

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 an 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 |

¹⁾ Specification of depreciation and amortization

| in NOK millions | 2003 | | | 2002 | | | 2001 | | |
|--|--------------|------------|------------------|--------------|--------------|------------------|--------------|------------|------------------|
| | 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.

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.

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/Combella 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. 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 customers 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, djuce.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 djuce.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 djuce.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 ^{*)}

²⁾ Includes write-downs of Telenor's net excess values by ^{*)}

| | | | |
|-------------------------------|--------------|------------|--------------|
| 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/Combella (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/Combella (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 ^{*)}

²⁾ Includes write-downs of Telenor's net excess values by ^{*)}

| | | | |
|-------------------------------------|------|------|------|
| 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/Combella 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 |
| Transmission | 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) |
| Transmission | 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 ^{*)}

^{*)} 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 Unigrig 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 |
| Unigridd AB | - | - | 122 |
| IT operations DnB & Nordea | - | 20 | 597 |
| Bravida ASA | 82 | 91 | - |
| OJSC Comincom/Combella | 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/Combella 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.

| in NOK millions | Payments due | | | | |
|---|---------------|-------------------------|---------------|--------------|--------------|
| | 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 | | Compensation rate | | Social Security base amount | | Annual adjustments to pensions | |
|---|---------------|-----|-------------------|-------|-----------------------------|-----|--------------------------------|-------|
| | +1% | -1% | +1% | -1% | +1% | -1% | +1% | -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.