telenor

Content

KEY FIGURES

In NOK millions (except otherwise stated)	2001	2000	1999	1998	1997
Income Statement Data					
Revenues	40,604	36,530	32,784	28,751	25,763
Gains on disposal of fixed assets and operations	5,436	1,042	783	248	177
Total revenues	46,040	37,572	33,567	28,999	25,940
Operating expenses	42,863	33,943	29,565	25,202	23,283
Operating profit	3,177	3,629	4,002	3,797	2,657
Share of profit (loss) in associated companies	8,237	(692)	(1,239)	(1,097)	(534)
Net income	7,079	1,076	2,035	1,710	1,389
Net income per share in NOK	3.994	0.754	1.454	1.293	1.157
US GAAP					
Revenues	40,581	36,481	32,716	28,670	–
Net income	7,004	1,082	2,188	1,578	–
Net income per share in NOK – basic	3,952	0,759	1,563	1,194	–

Balance Sheet Data as of 31 December	2001	2000	1999	1998	1997
Total fixed assets	66,095	80,881	37,617	31,783	26,631
Total current assets	16,528	12,804	10,409	8,967	7,533
Total assets	82,623	93,685	48,026	40,750	34,164
Shareholder's equity	42,144	35,474	20,033	18,515	15,478
Minority interests	3,539	2,706	1,232	239	242
Total equity and minority interests	45,683	38,180	21,265	18,754	15,720
Long-term liabilities and provisions	19,646	42,908	15,962	12,288	9,985
Short-term liabilities	17,294	12,597	10,799	9,708	8,459
Total liabilities	36,940	55,505	26,761	21,996	18,444
Total equity and liabilities	82,623	93,685	48,026	40,750	34,164
US GAAP					
Total assets	90,129	99,776	53,787	43,728	–
Long-term interest-bearing obligations	24,758	46,972	19,252	12,403	–
Shareholder's equity	42,944	36,304	21,035	19,512	–

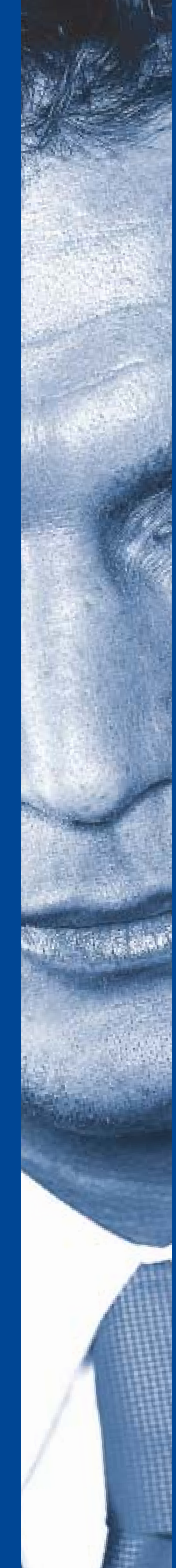
Cash Flow and Operating Data	2001	2000	1999	1998	1997
Net cash flow from operating activities	6,993	5,915	7,052	6,827	5,191
Net cash flow from investment activities	20,891	(47,308)	(8,887)	(9,804)	(7,937)
Net cash flow from financing activities	(24,366)	41,558	2,914	3,628	2,570
Investments[1]	18,846	50,672	13,170	9,428	8,970
EBITDA[2]	14,250	9,563	9,049	8,258	6,705
EBITDA, excluding gains and losses on disposal of fixed assets and operations[2]	8,877	8,579	8,568	8,019	6,568

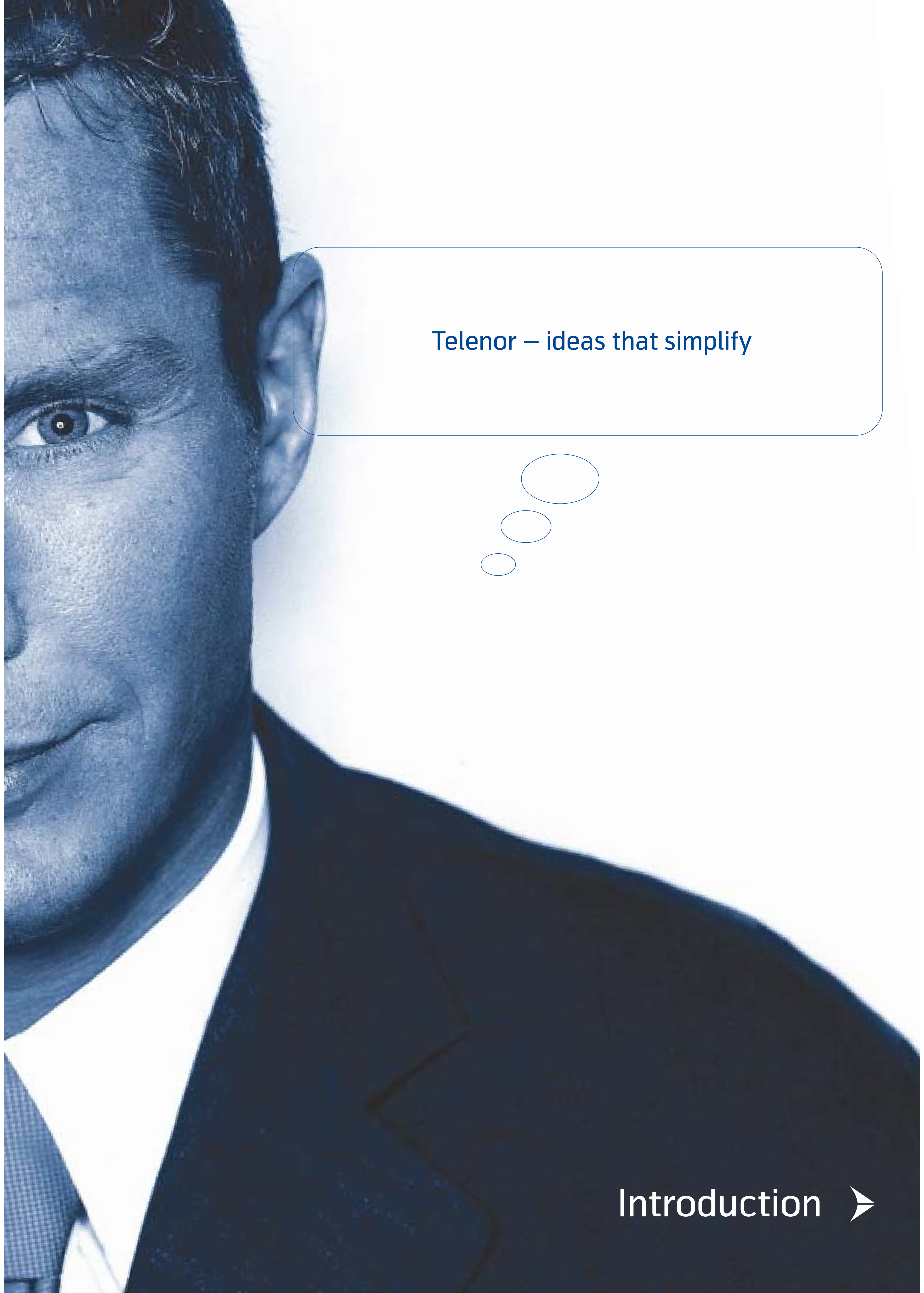
[1] Consists of investments in tangible and intangible fixed assets, long-term investments in shares and capital contributions to satellite organizations.
[2] EBITDA is operating profit before depreciation and amortization.

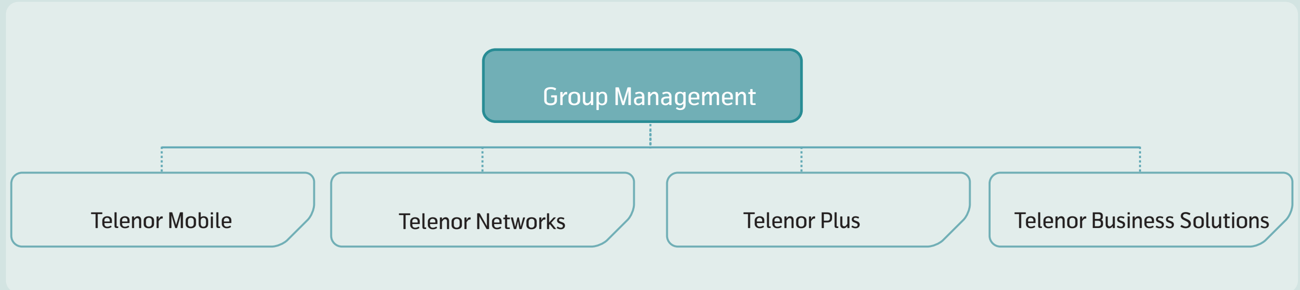
Calculation of EBITDA	2001	2000	1999	1998	1997
Operating profit	3,177	3,629	4,002	3,797	2,657
Depreciation and amortization	11,073	5,934	5,047	4,461	4,048
EBITDA	14,250	9,563	9,049	8,258	6,705
Gains on disposal of fixed assets and operations	5,436	1,042	783	248	177
Losses on disposal of fixed assets and operations	63	58	302	9	40
EBITDA, excluding gains and losses on disposal of fixed assets and operations	8,877	8,579	8,568	8,019	6,568

Other operating data	2001	2000	1999	1998	1997
Mobile telephony (digital) subscriptions in Norway, period end (000s):					
Contract	1,210	1,145	1,003	944	803
Prepaid	1,027	911	732	316	68
Mobile telephony churn rates for contract subscriptions	12.5%	12.7%	14.2%	13.1%	13.9%
Total mobile telephony outgoing minutes in Norway (in milllions minutes):					
Digital (GSM)	2,969	2,298	1,801	1,279	711
Analog (NMT)	64	108	174	271	331
Average monthly revenue per mobile subscription (digital) in Norway (in NOK)[1]					
Total	340	338[2]	341	366	401
Contract	494	473	440	400	401
Prepaid	154	165[2]	157	169	–
Fixed telephony access channels in Norway, period end (000s):					
Analog (PSTN)	1,527	1,680	1,908	2,167	2,324
Digital (ISDN)	1,735	1,590	1,228	755	410
Fixed telephony traffic in Norway (in millions of minutes):					
National calls, excluding Internet traffic	10,567	11,612	12,371	12,911	11,923
Internet traffic	4,974	5,667	4,255	2,059	1,079
International	383	387	415	386	379
Calls to mobile	1,412	1,295	1,246	967	727
Value-added services and directory calls, etc	624	599	447	287	191
Pay-television subscribers in the Nordic region, period end (000s):					
Cable TV	561	357	282	270	244
Small antenna networks (SMATV)	1,105	1,086	937	686	–
Home satellite dish (DTH)[3]	657	506	405	352	251
Total	2,323	1,949	1,624	1,308	495
Internet, period end (000s)					
Internet access subscritions and registered users, Norway	831	625	400	260	165
Internet access subscription churn rates, Norway	20.0%	25.5%	14.0%	11.7%	–
Nextra business subscriptions, Norway (000s)	16	13	8	4	2
Nextra subscriptions, outside Norway (000s)	106	104	57	–	–
Number of employees (full-time equivalents)	21,000	20,150	21,968	20,226	19,598

[1] Average monthly revenue per mobile subscription is calculated based on our total revenues from digital mobile telephony subscriptions in Norway, including subscription fees, incoming and outgoing traffic fees, roaming and revenues from value-added services, divided by the average number of digital subscriptions in Norway for the relevant period.
[2] Due to a one-time adjustment to reflect a change in the methodology used to estimate traffic revenues, our revenues for 2000 increased by NOK 66 million. As a result, average monthly revenues per digital subscription for this period are not directly comparable with prior periods. Eliminating this one-time adjustment, the average monthly revenue per digital mobile subscription for 2000 would have been NOK 6 lower for prepaid and NOK 3 lower for total digital subscriptions.
[3] Includes all subscribers of Canal Digital, a joint venture in which we have a 50 % ownership interest.




Telenor – ideas that simplify
Introduction



The Telenor Group

In 2001 Telenor restructured its core activities into four business areas with associated companies in Norway and abroad. The group was listed on the Stock Exchanges in Oslo and New York in December 2000 and had in 2001 revenues of NOK 46.0 billion.

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

Telenor is Norway's largest provider of fixed and mobile (analog and digital) communication networks and is in the forefront as regards the development, sale and distribution of communication, entertainment and information services in the Norwegian private and business markets. Telenor has a substantial international portfolio of mobile operations in Europe and Southeast Asia. Furthermore, the company is one of the world's largest suppliers of mobile satellite communication, and the leading satellite broadcaster within the Nordic region.

At the end of 2001, Telenor was positioned in mobile companies in 14 countries, it was the world's third largest supplier of satellite services through the Inmarsat system, and one of the two leading TV distributors in the Nordic region. The group was present in more than 30 countries at the end of 2001.

Telenor was listed on the Oslo Stock Exchange (TEL) and Nasdaq in New York (TELN) on 4 December, 2000. At the end of 2001, Telenor had 56,405 shareholders, the Norwegian State being the majority shareholder, holding 77.7% of the shares. Foreign investors owned approximately 10.7% of the total amount of shares. The company's market value as of 31 December, 2001 was NOK 69.6 billion, which made it the third largest company on the Oslo Stock Exchange.

› OPERATIONS
Telenor's core activities are organized into four business areas, with associated companies both in Norway and abroad. In addition, a number of other business units are in operation both inside and outside Norway. The four business areas are:

› Telenor Mobile › is responsible for Telenor's development, sales and mobile service operations within voice, data, Internet, content services and electronic commerce in the Norwegian, Nordic and international markets. Activities in the Norwegian market are carried out through Telenor Mobil AS and Zalto, Telenor Mobil AS being the largest supplier in this market. Telenor Mobile's international operations are carried out through active ownership in selected mobile operations in individual markets in Europe and Asia, where Telenor invests in both the management and development of established companies, contributing to develop new services and new markets. At the end of 2001, Telenor Mobile had 4,321 employees (4,217 man-years) and revenues of NOK 12.6 billion. [See details on page 24–27.]

