Norway	100.0
Dansk Mobil Holding II AS		
Dansk Mobil Holding AS	Norway	100.0
Telenor Inma Holding AS		
Telenor Inma AS	Norway	100.0
Telenor Business Partner Invest AS		
EDB Business Partner ASA	Norway	51.8
Telenor Teleservice Holding AS		
Telenor Teleservice AS	Norway	100.0
Telenor Broadcast Holding AS		
Telenor UK Ltd.	Great Britain	100.0
Telenor Bulgaria o.o.d.	Bulgaria	100.0
Telenor Satellite Broadcasting AS	Norway	100.0
Telenor Plus AB	Sweden	100.0
Canal Digital AS	Norway	100.0
Nordic Satellite Distribution AS	Norway	100.0
Canal Digital Kabel TV AS	Norway	100.0
Telenor CTV AS	Norway	100.0
Norkring AS	Norway	100.0
Telenor Vision International AB	Sweden	100.0
Telenor Satellite Services 2 AS	Norway	100.0
Pecheur AS	Norway	100.0
ICanal AS	Norway	100.0
ABC Startsiden AS	Norway	83.0
Conax AS	Norway	90.0
Salsamedia AS	Norway	85.0
Telenor Internett AS	Norway	100.0
Telenor Online AS	Norway	100.0
Frisurf AS	Norway	100.0
Telenor Direkte AS	Norway	100.0
Nordic Satellite Broadcasting S.A.	Luxembourg	100.0

(cont.)	Office	Share owned in %
Telenor Eiendom Holding AS		
Telenor Eiendom Fornebu Kvartal 1 AS	Norway	100.0
Telenor Eiendom Fornebu Kvartal 2 AS	Norway	100.0
Telenor Eiendom Fornebu Kvartal 3 AS	Norway	100.0
Telenor Eiendom Fornebu Kvartal 4 AS	Norway	100.0
Telenor Eiendom Drift AS	Norway	100.0
Telenor Eiendom Fornebu Fjordpark Syd AS	Norway	100.0
Telenor Eiendom Fornebu Fjordpark Nord AS	Norway	100.0
Telenor Eiendom Midt-Norge AS	Norway	100.0
Telenor Eiendom Hareløkken AS	Norway	100.0
Telenor Eiendom Sør AS	Norway	100.0
Telenor Eiendom Vest AS	Norway	100.0
Telenor Hellas SA	Greece	99.0

To the Annual Shareholders' Meeting of
Telenor ASA

AUDITOR'S REPORT FOR 2003

We have audited the annual financial statements of Telenor ASA as of 31 December 2003, showing a profit of NOK 5,115 million for the parent company and a profit of NOK 5,050 million for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements, included on pages 76–140, have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2003, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its duty to properly register and document the accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Directors' report, included on pages 40–47, concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and comply with law and regulations.

Oslo, 25 March 2004
ERNST & YOUNG AS

Olve Gravråk (sign.)
State Authorised Public Accountant (Norway)

Note: The translation to English has been prepared for information purposes only.

STATEMENT FROM THE CORPORATE ASSEMBLY OF TELENOR

The Corporate Assembly of Telenor ASA decided 1 April 2004 the following:

The Corporate Assembly recommends that the General Meeting approves the Board of Directors proposed profit and loss statement and balance sheet for Telenor ASA and for the Group for 2003, and recommended that the General Meeting approves the suggested appropriation of the net income for the year 2003.

GLOSSARY

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.

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

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.

EDGE: Enhanced Data rates for GSM Evolution – GSM network upgrade that allows for considerably higher bandwidth and data transmission speeds of up to 144 kbps.

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.

PSTN: Public Switched Telephone Network; term for the regular, 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.

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.

ELECTED OFFICERS AND MANAGEMENT

CORPORATE ASSEMBLY
Members elected by the shareholders

Chairman Mona Røkke, Tønsberg
Vice-chairman Randi Braathe, Rygge
Bjørg Simonsen, Mo
Jostein Devold, Kristiansand
Rune Selmar, Oppegård
Hans Olav Karde, Tromsø
Jan Erik Korssjøen, Kongsberg
Nils-Edvard Olsen, Kirkenes
Signe Marie Jore Ritterberg, Oslo
Jørgen Ole Haslestad, Germany

Shareholder-elected alternates
Inger-Grethe Solstad, Stavanger
(1. alternate)
Stener Lium, Ranheim (2. alternate)
Siri Pettersen Strandenæs (3. alternate)

Members elected by the employees
Berit Kopren, Stavanger
Jan Riddervold, Lillehammer
Astri Skare, Bergen
Stein Erik Olsen, Bergen
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

THE BOARD OF DIRECTORS
Members elected by the shareholders

Board chairman Thorleif Enger, Oslo
Vice-chairman Bjørg Ven, Oslo
Hanne de Mora, Switzerland
Einar Førde, Oslo
Jørgen Lindegaard, Copenhagen
Liselott Kilaas, Oslo
John Giverholt, Asker

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, Skotterud
Helge Enger, Brandval
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 Chief Technical Officer
Berit Svendsen

Executive Vice President and CEO of Telenor Nordic
Jan Edvard Thygesen

Executive Vice President and CEO of Telenor Networks
Åsmund Løset

Executive Vice President and CEO of Telenor Norge
Morten Karlsen Sørby

Executive Vice President and CEO of Telenor Broadcast
Stig Eide Sivertsen

ANNUAL REPORTS ON THE WEB
Telenor's annual reports since 1994
are published on the Group website.
www.telenor.com/ir/annual_reports

SOCIAL REPORT
Telenor's corporate social responsibility, including goals, actions and results, is described in a separate section on Telenor's Internet site.www.telenor.com/csr

FINANCIAL CALENDAR

5 May	Q1 results 2004
6 May	Annual General Meeting
23 July	Q2 results 2004
27 October	Q3 results 2004

This report contains statements regarding the future prospects of Telenor, involving growth initiatives, profit figures, strategies and objectives. The risks and uncertainties inherent in all statements regarding the future can lead to actual profits and development deviating substantially from what has been expressed or implied. The risk factors associated with Telenor's business activities are also described in form 20-F, which has been submitted to the Securities and Exchange Commission: (Available on: www.telenor.com/ir/annual_reports)

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Concept and design: COBRA. Print: RK Grafisk AS. All photos taken with mobile camera or digital camera by employees in Telenor companies.

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