› Telenor Networks › is responsible for Telenor's expansion and management of infrastructure within telecommunications and data communication (telephony, data and broadband), in addition to the development and supply of communication solutions based on the fixed network. These are supplied to the private and business markets in Norway, as well as to the wholesale market both in Norway and abroad. In the private market, telephony is supplied directly to end users, mainly via agents and partners. In the wholesale market, Telenor Networks supplies a broad range of services – from access to basic infrastructure, to full value network services that are sold through resellers. In 2001, Telenor Networks had 4,154 employees (3,964 man-years) and revenues of NOK 16.6 billion. [See details on page 28–29.]

› Telenor Plus › is responsible for the development, sales and distribution of Telenor's communication, entertainment and information services to the private market in Norway and the Nordic region. This business area is the largest supplier of analog and digital TV services within the Nordic region, and is a leading Nordic player in the development of interactive news and entertainment services to broadband users. Telenor Plus offers Internet access to the Norwegian private market and offers a number of services through several companies. At the end of 2001, Telenor Plus had 1,408 employees (1,345 man-years) and revenues of NOK 3.4 billion. [See details on page 30–31.]

› Telenor Business Solutions › is responsible for the development, sales and implementation of Telenor's communication and IT solutions for the Norwegian, Nordic and European business markets. Telenor Business Solutions is Norway's leading supplier of ICT solutions to the business market. The primary market is the Nordic region, but at the end of 2001 operations encompassed ten European countries. This business area develops and supplies a broad range of telecommunication and data communication applications and solutions. At the end of 2001, Telenor Business Solutions had 4,395 employees (4,225 man-years) and revenues of NOK 5.9 billion. [See details on page 32–33.]

› Other business units › In addition to the core activities in the four business areas, Telenor had active ownership in other businesses in 2001; most prominently in EDB Business Partner ASA, Bravida ASA, Telenor Satellite Mobile and Telenor Satellite Networks, Itworks AS and Teleservice AS.

› CORE VALUES
Telenor's three core values are: *Dynamic, innovative and responsible.* These values shall form the basis for the group's business units, and must characterize and guide Telenor's activity – both in the outside world and internally in the company. Being *dynamic* means having insight and being actively involved, coupled with the ability to accomplish. Being *innovative* means continuously being on the lookout for new opportunities for development and growth. Being *responsible* means actively participating in the community surrounding the company, all employees taking responsibility for their own actions and always giving priority to the customers' needs.

› MANAGEMENT PRINCIPLES
Telenor has developed and introduced an integrated management model with the purpose of strengthening the group's ability and power to realize its strategic objectives. The management model identifies the primary financial and non-financial factors (value drivers) at group and business area level, and will contribute to long-term optimization of shareholder values.

The value drivers are included in consecutive reporting and follow-up of results. Through "incentive agreements" in the business areas and in the group management, the value drivers are linked together with Telenor's incentive schemes in such a way that the interaction in the value chain is strengthened and sub-optimization avoided.

Strategic Direction

In 2001, Telenor decided to focus more clearly on its core activities, and to increase the efficiency of operational activities.

In 2002, Telenor will continue its strategy of improving the profitability of the company, while at the same time taking advantage of the growth potential of the portfolio. This means that the company shall:

- Maintain and develop its leading position in the field of telecommunications in Norway, with high market shares and a wide range of services for both the residential and business markets
- Reinforce its position as an international mobile telephone company by further developing its established positions, with a focus on profitable growth
- Achieve operative control of selected mobile telephone companies in order to take advantage of synergies across national boundaries and thereby improve overall profitability
- Sell out of mobile telephone positions where it is impossible to establish control in the long run
- Complete the already commenced turnaround operation in the field of business communications, and thereby lay the foundations for the establishment of a leading supplier of ICT solutions to the commercial market in the Nordic Region and selected European countries
- Position its activities in the residential market for the digital multimedia world of the future, so as to establish a leading organiser and distributor of interactive information and entertainment services in the Nordic region
- Improve operations so that the cost framework in 2004 shall be reduced by a gross NOK 4 billion compared with that for 2001
- Work on value development and if necessary sell companies or parts of companies that lie outside the Telenor Group's defined core areas

Telenor shall maintain its profit performance in the Norwegian market in the fixed and mobile telephone fields and build on this to achieve further value creation in the global market. Continued growth in the domestic market will take place through the introduction of new, profitable services. The Group will develop the range of services it offers on the basis of the existing product portfolio and its own circle of customers. Telenor aims to enable new communication and content services from other suppliers to complement Telenor's own range of services, thereby generating new revenue flows from the market.

› VISION

Telenor – *ideas that simplify.*

We intend to be a driving force in the creation and simplification of communications and content solutions and in presenting them to the market. This vision is ambitious but attainable. It is based on Telenor's tradition of being an innovator and a pioneer in bringing new products out to the market. In addition, both the use of the services and the customer's relations with the company are to be simplified. This vision involves obligations to our owners, customers and partners, and provides guidelines for our employees.

› PRINCIPAL OBJECTIVE

Telenor shall create values – for our owners, customers, employees, joint venture partners and for society. The values will be created through profitable growth, based upon the development of ideas and the implementation of solutions that simplify the use of and increase the usefulness of advanced communications technology. In this way, individuals and organisations are given greater freedom of choice and more possibilities, and companies can improve their competitiveness.

In order to achieve this objective, Telenor will consolidate and develop its position as the leading provider of communications services in Norway, and at the same time further develop internationally as a company with special emphasis on mobile services in selected countries.

Telenor is focusing on three geographical areas: first and foremost Norway and the Nordic region, then Central and Eastern Europe, and finally Southeast Asia. Experience from well developed markets is used to form the basis for our international involvement. Product development and operations will be co-ordinated throughout the portfolio to give heightened competitiveness through improved products and reduced costs.

Telenor will continue to be in the forefront of the development of new services and solutions. With the demanding domestic market as a starting point, new services will be developed that can be commercialised, also on the international market. In this way, the company will be positioned in markets where the range of services offered is constantly being extended, and where both industry-specific and customer-related solutions are in demand.

Telenor's market position in Norway and internationally demands commercially sound and ethically defensible behaviour in relation to customers, owners, employees, partners and society in general. Raising awareness of the company's social responsibility will contribute to reinforce Telenor's principal objective of creating values.

› PORTFOLIO

Telenor operates in an international market alongside global operators. As a medium-sized telecommunications company in a European context, Telenor must compete on the basis of expertise, quality of service and the ability to innovate in order to achieve its vision. The company's philosophy is therefore to be in the forefront of developments.

Telenor's combined portfolio of companies and products shall form the basis of a high rate of return both short-term and long-term, and will be the foundation of an increase in the value of the company. To achieve this objective and realise the vision of being a pioneering company, the portfolio must have a balanced composition consisting both of mature operations in mature markets and of new activities in emerging growth areas. In addition, the portfolio must include involvement in new areas that are expected to yield a good return and value growth, especially where Telenor sees potential for new development trends in the industry. The mature activities must create adequate values to provide the owners with long-term returns and the company with the resources it needs to be able to build up its growth areas. New project openings will also contribute to the development of new business for the company.

In the existing portfolio, fixed and mobile network operations in Norway constitute the main part of the mature activities, while the growth areas are in international mobile telephony activity, Internet and broadband access in Norway, business communications in the Nordic region, Central Europe and Russia, and TV and content distribution in the Nordic region. New possibilities for Telenor exist especially in the development of new services and through established contractual associations with customers.

We develop simplified communication solutions, and we are the first to use them! Our aim is to make the working day simpler for our customers.

The President

Telenor has undergone a substantial development over the last decade. Last year was the first as a listed company – with consequent new demands and expectations. We are facing considerable challenges, but we also have a solid starting point.

› THE GROWTH CONTINUES

Telenor has just completed its first year as a publicly listed company and has presented the best results in the company's history. The performance of the Telenor share in 2001 has, in spite of a weak market for telecom shares, been solid compared to other European telecom operators. During the course of the year, we have tried to consolidate our position in the important domestic market, as well as position ourselves for further international growth.

Telenor naturally aims to be the largest and leading telephony and communications company in Norway. Despite tough competition, we have, to a large extent, managed to maintain our market shares in most of our activities after the remaining privileges as a monopoly business were removed as of 1 January, 1998. In order to retain this leading position, we have throughout the 1990s prepared for and responded to the competition by introducing reduced prices on our advanced services. This has provided Norwegian consumers and companies with telecom services that are among the cheapest and best in Europe.

Major parts of Telenor's Norwegian operations are governed by regulations for public telecom networks and public telecom services. The primary objective of these regulations is to ensure high quality basic telecom services, at the lowest possible prices. In 2002, The Norwegian Post and Telecommunications Authority stated in its report on the mobile market that, "By European standards, the prices of mobile telephony in Norway are among the lowest". The regulator also reported that we are in the lead with regard to the development of SMS-based services and that this is most likely due to the creativity and innovation apperent in the content. The primary objective of the regulations therefore seems to have been achieved.

An absolute condition for enjoying low prices on telephony services is that the scale advantages that characterize this industry are in fact exploited. Furthermore, it is also a condition, if high quality and new services are to be secured, that those who make commitments are allowed to reap the rewards if they are successful. An unpredictable, or unfortunate regulatory practice that neglects to take heed of these conditions will eventually be damaging to consumers and endanger Norway's position as one of the leading countries in the telecommunication industry.

In order to be successful we need highly qualified employees. At our new headquarter we offer employees exciting challenges in an innovative and friendly environment.

› INTERNATIONALIZATION

Through the purchase of Pannon GSM in Hungary and DiGi.Com in Malaysia, Telenor made important moves to ensure further growth. Immediately prior to this, we had realized over NOK 21 billion in gains through sales of our shares in the mobile operations VIAG Interkom in Germany and Esat Digifone in Ireland. As part of our strategy to focus more strongly on core activities we sold our catalog business in 2001. Through this sale gains of NOK 5 billion were realized.

The acquisitions and disposals are part of Telenor's strategy for taking control of activities where possible, and selling out where it is not possible to gain controlling positions. Our long-term strategy is to take positions in markets with continued strong growth within GSM, in order to use our technological expertise and our knowledge of markets and consumer behavior to create excess values in the companies and for Telenor's shareholders. The fact that the companies are without common borders or lack geographical proximity, is not an obstacle for the exploitation of synergy effects within the transferring of expertise, product development and the purchasing of infrastructure.

We have realized major assets in Germany and Ireland. In Greece, we have contributed to creating one of Europe's most successful mobile companies, Cosmote. Through hard work, creativity and high-quality expertise, we will continue to create excess values throughout our mobile portfolio.

› OUTLOOK

2002 will be a year of consolidation, not only for Telenor, but for the entire telecom sector. The development of the next generation in mobile systems is not taking place as quickly as anticipated. As Telenor has limited UMTS obligations, this gives us the opportunity to capitalize more on current GSM technology, both at home and abroad.

Limited inflow of capital has reduced the industry's rate of investments, which in turn has resulted in weaker markets for our activities aimed at the business sector. We have made substantial manpower reductions in this part of the activity. Further measures will probably need to be taken in order for us to adapt to weaker market developments. Through such restructuring, Telenor will be able to maintain a healthy and profitable activity when the will to invest returns.

We have always been committed to financial discipline. Strategic takeovers have to a large extent been financed through controlled sales of minority shares and related activity. Telenor's further growth and cultivation of the activity can take place without new equity financing and within the framework of the current rating of the foreign capital. This puts us at an advantage over other telecom companies that are still weighed down by high debts.

In order to prepare for a future where the different technological platforms merge, Telenor reorganized its activity in 2001. Commercializing the technology and simplifying the customers' working day will be increasingly important. In order to rationalize and improve our work with customers, we are gathering our expertise in the different technologies into the same business areas.

We started moving into Norway's most modern office complex, at Fornebu outside Oslo, in the autumn of 2001. The group relocation will have a positive effect on innovation, creativity and collaboration between the different units within the group and in our customer relations.

Substantial possibilities exist for further development of the company and for establishing sustainable competitive advantages, if we are willing to think afresh and use the possibilities of the building. For a company such as Telenor, demanding high skill levels, access to a competent workforce is a key to our future competitive power. Research shows that Telenor is one of the most sought after employers in Norway. This is something we are proud of and something we don't take for granted. Our strong position in the labor market is not a side effect of being a successful company. Success is a result of deliberate and thorough work to secure the most competent employees. We will create Norway's most exciting workplace at Fornebu, and in so doing strengthen our position to ensure our future success.

Tormod Hermansen
President and CEO

Important events

2001 was yet another eventful year for Telenor. Notably, the company reinforced its position in the international mobile market, and strengthened its customer focus through a comprehensive reorganizing.

› **FIRST QUARTER**
› Telenor exercises its options on the sale of its ownership shares in VIAG Interkom and Esat Digifone, with gains before tax of NOK 10.7 billion per company.
› Telenor signs an agreement for the purchase of COMSAT Mobile Communications from Lockheed Martin Global Telecommunications (LMGT), for USD 116.5 million, thereby becoming the world's largest integrated player in mobile satellite communication.
› Telenor sells Norcom Networks to the listed company, Wireless Matrix Corporation, for payment in shares.
› Telenor launches the new mobile system, GPRS, which is a technical upgrading of the GSM network in Norway – with 96% coverage.
› Telenor signs an agreement for the launching of the mobile Internet portal, djuice, with New Zealand Telecom.

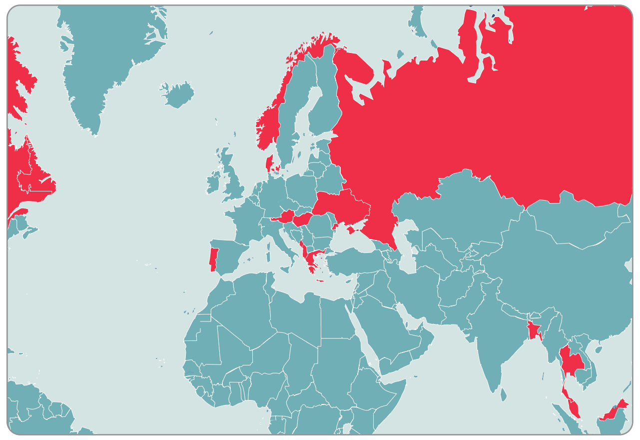
› **SECOND QUARTER**
› Telenor signs an agreement with British Telecom (BT) for Telenor to take over BT's block of shares in Telenordia AB, which they owned 50% each. Telenor continues Telenordia's activity in Sweden; whereas BT assumes Telenordia's international services.
› Telenor and VimpelCom form a strategic partnership with the Russian company, Eco Telecom, in order to strengthen the planned regional expansion of VimpelCom's mobile operations in Russia. Telenor retains its voting share in VimpelCom by purchasing shares for USD 24.7 million.
› Telenor launches djuice.se as a mobile supplier in Sweden. The launch is a result of an agreement with Europolitan Vodafone.
› Telenor undertakes write-downs, mainly on goodwill, on certain foreign investments made in 2000. These totaled NOK 8.9 billion.
› Telenor's corporate assembly appoints Tom Vidar Rygh as new Chairman of the Board, succeeding Eivind Reiten.

› **THIRD QUARTER**
› Telenor signs an agreement with Texas Pacific Group for the sale of Telenor Media with a gain before tax of NOK 5.0 billion. The sale is in line with the group's focus on the core activities.
› Telenor purchases shares in the Malaysian company, DiGi.Com, at a cost price of NOK 3.2 billion, thereby increasing its ownership share from 32.9% to 61%.
› Telenor signs a Letter of Intent for the purchase of the remaining 74.2% of the shares in the Hungarian company, Pannon GSM, for EUR 1 billion.
› Telenor signs an agreement with Canal+ for the purchase of the remaining 50% of the shares in Canal Digital for NOK 2.4 billion, of which NOK 0.5 billion is dependent on results and payable by 2008.
› Telenor signs an agreement with Telia and Sonera for the sale of its 12.74% ownership share in the Russian mobile company, Nort-West GSM, which will provide gains before tax of approximately USD 40 million.
› In collaboration with Den norske Bank, Telenor becomes the first company in Norway to introduce payment via mobile telephone, the Internet and digital TV. The service is given the name SmartPay™. Telenor is the first company in the world to integrate a completely new security system in the SIM card for the mobile telephone.
› Telenor reorganizes its four business areas with a stronger focus on the residential and business markets: Telenor Mobile, Telenor Networks, Telenor Plus and Telenor Business Solutions.

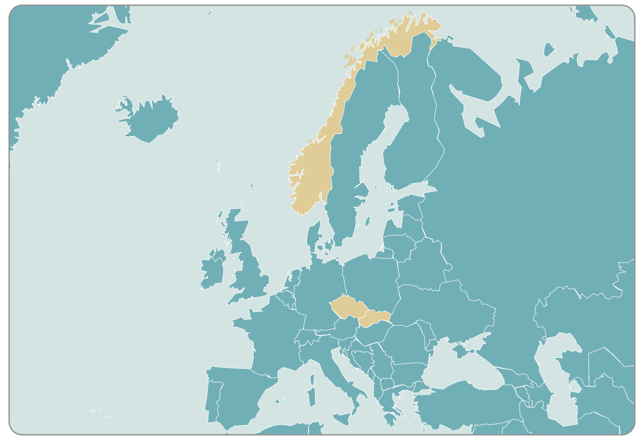
› **FOURTH QUARTER**
› Telenor opens its new UMTS network, which initially covers around 200,000 inhabitants in the central areas of Oslo. The network will be used to further test and develop the service.
› Telenor starts the relocation to its new head office at Fornebu outside Oslo, where a total of around 7,800 employees will be based.

Operational activities

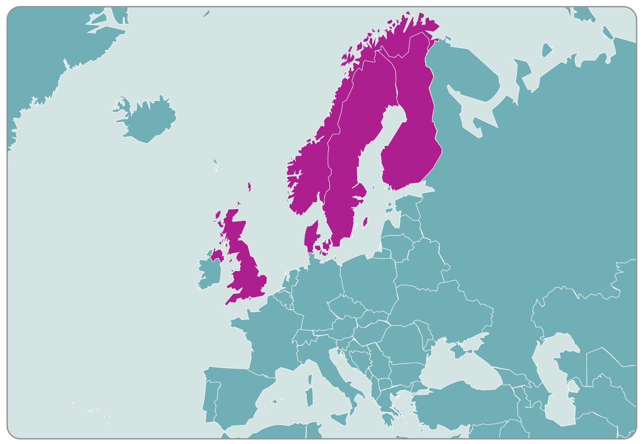
At the turn of the year 2001–2002 Telenor was involved in core activity operations in 19 countries (excluding sales and representative offices). The operations were carried out through companies that were partly or fully owned by Telenor.



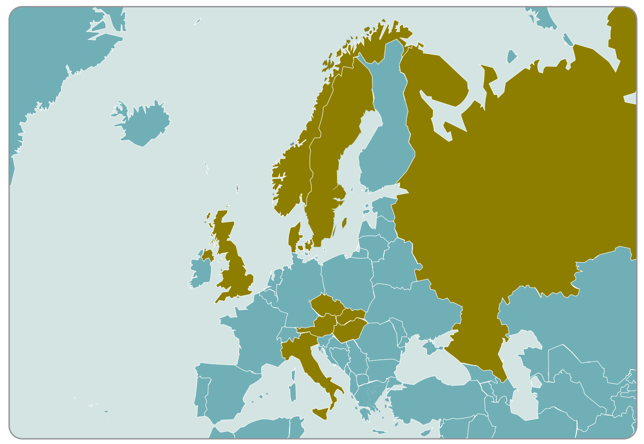
Telenor Mobile
Albania, Bangladesh, Canada, Denmark, Greece, Malaysia, Montenegro, Norway, Portugal, Russia, Thailand, the Ukraine, Hungary, Austria



Telenor Networks
Norway, Slovakia, the Czech Republic



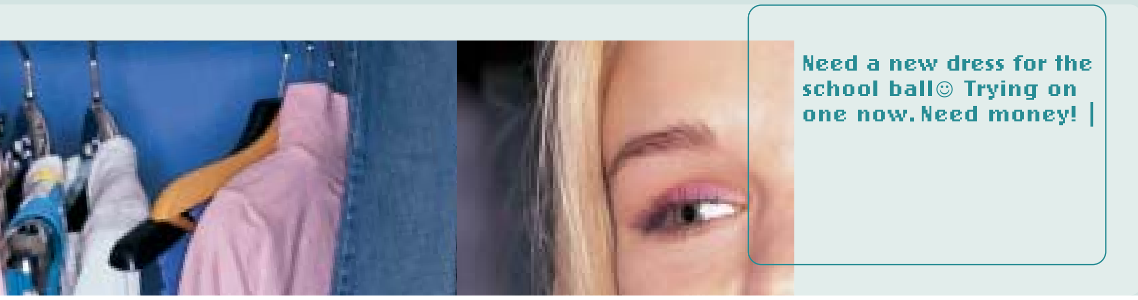
Telenor Plus
Denmark, Finland, Norway, Sweden, Great Britain



Telenor Business Solutions
Denmark, Italy, Norway, Russia, Slovakia, Great Britain, Sweden, the Czech Republic, Hungary, Austria

Mobile communication is making the working day simpler for most people, and it is continously expanding its range of application. Telenor is a leading developer and supplier of mobile solutions.

Report



Directors' report

Telenor's Board of Directors presents for 2001 the best result in the company's history. The company's share outperformed most European telecom shares. In June 2001, Tom Vidar Rygh was appointed as new Chairman of the Board.

› 1. HIGHLIGHTS

Telenor has now completed its first year of trading as a publicly listed company. Profits for the year are the best in the group's history, with a listed profit before taxes and minority interests of NOK 10.3 billion. Revenues increased by 22.5% to NOK 46.0 billion. Excluding gains, the increase was 11.2% to NOK 40.6 billion. The mobile activity was responsible for a major part of the increase, as both Norwegian and international operations showed good growth. There has been solid customer growth in the mobile area and in TV distribution, in subsidiaries as well as in associated companies. Internet subscriptions in Norway showed growth, towards the end of the year the number of new ADSL subscriptions increased. Within the fixed network area, the trend of transferring from PSTN to ISDN subscriptions has continued, and the total number of lines is on a level with the end of 2000.

The year has otherwise been characterized by a gradual shift in the group strategy through a strengthened focus on the company's core activities and on improving the efficiency of operations. Since 1 July, 2001, a large part of Telenor's activity has been reorganized into the four business areas, Telenor Mobile, Telenor Networks, Telenor Plus and Telenor Business Solutions.

Partly as a result of the decline in IT-related activity, Telenor has implemented restructuring measures with consequent downscaling and manpower reductions. The use of hired consultants has been reduced and travel restrictions have been introduced. A more extensive and long-term program for improving the efficiency of operations has also been initiated. The aim of this program is to reduce Telenor's cost base in 2004 by NOK 4 billion gross, in comparison to the cost base in 2001.

At the close of 2000, Telenor's share price was NOK 38,40. In comparison the share price at the close of 2001 was NOK 38.60, which represents an increase of 0,5%. Simultaneously, the Morgan Stanley European Telecom Index dropped 28%. The Telenor share was among the 10 most frequently traded shares on the Oslo Stock Exchange in 2001. The Board of Directors will continue to work on increasing and making visible the values in the company.

Investments, 1997–2001
Telenor Group (NOK in billion)

› 2. FINANCIAL RESULTS

› Key figures › Telenor's profit after taxes and minority interests for 2001 was NOK 7,079 million, or NOK 3.99 per share. The corresponding figures for 2000 were NOK 1,076 million and NOK 0.75 per share.

Results for 2001 are strongly marked by gains, write-downs and costs for restructuring etc. At the beginning of 2001, Telenor realized gains of NOK 21.4 billion through the sale of ownership shares in the associated companies, VIAG Interkom in Germany and Esat Digifone in Ireland. Towards the end of the year, the subsidiary Telenor Media was sold with a gain of NOK 5 billion. Due to market conditions, Telenor has also undertaken considerable write-downs in 2001, mainly on goodwill, and incurred costs for restructuring etc. which partly offset the impact of the gains on the result. This is attributed to the associated companies Sonofon AS in Denmark and DTAC and UCOM in Thailand, and Business Solutions and EDB Business Partner ASA.

The operating profit for 2001 was NOK 3,177 million, which is NOK 452 million less than in 2000. Net sales gains with an impact on the operating profit increased in relation to the previous year, by NOK 4,389 million, but was more than offset by increases in costs for restructuring etc. and write-downs. Other reductions in the operating profit are attributed to increased costs for developing and launching new products and services in the Plus business area, increased costs linked to investments in the Business Solutions business area, and strategic group projects. This was partly offset by increased operating profit in the Mobile business area.

The result from associated companies was NOK 8,237 million, which is NOK 8,929 million more than in 2000. This is attributed to increased gains from the sale of ownership shares, which were partly offset by write-downs in 2001. In addition to this there was good underlying growth in revenues and profits in a number of the associated companies, mainly in the mobile companies.

Net financial costs increased by NOK 225 million to NOK 1,159 million in 2001. This is mainly due to accounting losses in connection with the currency hedging of the high sales gains, and write-downs on shareholding. Reduced debts have resulted in lower interest costs.

Current and deferred taxes totaled NOK 3,897 million in 2001, which corresponds to 38% of the profit before taxes and minority interests (43% in 2000). The effective tax rate for Telenor is higher than the income tax rate of 28% in Norway because losses

Operating profit, 1997–2001 – Telenor Group	
NOK in millions	
2001	3,177
2000	3,629
1999	4,002
1998	3,797
1997	2,657

in subsidiaries outside Norway and the amortization and write-down of excess values, cannot be accounted for as deferred tax assets. Telenor realized the value reduction in Sonofon in 2001, also from a tax point of view. Furthermore, tax-related gains from the sale of Media were low due to a high tax cost price.

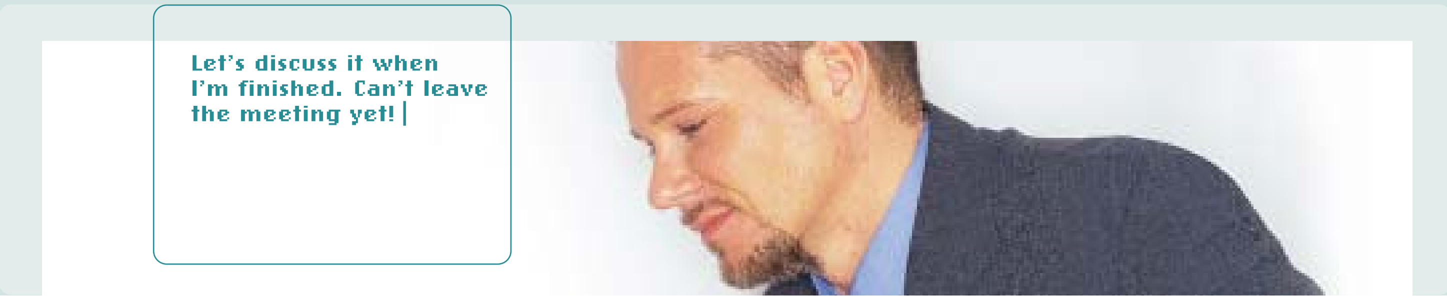
Cash flow from operating activities was NOK 6,993 million, compared to NOK 5,915 million in 2000. This increase is primarily attributed to reduced interest costs, reduced tax payments, and depreciation for costs that become payable in later periods.

Telenor invested NOK 18.8 billion in 2001, of which NOK 7.2 billion was for the acquisition of businesses. Telenor invested NOK 3.2 billion in the international mobile activity in 2001 in order to increase its ownership share to 61% in the Malaysian company DiGi.Com. Additionally, an agreement was signed for the acquisition of all shares in the Hungarian company Pannon GSM, for NOK 8 billion. The acquisition of Pannon GSM was completed on 4 February, 2002. Telenor also signed an agreement in 2001 for the purchase of the remaining 50% of the shares in Canal Digital for a maximum of NOK 2.4 billion. In 2001, NOK 2.2 billion were invested in property and technological solutions connected to the group relocation to Fornebu. At the end of 2001, Telenor's total balance was NOK 83.0 billion and the equity ratio (including minority interests) was 55.3%, which is an increase from 40.8% in 2000. Net interest-bearing liabilities totaled NOK 13.2 billion, which is a reduction of NOK 27.3 billion during the year. It is the Board's view that Telenor's financial position is satisfactory.

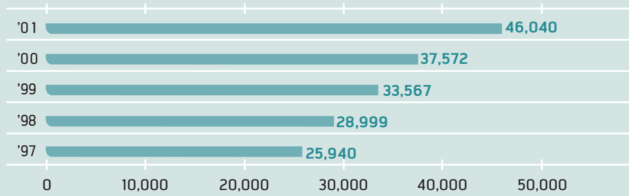
Pursuant to Section 3-3 of the Norwegian Accounting Act we confirm that the accounts have been prepared on the basis of a going concern assumption.

› COMMENTS ON THE CORE AREAS

› Telenor Mobile › provides mobile services in voice, data, Internet, content and electronic commerce in Norway and a selection of countries abroad. The business area is the leading supplier of such services to the Norwegian market.



Revenues, 1997–2001
Telenor Group (NOK in millions)



Total revenues in Mobile increased by NOK 2,759 million to NOK 12,558 million in 2001, including gains in 2001 from the sale of the subsidiary Norcom, for NOK 259 million. This growth is attributed to the consolidation of DiGi.Com in Malaysia on 1 September, 2001, increased revenues in Grameen Phone in Bangladesh as a result of an increase in the number of subscriptions, and increased revenues in mNorway. The growth in mNorway is attributed to an increase in the number of subscriptions, both with Telenor and other operators, and an increase in the monthly revenue per GSM subscription (ARPU). The increase in ARPU from NOK 338 in 2000 to NOK 340 in 2001 is a result of each subscriber generating more traffic and a higher volume of text messages. This is partly offset by price reductions on incoming traffic.

The increase in EBITDA (operating profit before depreciation, amortization and write-downs) is attributed to increased revenues, the consolidation of DiGi.Com, and the aforementioned sales gains. The EBITDA margin in mNorway has increased from 35% to 37% during 2001. Increased investments, consolidation at DiGi.Com and reduced depreciation periods in mNorway have increased the deprecation and amortization compared to 2000.

There was strong growth in the number of subscriptions in associated companies and joint ventures abroad in 2001. Adjusted for DiGi.Com, which is now a subsidiary, and the sale of VIAG Interkom and Esat Digifone, the number of subscriptions has increased by 1.75 million (77%). The growth has been particularly solid in DTAC in Thailand, VimpelCom in Russia, Pannon in Hungary and Kyivstar in the Ukraine. Telenor's share of subscriptions in these companies has increased by 120% to just over 2.6 million in total. The net effect of sales gains and write-downs has lifted the results from associated companies by NOK 9.6 billion, compared to the previous year.

› Telenor Networks › provides fixed network telecommunication services in Norway. Telenor Networks offers traditional analog fixed telephony services (PSTN), digital fixed telephony services (ISDN) and value adding services to the private market. Telenor Networks also offers PSTN and ISDN and leased lines to businesses and the public sector. Additionally, Networks provides interconnection and capacity services such as leased lines and operator access to other network operators and service providers.

The total operating profit decreased by NOK 117 million to NOK 16,568 million in 2001. Adjusted for sales gains in 2000, revenues increased by NOK 197 million. Fewer traffic minutes has reduced the revenues from the end user markets. This was more than offset by increased sales to other operators and internal service providers and an increase in transit traffic.

Growth in the market as a whole, measured in traffic minutes, has been diminishing throughout the year, and at the end of the year there was a general flattening of the market. Together with the gradual transfer to ADSL, this led to a reduction in traffic minutes at the end of the year and a growth of 4.7% for the year as a whole.

Telenor's market share (including Internet traffic), measured in traffic minutes, was 73% at the end of 2001, of which Networks' market share was 68%. Networks' market share showed a decline during the course of the year, while Telenor's total market share has been stable throughout the year.

EBITDA, excluding gains, increased by NOK 306 million compared to 2000, as a result of reduced prices on termination in the mobile networks, changes in the composition of products in the wholesale activity, increased sales of leased lines and a rationalization of the production process. The EBITDA margin, excluding gains, increased by approximately 1.5 percentage point to 34.2% in 2001.

The Atlantic Ocean cable, TAT 14, was written down by NOK 533 million in 2001, based on market assessments. Reduced depreciation periods increased the depreciation in 2001 by NOK 170 million.

› Telenor Plus › is a leading supplier of TV-based services in the Nordic region. The activity encompasses transmission services of TV and radio signals through the operators Norkring and Satellite Broadcasting. Through Canal Digital, Telenor Avidi, Sweden On-Line and Telenor Vision, a number of TV services, pay-per-view and digital services are provided to customers in the Nordic region via parabol, cable TV and smaller closed networks. The business area is also a leading supplier of Internet access and services to the residential market in Norway. Telephony and Internet access services are provided to the residential market in Sweden through Telenordia Private AB.

Total revenues increased by NOK 511 million to NOK 3,386 million in 2001. This growth is attributed to an increase in the number of subscriptions in TV distribution and increased revenues from the Internet and the sale of ADSL, as well as the consolidation of Telenordia in Sweden, as of 1 October, 2001.

EBITDA, excluding gains and losses, was reduced by NOK 360 million to NOK 254 million in 2001, which reflects increased costs linked to the digitalization of the cable TV activity, business development for broadband services and the launching of ADSL.

Depreciation and amortization increased in 2001 as a result of the acquisition of businesses, the digitalization of the cable network and investments in satellite- and terrestrial broadcasting. Write-downs of NOK 490 million were undertaken on satellites and satellite equipment in 2001.

› Telenor Business Solutions › provides a broad range of communication solutions and solutions for application services (ASP) to the business market in Norway. The business area also provides IP-based (Internet Protocol) communication services in a selection of European countries, in addition to systems integration in the UK. Telephony, IP-based communication solutions, data communication and advanced network services are also provided to the business market in Sweden. Comincom/Combellga in Russia supplies telecommunication services, mainly in the Moscow area.

Total revenues in Business Solutions increased by NOK 1,624 million to NOK 5,940 million in 2001. External revenues in Business Solutions International more than doubled in 2001 to NOK 2,161 million, and were mainly attributed to business that came during 2000 and the business sector of Telenordia in Sweden, which was consolidated as of 1 October, 2001. Total revenues in the Norwegian activity increased, mainly as a result of increased sales to other business areas at Telenor.

The EBITDA deficit, excluding gains and losses, increased by NOK 227 million to NOK 822 million in 2001. The decrease of EBITDA in 2001 is mainly linked to the negative results from Nextra International and the restructuring of this activity in the second half of 2001. The market for services to the business market, both in Norway and the rest of Europe, showed a poor development, particularly in the second half of the year. The market situation, combined with a change of focus, has resulted in the downscaling and reorganization of the activity during the course of the year. Expenses of NOK 229 million for restructuring etc. in the business area were charged in 2001.

Write-downs of NOK 1,110 million were undertaken in 2001, mainly as a result of the general fall in the market value of Internet and telecommunication companies, in addition to Telenor deciding to change the level of ambition for its commitments in Nextra International.

EBITDA, 1998–2001

NOK in millions	Mobil	Networks	Plus	Business Solutions	Other
2001	4,067	5,666	248	(828)	5,316
2000	2,720	5,672	611	(600)	328
1999	2,161	5,408	512	(210)	1,446

› OTHER BUSINESSES

Other units consist mainly of EDB Business Partner, Telenor Media, which was sold with effect from 1 October 2001, and Other Business Activities, as well as Group Units and Joint Functions.

The total turnover of EDB Business Partner increased by NOK 845 million to NOK 5,490 million in 2001, mainly in connection with acquired business activities. EBITDA for EDB Business Partner, excluding earnings and losses, was reduced by NOK 126 million in 2001, to NOK 407 million. In 2001, NOK 170 million connected with restructuring and loss-making contracts, etc., was charged as expense, as were also write-downs amounting to NOK 1,262 million.

For Other Business Activities, the total turnover in 2001 was NOK 4,033 million, which is on a level with 2000. Telenor Satellite Mobile increased its external operating revenues as a result of the consolidation of SAIT from 1 March 2001, while Itworks experienced a market slump giving reduced earnings. EBITDA for Other Business Activities were reduced in 2001, compared with 2000. This is largely the result of costs connected to restructuring and discontinuation of business activities, and also the sale of subsidiaries at the end of 2000. In 2001, write-downs amounting to NOK 323 million were effected.

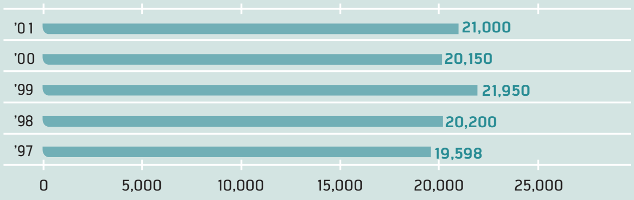
For Group Units and Joint Functions, sales revenues totalling NOK 5,116 million were recorded in 2001, largely connected with the sale of Telenor Media. This represents an increase of NOK 4,459 million from the previous year. EBITDA increased as a result of the sales revenues, which were partially counteracted by increased costs, for example connected with strategic projects.

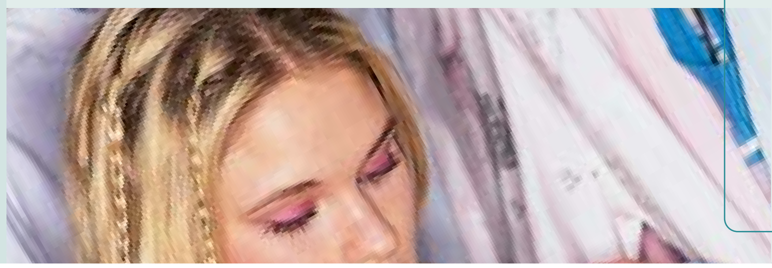
› 3. ALLOCATIONS

The parent company, Telenor ASA, recorded a net income for the year of NOK 5,900 million after receipt of a group contribution of NOK 11,762 million after taxes.

The Board of Directors proposes that the Shareholders' meeting approve the payment of a dividend of NOK 0.35 per share for 2001. The Board of Directors will also propose that a group contribution of NOK 9,363 million net after taxes be paid.

Number of full-time equivalent employees, 1997–2001
Telenor Group





Can't you just transfer money? Net-bank on WAP! Please. There is one left in my size. Costs only 800. |

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

Dividends	621
Other equity	5,279
Total	5,900

After these allocations, the company's distributable equity as of 31 December, 2001 totaled NOK 13,342 million.

› 4. REGULATORY MATTERS
The telecommunications industry has seen extensive technological, regulatory and commercial developments taking place in recent years. Increasing competition makes innovation a key factor to success, promoting technical and financial efficiency to the benefit of end users, companies and society as a whole.

The authorities' initiative to achieve effective competition and diversity in the market continued in 2001. The telecommunications authority has, among other things, implemented concrete measures such as portability for mobile numbers, and has introduced competition in the directory enquiry services. These are measures and processes which Telenor has complied with. However, in some cases Telenor has disagreed with the Norwegian Post and Telecommunications Authority's interpretation of the provisions of the regulations. The issues that Telenor has contested in the administrative complaints system in 2001 are linked to the authority's resolution on niche players' special access to Telenor's mobile networks, the resolution on the development of the provision of subscriptions for resale separate from traffic, and the resolution on the cost basis for mobile interconnection.

The Ministry of Transport and Communications has started a revision of Norwegian telecom legislation after the EU passed new resolutions on electronic communication networks and services. The new regulations are expected to be implemented in the EU and Norway during 2003. The aim of the regulations is to ensure that consumers receive high quality services at acceptable prices through effective competition, as well as ensuring acceptable framework conditions for the players in the national telecom markets. It is the Board's view that it is particularly important for the regulations to ensure predictability for investments in future network infrastructures and solutions, so that Telenor can base its investment decisions on professional principles. The Board expects the EU regulations to be implemented and enforced in a harmonious fashion in all EU/EEA countries.

› 5. THE BOARD
On 22 June, 2001, the corporate assembly at Telenor elected Tom Vidar Rygh as the new Chairman of the Board after the former Chairman, Eivind Reiten, had given notice that he wished to step down. In addition, Thorleif Enger, Bjørg Ven, Jørgen Lindegaard and Einar Førde were elected as new Board members on 1 October, 2001, whilst Mai Buch, Inge Hansen and Kari Broberg left the Board. None of the Board members, apart from the employee representatives, are employees of Telenor or are engaged in work for Telenor. The Board of Directors held 19 Board meetings in 2001.

The President and CEO, Tormod Hermansen, notified the Board in January 2002 that he wished to step down at the end of the first half of 2002. The board whishes to express the greatest respect for the work Hermansen has laid down during his 11 years as CEO. The board would also like to take this opportunity to thank Hermansen for his outstanding efforts in developing the company.

› 6. ORGANIZATION AND PERSONNEL
At the end of 2001, the Telenor group had 22,050 employees. 15,550 of these were employed in Norway and 6,500 abroad. The total numer of employees at the end of 2000 was 21,660.

Cooperation between the management and the employees' organizations functions well within the framework of the general agreement between the employers' association, the Norwegian Association of Publicly Owned Companies (NAVO), and the central organizations/SAN. The cooperation has been formalized through bodies such as the group committee, joint consultative committee and regular management forums.

Telenor believes it is extremely important to attract, retain and develop critical expertise. This is one of the company's greatest competitive advantages. Telenor aims to practice an open internal labor market.

The Board has given its approval for the introduction of a new incentive salary scheme for managers and key personnel in the group, including a separate share option program. The incentive salary scheme has now been implemented in the organization.

› 7. INTERNAL AND EXTERNAL ENVIRONMENT
› Internal environment (HSE) › As in previous years, 2001 has been characterized by a systematic and continuous improvement of the working environment. Our management has made efforts for the prevention and follow-up of sickness absence and substance abuse. Further efforts have been made in accident prevention, with accident analyses and reports, fire prevention and extensive efforts to create good ergonomic and indoor conditions.

Extensive working environment training was also carried out in 2001, and 4,143 managers and other employees participated in internal training programs under the direction of Telenor's Department of Health.

Absence due to sickness in the group as a whole was 4.9% in 2001, which is a reduction of 0.1% from the previous year.

A total of seven injuries resulting in absence were reported in 2001, but none of these were serious. Seventeen injuries without absence and ten near accidents were also reported. The large decrease in industrial accidents compared to previous years is attributed to the fact that Bravida no longer is included in this report.

› External environment › Due to its size and the extent of its operations, Telenor has an impact on its immediate surroundings and the environment. The impact on the environment per employee in the group is, however, low compared to other Norwegian companies of the same size. Telenor's aim is to further reduce this impact, both with regard to the depletion of resources and with regard to the effect on the environment. This will lead to a reduced consumption of materials and energy, which in turn will result in cost savings.

Telenor's energy consumption in Norway was 537 GWh. Electricity accounted for 83% of this consumption. The group relocation of Telenor's activities in the Oslo area to Fornebu will lead to energy savings of approximately 50 GWh, and focus has been placed on the development and management of the building being as environmentally effective as possible. More than 50% of the energy consumed at Fornebu will come from local renewable energy sources by means of sea water-based heat pumps.

› 8. RISK FACTORS
Telenor's activity is exposed to a number of risk factors. It is particularly important for the Board to ensure that the company implements measures to control and reduce both the individual risks and the total risk to a minimum.

New and modified regulations by regulatory authorities present considerable challenges and uncertainty for Telenor. This is particularly the case in the areas where Telenor has traditionally held a strong market position, and where the authorities wish to stimulate competition through biased regulatory measures.

A considerable part of Telenor's activity is abroad. For some countries, this entails special risk elements linked to political climates, the fluctuation of exchange rates, legal risks, regulatory conditions in the individual countries, and partner risks in joint ventures etc. Telenor evaluates such risk elements when making new investments, and on a day to day basis for existing commitments. To balance the risk factor in the foreign investments, the portfolio is split between mature and immature markets.

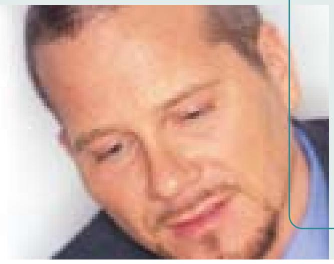
Telenor is exposed to financial market risks linked to changes in interest rates and foreign exchange rate fluctuations. Financial instruments are used to reduce such risks. The group has taken the steps needed to maintain a satisfactory financial flexibility in the aftermath of the recent turbulence in the capital markets. A more detailed explanation is provided in the notes to the annual accounts and in the financial analysis.

› FUTURE PROSPECTS
During the present year, Telenor will continue to focus more strongly on core activities and strengthen its efforts to rationalise operations. The level of investments will be adapted to the underlying cash-flow.

A continued good revenue growth is expected for companies which were consolidated as of 31 December, 2001. Investments other than acquisitions are expected to exceed NOK 12 billion, including NOK 4 billion in subsidiaries abroad, and just over NOK 2 billion associated with the relocation to Fornebu.

Mobile activities are expected to enjoy a considerable increase in revenues, mainly as a consequence of the consolidation of Pannon and DiGi.Com. The growth in the Norwegian mobile activity is declining and only a moderate customer and ARPU increase is expected in 2002. Some increase in the EBITDA margin is expected in Pannon in Hungary as a result of an increase in the customer base, rationalisation and synergy effects. In DiGi.Com, increased expenses are expected in connection with network improvements and customer growth. This is expected to give a somewhat lower EBITDA margin.

Within Networks a stabilisation of revenue is expected. Continued cost-cutting and efficiency measures are expected to contribute to a stronger EBITDA margin in 2002 compared with 2001.



OK, I will be nice. Have fixed it. But the kitchen must be clean when I get home. And dinner on the table! See you. |

Business Solutions expects a continued weak market development in the coming quarters. The cost-cutting measures and restructuring carried out in the fourth quarter 2001, both in Norwegian and international activities, will however contribute to significantly improved results at Business Solutions in 2002. The overall activity is expected to achieve EBITDA positive results from the second half of 2002 and a positive EBITDA for the year 2002.

Within Plus, continued strong growth in subscriptions is expected for ADSL and DTH (Canal Digital) in 2002. Sales of ADSL in Norway and Sweden, together with the development of new broadband services and a decline in revenue in connection with reduced analog TV distribution via satellite, results in lower expected EBITDA for 2002 than in 2001. The acquisition of Canal Digital is expected to be completed in the course of 2002. Through coordination with the other broadcasting activities in Telenor, this will provide possibilities for a more cost-effective operation.

Telenor has introduced an extensive programme for operational efficiency. The aim is to reduce Telenor's cost base in 2004 by NOK 4 billion gross in comparison to the cost base in 2001.

Tom Vidar Rygh
Board Chairman

Åshild M. Bendiktsen
Board Vice-chairman

Bente Halvorsen
Board member

Thorleif Enger
Board member

Einar Førde
Board member

Jørgen Lindegaard
Board member

Bjørg Ven
Board member

Harald Stavn
Board member

Per Gunnar Salomonsen
Board member

Irma Tystad
Board member

Tormod Hermansen
President & CEO

Telenor's Board of Directors

Tom Vidar Rygh, was elected Chairman of the Board of Directors on 22 May, 2001. Mr. Rygh joined Orkla in 1983 and served in several capacities. From 1992 he was Executive Vice President and a member of Orkla's Executive Group Management. Mr. Rygh is chairman of the board of Industrikapital and a board member of Stepstone ASA. Mr. Rygh has earlier served as a member of the board at a number of large companies, both in Norway and abroad.

Åshild M. Bendiktsen, was elected to the board of directors for the first time in June 1994 and served as a director until November 1999. She was again elected on 29 May, 2000, and was appointed Deputy Chairman of the board of directors in July 2000. She is Vice-President of Finance at Bendiktsen & Aasen AS, Board Chairman of NHO (Confederation of Norwegian Business and Industry) in Troms county, a board member of A-pressen ASA and a member of the national board of NHO. Ms. Bendiktsen has previously served as Under-Secretary at the Ministry of Transport and Communications of Norway.

Bente Halvorsen, was elected to the board of directors on 29 May, 2000. She is the Treasurer of LO (Norwegian Confederation of Trade Unions) and serves on a number of boards and committees within the LO.

Thorleif Enger, was elected to the board of directors on 1 October, 2001. Mr. Enger is an Executive Vice President of Norsk Hydro ASA in charge of Agri Business Area, the world's largest fertilizer company. Mr. Enger joined Norsk Hydro in 1973 and has served in several capacities. He is a member of NHO's Executive Committee, chairman of the board of KFK, a company listed on the Danish stock exchange, a member of the Board of Kverneland and a member of ABB's Corporate Assembly.

Einar Førde, was elected to the board of Directors on 1 October, 2001. From 1989 to 2001 he was Director-General of the Norwegian Broadcasting Corporation. He has previously served as a Member of Parliament in Norway, Parliamentary leader of the Labour Party and as Minister of Church and Education.

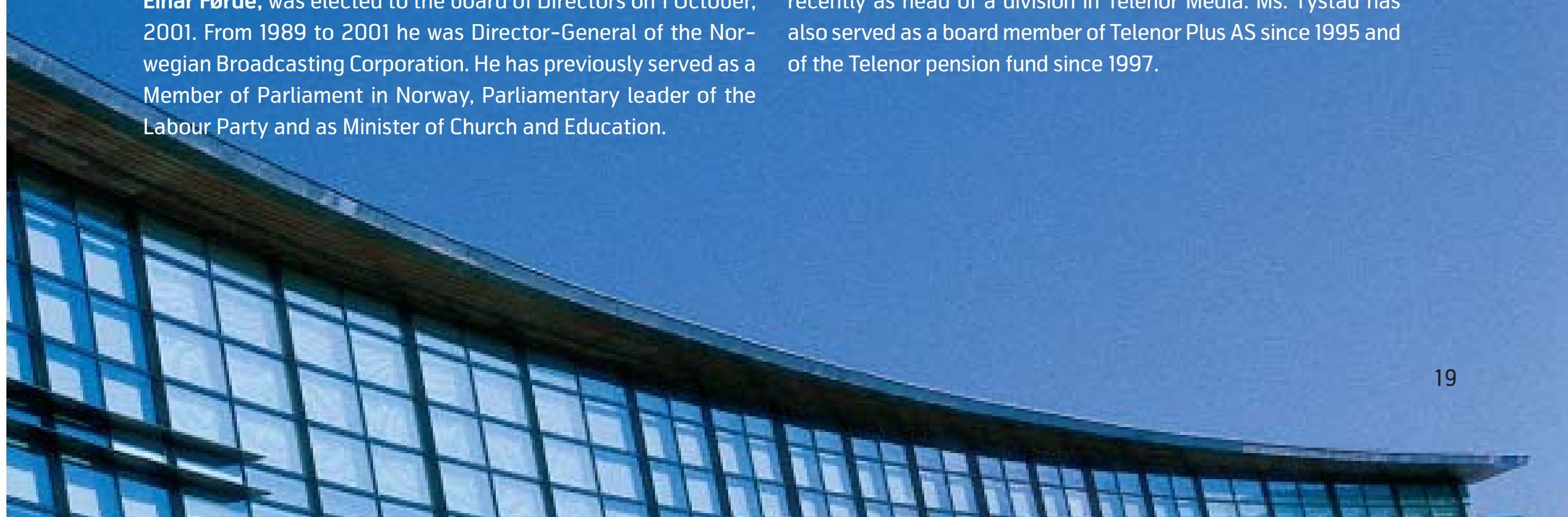
Jørgen Lindegaard, was elected to the Board of Directors on 1 October, 2001. He holds an Master degree in electronic engineering. He has a background in telecommunication and since 1975 has held a number of executive positions and served as president of Fyns Telefon AS, Københavns Telefon AS and as an executive in Tele Danmark. He has served as chairman of the board of Sonofon Holding AS and as a member of the Boards of Finansieringsinstituttet for Industri og Håndværk AS and Superfos AS.

Bjørg Ven, was elected to the board of directors on 1 October, 2001. Ms. Ven, a barrister-at-law, is a partner in Haavind Vislie, a well-known firm of lawyers. She joined the company in 1974 and became a partner in 1980. Ms. Ven is a substitute judge at the EFTA-court as well as chairman of the National Insurance Fund and Gjensidige NOR Spareforsikring.

Harald Stavn, was elected to the board of directors on 20 June, 2000. Mr. Stavn is a board member of Telenor Pensjonskasse (Pension Foundation). He previously served as a board member of NITO (the Norwegian Association of Technical Employees). Mr. Stavn joined Telenor in 1974 and has held various engineering positions.

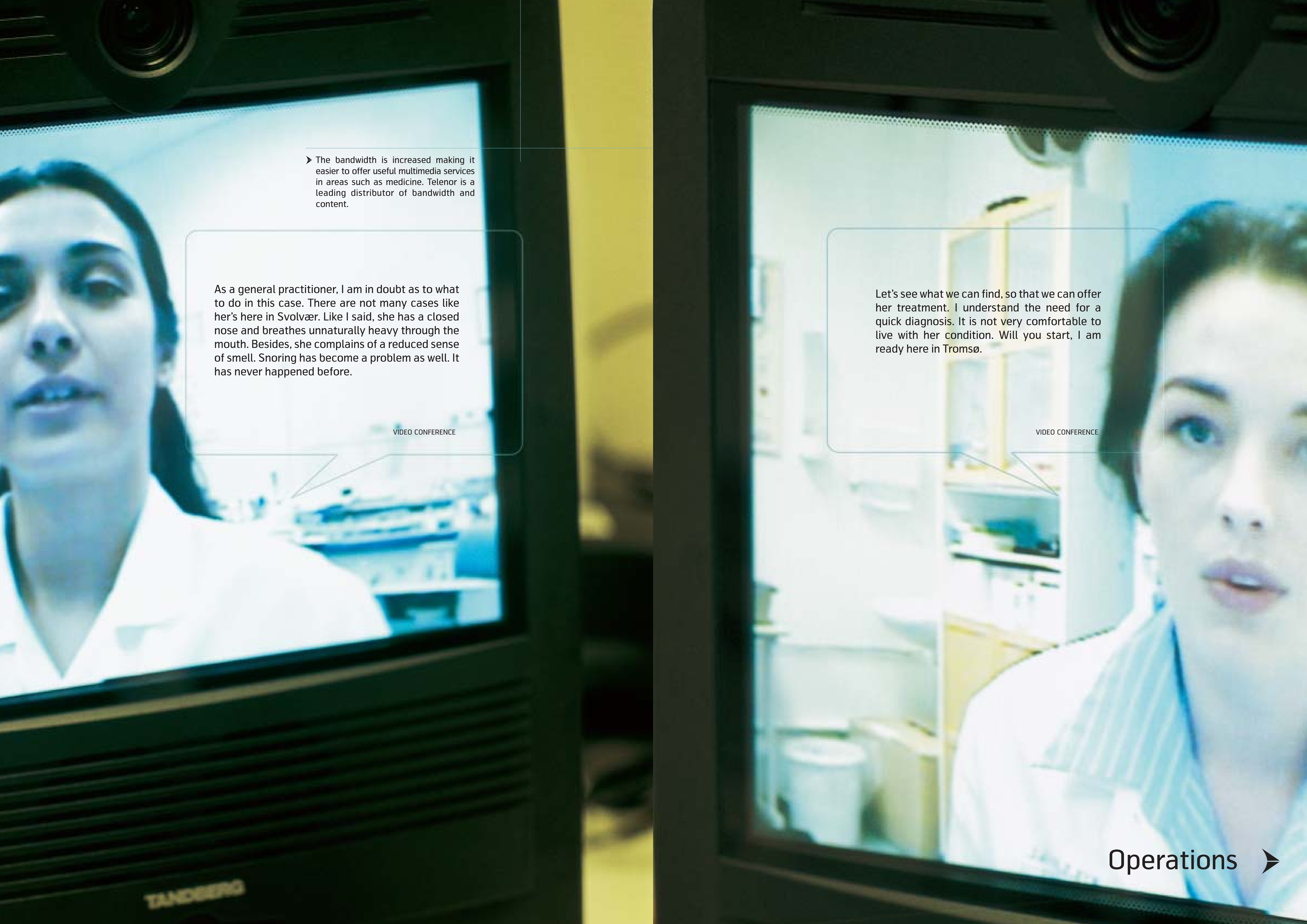
Per Gunnar Salomonsen, has served as an employee elected representative on the board of directors since 1 November, 2000. Since 1995 he has been an employee representative on the board of Telenor Nett. Mr. Salomonsen joined Telenor in 1973. He has held various positions at Telenor, most recently as an operational engineer.

Irma Tystad, was elected to the board of directors on 20 June, 2000. She is an elected member of KTTL (the National Union of Employees in Communication and Telecommunication). Ms. Tystad has held various positions in Telenor since 1962, most recently as head of a division in Telenor Media. Ms. Tystad has also served as a board member of Telenor Plus AS since 1995 and of the Telenor pension fund since 1997.



Telenor's Board of Directors

Harald Stavn, Tom Vidar Rygh, Jørgen Lindegaard, Per Gunnar Salomonsen, Irma Tystad, Åshild M. Bendiktsen, Bente Halvorsen, Einar Førde, Bjørg Ven, Thorleif Enger



The bandwidth is increased making it easier to offer useful multimedia services in areas such as medicine. Telenor is a leading distributor of bandwidth and content.

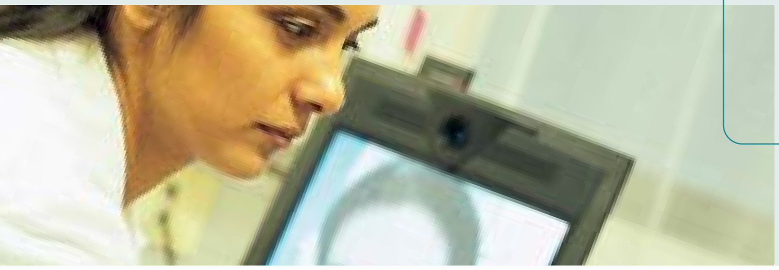
As a general practitioner, I am in doubt as to what to do in this case. There are not many cases like her's here in Svolvær. Like I said, she has a closed nose and breathes unnaturally heavy through the mouth. Besides, she complains of a reduced sense of smell. Snoring has become a problem as well. It has never happened before.

VIDEO CONFERENCE

Let's see what we can find, so that we can offer her treatment. I understand the need for a quick diagnosis. It is not very comfortable to live with her condition. Will you start, I am ready here in Tromsø.

VIDEO CONFERENCE

Operations



OK, I will insert the camera now, Ms. Hansen. It is a bit unpleasant, but if you lean backwards against the support and relax, this will work fine. It is very important that Dr. Olsen can have a look at this as well.

Telenor Mobile

Telenor Mobile is strengthening its position in European and Asian mobile operations, while consolidating its position in the Norwegian domestic market. The international mobile activity is a central part of Telenor's growth and development strategy.

Arve Johansen, Senior Executive Vice President in charge of Telenor Mobile

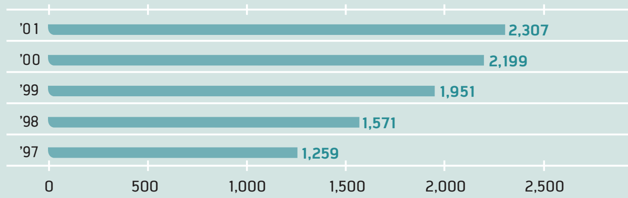
› INTRODUCTION
Telenor Mobile is Telenor's business area for the development and operation of mobile services for voice, data, Internet, content and electronic commerce in the Norwegian, Nordic and international markets. The international focus is on the development of established companies in a number of countries in Europe and Southeast Asia, as well as the development of new services and markets. Telenor Mobile was established in 1999 and has extensive international commitments . At the end of 2001, the business area had operations in 14 countries.

› mNorway › Telenor's mobile activities in Norway are brought together in the division mNorway, where Telenor Mobil AS, with its leading market position and size, is the dominating party. Telenor also has a majority share in Zalto Communications AS, a mobile service provider aimed at young people.

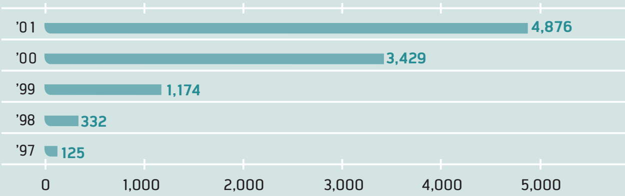
› TELENOR MOBIL AS › The company was established in 1993 and is Norway's leading supplier of mobile telephony, personal paging and mobile data communication. Telenor Mobil AS provides services through three mobile networks and one personal pager network. At the start of 2002, the company was by far the largest GSM operator in the Norwegian market, and the only company to provide analog mobile services in Norway. A nationwide GSM network upgraded with GPRS was launched in February 2001. By 2005, Telenor Mobile will have developed a third generation mobile system in Norway (UMTS). The first part of this network opened on 1 December, 2001. NMT 450 was Europe's first fully automatic mobile network when it was established in 1981. The GSM 900 network was opened in 1995, the GSM 1800 network following suit in 1998. The GSM network currently covers 97% of all Norwegian households. Telenor Mobile's GSM 900 license is valid until 2005; and the GSM 1800 license until 2010. Both can be extended. Telenor Mobile's NMT 900 network was phased out in March 2001. The personal pager network, established in 1984, will be phased out in 2003.

Telenor provides a number of digital mobile telephony services. Customers are offered five subscription alternatives and an extensive portfolio of additional services. The use of services such

Mobile subscriptions in Norway, 1997–2001
Telenor (000s)



Mobile subscriptions outside Norway (based on Telenor's proportional ownership interests), 1997–2001
Telenor (000s)



Company portfolio pr. 31 December, 2001; Telenor Mobile

Market	Population (millions)	Company	Ownership (%)	Subscriptions (000s)[1] 2001	2000
Norway	4.5	Telenor Mobil AS (Norway)	100.00	2,307	2,199
Denmark	5.4	Sonofon[2]	53.50	940	875
Greece	10.9	Cosmote[2]	18.00	2,944	2,061
Kaliningrad	1	Extel GSM	49.00	56	12
Montenegro	0.7	ProMonte[3]	44.10	159	109
Moscow-area	15.3	VimpelCom[3]	28.98	1,923	834
Portugal	10.1	OniWay	20.00	-	-
Stavropol	2.7	StavTeleSot	49.00	70	28
The Ukraine	49.8	Kyivstar	45.40	1,095	302
Hungary	10.2	Pannon GSM[2]	25.78	1,953	1,217
Austria	8.1	Connect Austria[2]	17.45	1,350	1,133
Total: Europe				**12,797**	**8,770**
Bangladesh	131	Grameen Phone	46.41	464	191
Malaysia	23.8	DiGi.Com	61.00	1,039	824
Thailand	61.2	Total Access Public Co. Ltd (DTAC)[4]	40.30	2,738	1,403
Total: Asia				**4,241**	**2,418**

[1] Subscriptions are calculated after three months' churn for pre-paid subscriptions unless stated otherwise.
[2] Subscriptions are calculated after twelve months' churn for pre-paid.
[3] Subscriptions are calculated after six months' churn for pre-paid .
[4] Subscriptions are calculated after two months' churn for pre-paid.

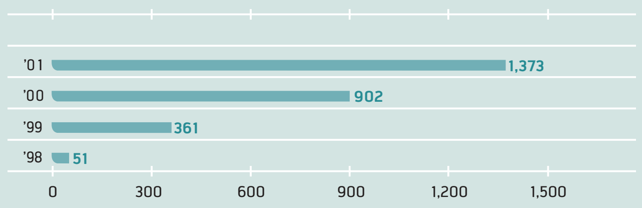
as SMS (Short Messaging Service, or text messages) and the mobile Internet grew significantly throughout 2001. Telenor handled 1373 million text messages in 2001, compared to 902 million in the previous year. Telenor Mobile continues to develop new, advanced additional services, with particular focus on the mobile Internet and mobile data services. Telenor Mobile manages a number of brand name products. djuice.no is the company's brand name for the mobile Internet, providing access to a broad range of services via the mobile telephone. OYO.no is Telenor Mobil's website for young people. Nomade is a mobile subscription covering all mobile communication needs offering the fastest transmission speed available on the market. RingKontant is the dominant prepaid subscription solution on the Norwegian market.

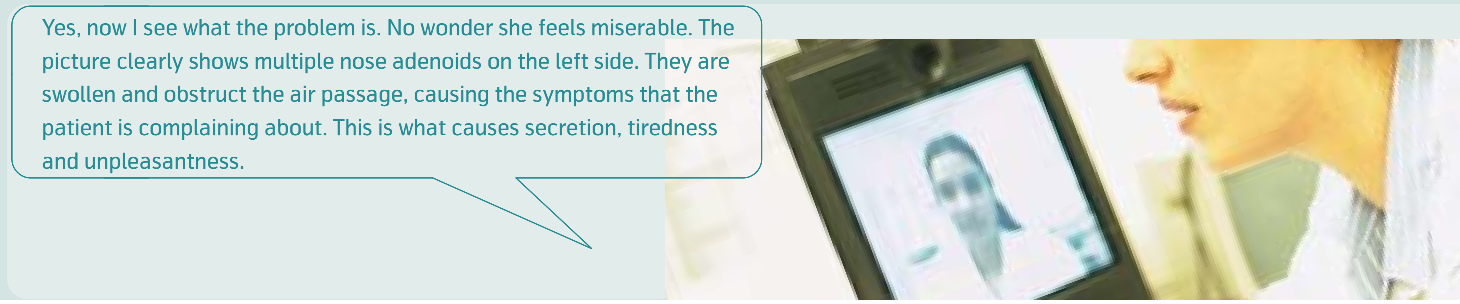
› mHorizon › Telenor Mobile's portfolio of mobile companies outside Norway is brought together in mHorizon. The international investments are based on Telenor's experience, expertise, products and solutions developed in the Norwegian market. Besides the Nordic region, the portfolio includes mobile operations in Europe and Southeast Asia. Synergies are realized across national borders through an exchange of people, experience, products and solutions. The interest ownerships in Ireland and Germany were realized in 2001.

Telenor Mobil will reorganize in 2002 as a result of to the ongoing restructuring of the mobile portfolio. The aim is to have stronger focus upon synergies between operations in Norway and abroad.

The most important companies in the international portfolio are:
› PANNON GSM, HUNGARY › Established in 1994, Pannon GSM is the second largest of three mobile operators in Hungary. Telenor was involved in establishing the company, and at the end of 2001 held an ownership share of 25.8%. A Letter of Intent for the purchase of the remaining 74.2% was entered into in July 2001. Pannon GSM started commercial operations for its GSM 900 network in 1994, and opened its GSM 1800 network early in 2001. The company provides prepaid services and subscriptions, SMS and international calls via IP and WAP. ISP services were launched in September 2000, and GPRS in July 2001. The company plans to apply for a UMTS license in 2002. Pannon GSM had its most prosperous year in 2001 and aims to become the leading supplier of mobile services in Hungary.

SMS and content messages in Norway, 1997–2001
(millions)





› DIGI.COM BERHAD, MALAYSIA › Established in 1995, DiGi.Com is the third largest of five mobile operators in Malaysia. In 1999, Telenor became part owners, and at the end of 2001 held an ownership share of 61%. DiGi.Com is listed on the stock exchange in Kuala Lumpur. The company was the first to operate a completely digital mobile network on a commercial basis in Malaysia. DiGi operates a GSM 1800 network, and provides mobile services, international operator services, fixed line services and fixed line access services. djuice™ was launched in Malaysia in 2000.

› GRAMEEN PHONE LTD., BANGLADESH › Established in 1997, Grameen Phone is the largest of four mobile operators in Bangladesh. Telenor became part owners in 1997, and at the end of 2001 held an ownership share of 46.4%. Grameen Phone launched its GSM 900 network in 1997 and provides contract subscriptions, prepaid services, SMS and mobile answering services. The company's objective is not just financial, but also to contribute to the development of the country. Grameen has experienced a significant increase in the number of subscriptions, sales and EBITDA in 2001, and aims to maintain its position as market leader.

› SONOFON HOLDING A/S, DENMARK › Established in 1991, Sonofon is the second largest of four mobile operators in Denmark. Telenor became part owners in 2000, and at the end of 2001 held an ownership share of 53.5%. Sonofon operates national GSM 900 and 1800 networks, established in 1992 and 1997 respectively. The company strengthened its customer and revenue bases in 2001. Sonofon's aim is to be a market leader in mobile telephony and mobile data communication in Denmark.

› VIMPELCOM, RUSSIA › Established in 1994, VimpelCom is the second largest supplier of mobile telephony in the Moscow area. Telenor became part owners in 1999, and at the end of 2001 held an ownership share of 29.7%. The company is listed on the New York Stock Exchange. VimpelCom operates a D-AMPS network in addition to a two-band GSM 900 and 1800 network, and launched GPRS in June 2001. The company had a positive development in 2001 with an increase in the number of customers and a regional expansion that is to be continued.

› TOTAL ACCESS COMMUNICATION (DTAC), THAILAND › Established in 1991, DTAC is the country's second largest mobile operator. Telenor became part owners in 2000, and at the end of 2001 held an ownership share of 40.3%. DTAC is listed on the Singapore stock exchange. The company launched its AMPS 800 mobile service and GSM 1800 service in 1994. DTAC saw a positive development in 2001, and its primary objective is to maintain its current market share, despite strengthened competition in 2002.

› COSMOTE, GREECE › Established in 1998, Cosmote is the largest operator in the Greek mobile market. Telenor became part owners in 1998, and at the end of 2001 held an ownership share of 18%. Cosmote is listed on the stock exchanges in Athens and London. The company performed well in 2001, with a considerable increase in the number of customers and turnover; GPRS services were launched and the company was granted a UMTS license. Cosmote aims to maintain its national position and expand on a regional basis.

› KYIVSTAR, UKRAINE › Established in 1997, Kyivstar is the leading mobile operator in the Ukraine. Telenor became part owners in 1998, and at the end of 2001 held an ownership share of 45.4%. The company operates a GSM 900 network. In the summer of 2001, Kyivstar achieved the position of market leader; a position which the company aims to maintain – along with strengthening the profitability of the customer base.

› mFuture › Telenor has brought together the units developing new mobile Internet and portal services in Norway and abroad in the business unit mFuture. Through mFuture, the group seeks to exploit its leading technological position in forward-looking business development within mobile communication. The mobile Internet portal, djuice™, is the primary example of such focus.

› YEAR 2001

› mNorway › In February, Telenor Mobile signed a contract with Nokia for the supply of radio equipment for the expansion of Telenors UMTS network in Norway. The first part of this network opened on 1 December, 2001 and Telenor Mobile and Norway are hence among the world leaders in the expansion of UMTS. The company launched GPRS on 1 February. In a merger in March, Telenor and Posten Norge BA launched a joint venture for the supply of electronic ID and digital signatures: ZebSign AS. With the launch of the SmartPay™ service in September, Telenor Mobile was the first in Norway to introduce payment through the mobile telephone, the Internet and digital TV. Telenor Mobile was also the first in the world to integrate a new security system in the SIM card on the mobile telephone. In April, Telenor Mobile launched Hvor.no – the first mobile service in Norway to provide information linked to where the mobile telephone is located. In October, Telenor launched ISDN Text for the PC and the service filter.telenor.no – which makes it quicker to surf the Internet from a laptop or hand-held computer (PDA) or mobile telephone. Telenor Mobile has been providing number portability since November. In December, the company was the first in the world to introduce MMS (Multimedia Messaging Service).

› mHorizon › In order to strengthen its commitment in Russia, Telenor Mobile and VimpelCom entered into a strategic partnership with Eco Telecom in May, primarily to further the regional expansion. In August, Telenor signed an agreement with Telia AB and Sonera for the sale of its 12.74% ownership share in the Russian company North-West GSM. In January, Telenor Mobile signed an agreement for the sale of Norcom Networks Corporation to Wireless Matrix Corporation. In January, the 10% ownership share in the German company VIAG Interkom was sold to British Telecommunications plc (BT). In February, Telenor announced that the company would exercise its right to sell its 49.5% ownership share in the Irish company Esat Digifone to BT. The transaction was carried out in April. The total gains from the two sales to BT were NOK 21.4 billion before tax.

In July, Telenor Mobile signed a Letter of Intent with KPN, Sonera and Tele Danmark Communications for the purchase of the shares not already held by Telenor in the Hungarian company Pannon GSM. The final agreement was signed in October and Telenor increased its ownership share from 25.78% to 100%, for EUR 1 billion. By August, Telenor had received enough acceptances for its limited public offer for the acquisition in Digi.Com, Malaysia, for the minimum requirement of reaching an ownership share of over 50% to be achieved. Telenor owns 61% per 31 December, 2001.

› mFuture › In May, Telenor signed a contract with Telecom Mobile Ltd, New Zealand, for the launching of djuice™, which gave the mobile Internet portal its fifth national market. As a result of an agreement between Zalto Communications AS and Europolitan Vodafone, djuice™ was launched in Sweden in June. In May, Telenor entered into a strategic collaboration with NRK Futurum for the development of mobile services for WAP and UMTS. In June, Telenor entered into a collaboration with the Danish company Egmont for the development of mobile multimedia services based on the UMTS technology. In January, Telenor Mobile entered into a strategic alliance with the Norwegian games developer Triggerduck Entertainment Engineering, for the development of games for mobile telephones and hand-held mobile terminals. At the same time, Telenor Mobile purchased 33.5% of the company.

› MARKET

› mNorway › Telenor Mobile is the market leader in mobile telephony services in Norway. The company's customer base has grown rapidly in recent years. The number of mobile subscriptions at the end of the year was 2,307,000, which corresponds to a market share of 61%. The breakdown for digital services was 54.9% contract subscriptions, 45,9% prepaid subscriptions, in addition to 70.000 analog NMT service subscriptions.

Key figures, Telenor Mobile, 2000–2001

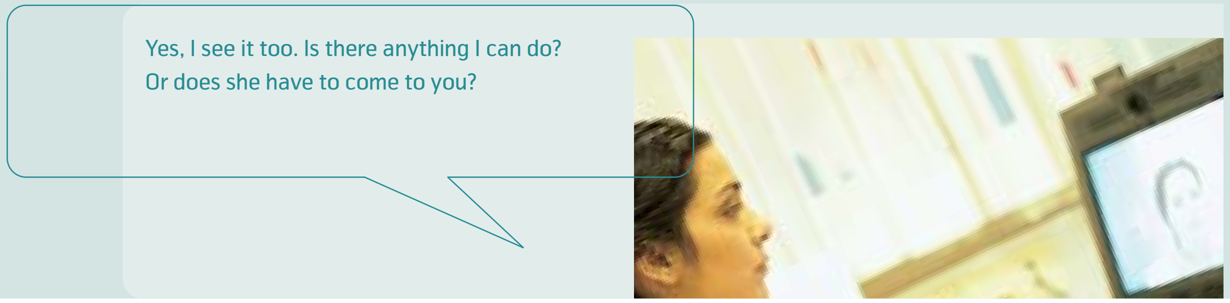
NOK in millions	2001	2000
Total revenues	12,558	9,779
EBITDA	4,067	2,720
EBITDA excl. gains and losses on disposal of fixed assets and operations	3,808	2,700
Operating profit	2,495	1,594
Associated companies	9,677	(460)
Investments	7,211	32,843
Number of full-time equivalent employees	4,217	2,481

› mHorizon › Telenor Mobile's international operations saw a major increase in the number of registered subscriptions in 2001. Telenor's share of the companies' subscriptions increased from 3.4 million to 4.9 million in 2001. The mobile telephone density in a number of these markets increased significantly in 2001, and contributed to the increase in subscriptions. A higher share of the subscriptions were pre-paid at the end of 2001 than at the end of the previous year. Telenor's operations have maintained or improved their positions in most markets in 2001, despite tough competition. (See also separate table p. 25.)

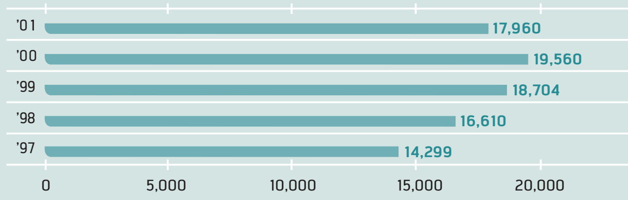
› STRATEGY

Telenor Mobile aims to gain controlling interests in companies where investments are made as long-term commitments, so as to be able to exploit synergy effects across national borders. The remaining part of the portfolio will be allowed to develop more independently, with the option of selling parts or entire stakes at later stages. Telenor will utilize its competence to further develop and run GSM-networks and to further expand in markets where the company is already established. UMTS will be introduced in line with market developments.

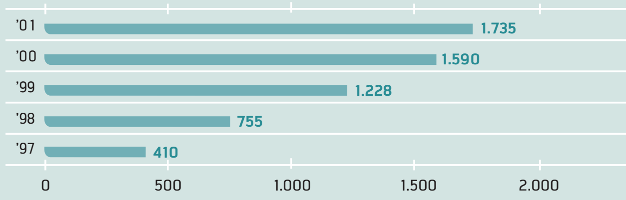
The strategic aim of Telenor Mobile is to become a leading supplier of mobile speech and Internet services in the Nordic region and in selected countries in Europe and South-East Asia. In the Norwegian market Telenor Mobil AS aims to maintain its position as the leading service provider and network operator. The commitment to the Internet as a central platform for the development of new services, and the commitment to the mobile Internet through engagements such as djuice TM, will be continued. New multimedia-based services will be introduced.



Fixed telephony traffic in Norway, 1997–2001
Telenor (millions of minutes)



ISDN access channels in Norway, 1997–2001
Telenor (000s)



Telenor Networks

Telenor Networks handles the group's fixed network operations in a market with a high demand for advanced services. At the end of 2001, half of Norway had been prepared for ADSL, and the use of ISDN services is the highest in the world.

Jan Edvard Thygesen, Executive Vice President
in charge of Telenor Networks

› INTRODUCTION

Telenor Networks is Telenor's business area for the development, operation and supply of communication solutions based on the fixed network. These solutions are supplied to the private and business markets in Norway, in addition to the wholesale market in Norway and abroad.

Telenor Networks has its customer base in both the end user market and the wholesale market at a number of processing levels. In the private market, telephony/ISDN is supplied directly to end users, but in the business market the services are mainly provided via agents and partners. In the wholesale market, which consists of operators and various service providers, Telenor Networks supplies a broad range of services – from access to basic infrastructure to full value network services that are re-sold in the reseller's name. Telenor Networks' key market is Norway, with limited activities in selected European markets.

Telenor Networks is organized into three units:

- *Sales, Markets and Products* is responsible for Networks' product portfolio. The portfolio consists of Telephony and of the EOR product groups (expansion, operations and group relocation of technical equipment), Broadband access, Emergency services, Capacity, Value adding services, Interconnection and Operator access.
- *Operations and supply* handles the processes for operating and supplying communication solutions, in addition to operational planning and expansion. This unit comprises well over half of the employees in the business area.
- *Network solutions* is responsible for the production platforms, infrastructure, telephony services, advanced network services, maritime radio and purchasing and IT functions.

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

› THE YEAR 2001

Number portability phase II was introduced in April. Transfer of subscriptions thus takes place automatically, and not manually, as before. In October, other operators' access to Telenor's network was extended via the service Shared line access, which enables an operator to lease part of the capacity in the copper-wire network to the subscriber – rather than the full capacity as with Full line access. This access portfolio is referred to as operator access-products.

As from November, all products aimed at operators and service providers will be brought together into one portfolio under the brand name Jara. By doing so, the commitment in the wholesale market will be given a clearer profile, and the division between Telenor's end user activity and Telenor's role as supplier in the wholesale market will be more visable to operator customers.

› MARKET

With approximately 1.75 million private subscribers, Telenor is clearly the leading operator of fixed network services in the Norwegian market. The total number of traffic minutes in Telenor's network was 17,960 million; a decline of 10.7% in the private market and 3.2% in the business market. The figures support a new trend, where customers are shifting more of their traffic to mobile, ADSL and to some extent, other operators' networks. At the end of the year, 330 exchanges and 1.2 million accesses were prepared for ADSL. This resulted in 52% coverage nationwide and more than 70% in the largest towns.

At the end of 2001, Telenor had a market share in the end user market for fixed network telephony of 73%, including Telenor Internet, i.e. the same share as at the end of the previous year. The market share was 72% in the private market and 77% in the business market.

At the end of 2001, Telenor had approximately 1,253,000 PSTN subscriptions and approximately 489,000 ISDN subscriptions in the private market. In the business market, a total of 549,000 subscriptions were registered; 274,000 PSTN and 275,000 ISDN subscriptions. In the wholesale market, there were 24,000 ADSL subscriptions. Almost the entire growth has taken place in the final months of the year. The number of leased lines remained stable at approximately 85,000. There was, however, an increase in capacity, due to the conversion from analog to digital connections and thus from lower to higher access speeds.

In November 2001, the Norwegian Post and Telecommunications Authority made the decision that Telenor must offer subscriptions (PSTN and ISDN) unbundled from traffic. This will result in a clearer division of the traffic market in access and traffic, which in turn will create a need for adapting price structures by ensuring access charges that provide satisfactory profitability for the access network.

Key figures, Telenor Networks, 2000–2001

NOK in millions	2001	2000
Total revenues	16,568	16,685
EBITDA	5,666	5,672
EBITDA excl. gains and losses on disposal of fixed assets and operations	5,660	5,354
Operating profit	2,175	3,047
Investments	3,719	3,603
Number of full-time equivalent emplyees	3,964	4,094

› STRATEGY

Telenor Networks' primary strategic objective is to maintain its strong position as the leading provider of fixed network services in Norway. The growth potential exists first and foremost in an increase in the market as a whole. Telenor will hence make arrangements for an open and broad distribution of its network services through its own end customer activity and external service providers.

The telecoms network is being expanded to meet the customers' needs for content services and greater bandwidth. The capacity in the transport network is increasing with a more effective use of optic technology, while in the access network, focus is on providing the customers with access to broadband services via xDSL. The demand will determine the extent of the expansion.

Focus on reducing costs and rationalizing processes, in addition to utilizing new technology, will contribute to low costs per unit and thus ensure cost-effective operations.

Telenor Plus

Telenor Plus has, from a strong position in Norway, defined the Nordic region as its home market, and is preparing for an expansive strategy. The position as the leading supplier of broadband services to both TV and the PC shall be strengthened.

Stig Eide Sivertsen, Executive Vice President in charge of Telenor Plus

› INTRODUCTION

Telenor Plus is Telenor's business area for the distribution of communication and content services to the private market. This covers the development, sale and distribution of communication, entertainment and information services in Norway and the Nordic region. Through Telenor Plus, Telenor's expertise, resources, products and services for the private market are brought together in one organization. Telenor Plus has the Norwegian market as its basis, but defines the entire Nordic region as its home market.

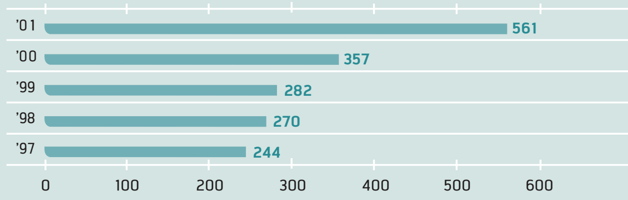
Telenor Plus comprises the following divisions:

- *Broadcasting*: Provides TV services to Nordic households and distribution services to broadcasters and other content and service providers.
- *Internet*: Provides Internet access and services to the private markets in Norway and Sweden. Also provides fixed telephony in Sweden.
- *Content & Interactive Services*: Develops and provides interactive services and handles content and rights for Nordic customers.

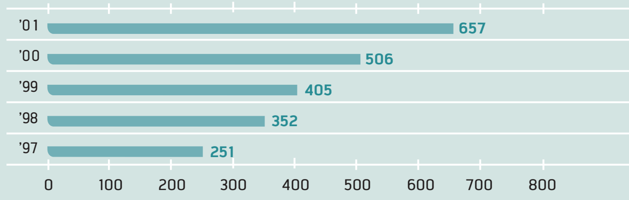
The Broadcasting division is the largest supplier of TV services to the Nordic private market with regard to both the number of paying subscribers and the area of coverage of its services. TV services via cable, parabol and terrestrial broadcasting are provided through a number of companies. Canal Digital AS, 50% of which is owned by Telenor, is the leading supplier of TV programs and entertainment and additional services via satellite to pay-per-view customers in the Nordic region. Telenor Vision AS is the leading distributor of TV channels and services to households in smaller stand-alone cable TV networks in the Nordic region. Telenor Avidi AS is the leading cable TV company in Norway and SOL AB (Sweden On Line) provides cable TV services in Sweden. Satellite Broadcast AS distributes more than 100 TV channels via satellite to the Nordic and European markets. Norkring AS owns and manages the only broadcasting networks for the terrestrial reception of TV and radio channels in Norway.

Telenor Plus is the largest supplier of *Internet* access via both technologies (ISDN/PSTN) and high-speed Internet (ADSL and cable) in the Norwegian residential market. Telenor Internet AS provides three types of Internet subscriptions in addition to the FriSurf service. Web page hosting is also offered, and the Internet

Cable television subscribers in the Nordic region, 1997–2001
Telenor (000s)



DTH subscribers (satellite transmission direct to private subscribers in the Nordic region), 1997–2001
Canal Digital (000s)



portals online.no and frisurf.no are among the most frequently visited in Norway. Telenordia Privat AB provides fixed telephony and Internet access to the Swedish market.

Through *Content & Interactive Services*, Telenor Plus is a leading Nordic player in the development of interactive service for broadband users and in the management of content and content rights. The division negotiates and enters into agreements with content players, and handles Telenor's ownership in the selected content and service providers. Through Zonavi AS, Telenor Plus is responsible for the development and distribution of advanced IP and TV-based interactive services. Conax AS is a leading international player in the development and implementation of systems for encryption, access control, subscription processing, and invoicing of content services via electronic networks.

› YEAR 2001

Through the Telenor company Nextra AS, Telenor Plus took over 51% of the shares in the Norwegian news service Digitoday ASA. In November, Telenor Plus, as part of a larger Nordic consortium, signed an agreement for the Norwegian rights to transmit the football/Fifa World Cup in 2002.

In order to strengthen its position in broadband access in the Nordic region, Telenor Broadband Services AB was established in Sweden in March. In May, Telenor Vision AS sold its hotel TV operations to Otrum ASA, 33% of which is owned by Telenor. In June, Telenor Vision bought 91% of the cable installation division of Seth's Kabel-TV Förvaltning i Sverige AB and 49% of Seth BIT.com AB. In September, Telenor signed an agreement for the takeover of the cable TV company Sweden On-Line AB for SEK 195 million. Telenor is thus a complete cable TV operator in the Swedish market.

In July, Telenor signed an agreement with Canal+ for the purchase of the remaining 50% of Canal Digital AS for maximum NOK 2.4 billion. A dispute linked to the execution of the transaction was settled by the Court of Seizure in Telenor's favor. Canal+ has subsequently brought legal proceedings against Telenor in the court of arbitration. The case is expected to be settled during 2002.

› MARKET

Telenor Plus is the largest provider of analog and digital TV services to Nordic consumers, and a leader in satellite broadcasting of TV channels and multimedia services for this market. At the end of 2001, there were a total of 2,323,000 subscribers to the various pay-per-view services; an increase of approximately 374,000 from 2000. Telenor also strengthened its position in Norway as the largest supplier of cable TV, with approximately 360,000 subscriptions at the end of 2001, giving a market share of 43%.

Key figures, Telenor Plus, 2000–2001

NOK in millions	2001	2000
Total revenues	3,386	2,875
EBITDA	248	611
EBITDA excl. gains and losses on disposal of fixed assets and operations	254	614
Operating profit	(841)	135
Associated companies	(547)	20
Investments	1,741	2,113
Number of full-time equivalent employees	1,345	1,148

Telenor is the leading ISP in the private market in Norway, and Telenor Plus provides various types of Internet access. At the end of 2001, there were approximately 831,000 registered subscribers, of which around 437,000 were registered users of the FriSurf service. In Sweden, the number of Internet subscriptions was approximately 312,000.

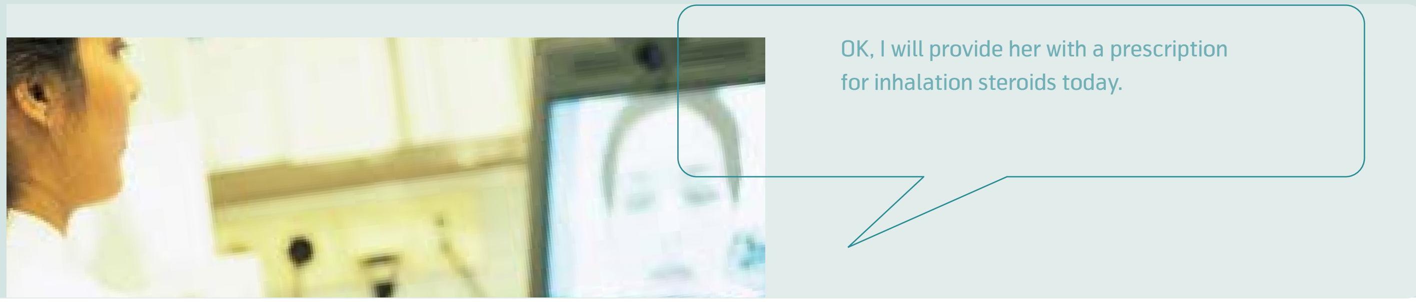
Telenor Plus has a market share of 74% (approximately 23,000 connected subscriptions) of ADSL subscriptions in the Norwegian market.

› STRATEGY

Telenor Plus' strategic objective is to be the leading and most innovative distributor of communication, information and entertainment services in the Nordic private market. Telenor Plus aims to stimulate the demand for content and services by, among other things, developing and providing a Nordic content portfolio. Developing services and content that will increase the demand for broadband will be a key focus area.

Telenor Plus aims to maintain its position as a leading provider of Internet access and related services to the private market in Norway. Telenor Plus will also strengthen its position within telephony and Internet access in the private market in Sweden.

Telenor Plus will strengthen its focus on providing customer-oriented and holistic solutions, across products and services, and also strengthen the customer services across its own organizational units. As a tool in this work, we have contriubuted to the launching of the "05000" customer services in Telenor for both the private and business markets in Norway.



Telenor Business Solutions

Telenor Business Solutions has clarified its position and strengthened its focus on the Nordic region. The key focus is on consolidating current positions and on organizational development for further growth and improved profitability.

Morten Lundal, Executive Vice President in charge of Telenor Business Solutions

› INTRODUCTION

Telenor Business Solutions is Telenor's business area for communication and IT solutions for the Norwegian, Nordic and European business markets, with special focus on medium-sized and large operations. By grouping expertise, resources, products, and services aimed at the business market, Telenor has, via Telenor Business Solutions, claimed a clearer market position.

Telenor Business Solutions is Norway's leading supplier of ICT solutions to the business market. The key market is primarily the Nordic region, followed by selected countries and markets in Europe that can form the basis for further future growth. At the end of 2001, the operations covered ten European countries. The business area develops and supplies a broad range of application and communication solutions within telecommunications and data communication, with a strong ability to combine the application and communication side, IT and IP.

Telenor Business Solutions consists of five key focus areas:

- *Access, business network and communication services*, which provide services within advanced networks, IP-based communication, data communication and value adding telephony services to the Norwegian business market.
- *Operating services, ASP, software sales and consultancy services*, which include operating local networks, applications, service integration, e-business solutions and consultancy work.
- *Business Solutions Sweden*, which provides telephony, in addition to advanced networks, IP-based communication, data communication and application services to the Swedish business market.
- *Nextra International*, which provides IP-based services in selected countries in Europe (Great Britain, Switzerland, the Czech Republic, Slovakia, Hungary, Austria and Italy).
- *CominCom/Combellga*, which provides telecommunication services to the Russian market, primarily in the Moscow area.

› YEAR 2001

In January, Telenor Business Solutions and iCan-ASP Inc. signed an agreement for the joint development of the next generation technology platform for ASP, linked to Telenor's Login solution, which allows for far more flexible and customer-oriented ASP solutions. In alliance with EDB Business Partner ASA and Cap Gemini Ernst & Young, an agreement was signed in May with Den norske Bank for operation of the company's ICT systems. In the same month, Telenor Business Solutions signed a three-year agreement with Widerøe Flyveselskap AS to take over the company's IT systems operations, based on ASP technology. The supply is among the most extensive in Norway. In September, Telenor Business Solutions announced a strategic collaboration with Oracle to provide the company's products as an online service to large and medium-sized companies in Europe based on the company's hosting centers in Norway and England. In December, Nextra UK announced a significant agreement, based on Oracle's range of services, with the English company Littlewoods. Later in the month, Telenor Business Solutions announced an agreement for the operation of Trondheim municipality's ICT solutions – Norway's largest ASP outsourcing agreement, with over 3,000 connection points. In 2001, Telenor Business Solutions was also responsible for supplying the complex ICT system at Telenor's new head office at Fornebu, one of the most advanced systems in Norway.

During autumn 2001, Telenor Business Solutions restructured and consolidated large parts of its operations. The international Internet operations, organized as Nextra International, and the pan-European operations were reduced and given a stronger focus. The Nextra companies in Switzerland and Germany were therefore sold. In Sweden, Nextra AB and Telenor Business Solutions AB were integrated with the business section of Telenordia AB, subsequent to the division of the company, between Telenor and British Telecom. In Norway, the former units of Nextra, Managed Services, VIP Net and Link, were brought together in a new division. As part of the restructuring the number of employees was reduced by 300 in Norway and 300 abroad.

› MARKET

Telenor Business Solutions defines its home market as the Nordic region, and selected European countries as focus areas for defined services. The business area holds an extremely strong position as supplier of business solutions to the advanced home market, with a particularly strong position in Norway.

Telenor Business Solutions is the leading supplier of ASP services to the Nordic market, and is well positioned in the growing Nordic market for advanced network services and data communication. This section covers Telenor Business Solutions' strategic focus on outsourcing services, which is increasingly in demand. This also applies to VPN and ADSL. Telenor Business Solutions is a leading supplier of Virtual Private Networks: closed company networks based on IP. The company's IP VPN solution is the basis for the next generation Wide Area Network (WAN); based on existing, well-developed IP networks.

Key figures, Telenor Business Solutions, 2000–2001

NOK in millions	2001	2000
Total revenues	5,940	4,316
EBITDA	(828)	(600)
EBITDA excl. gains and losses on disposal of fixed assets and operations	(822)	(595)
Operating profit	(2,968)	(1,173)
Associated companies	(874)	(69)
Investments	1,572	4,664
Number of full-time equivalent employees	4,225	3,992

› STRATEGY

Telenor Business Solutions' objective is to be the leading provider of communication and IT solutions in the Nordic region, and to be among the three largest in selected market segments in countries where Telenor Business Solutions has interests. This position will be obtained by focusing on the core competence within the development and implementation of ASP concepts and advanced operating services, sales, integration and bundling of fixed and mobile communication services with traditional IT, and also through sales and the implementation of large and complex outsourcing contracts. The short-term strategy is to consolidate current positions and prepare the organization for further growth, with key focus on improved profitability.

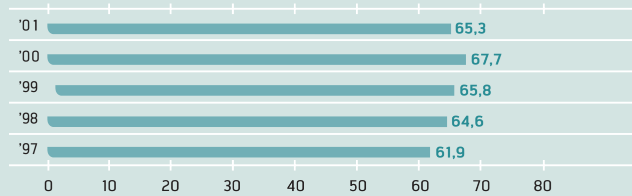
The Nordic region will be developed as the home market; in the rest of Europe consolidation will take place. Future expansion in the Nordic region and in selected European markets will be based on providing solutions developed and delivered to the Norwegian market. From an original strategy for the development of a pan-European operation, Telenor Business Solutions now wishes to put a stronger focus on developing profitable individual positions. Preparations for a major regional collaboration and resource sharing between the companies in Central and Eastern Europe are underway.

Development and partnerships with other players are key areas of the strategy – both for developing new services and for seeking larger contracts. The segment for small and medium-sized companies shall for the most part be reached via the partners.

Ideally, she shouldn't have to travel all the way to Tromsø for an operation. Medication will have an effect, but the adenoids have a tendency to return after such treatment. If they do, I will recommend surgery.

Cells handled, Directory Assistance, 1997–2001

Telenor Teleservice AS (millions of calls)



Other business activities

Telenor also has extensive operations outside the four business areas. This activity takes place through fully or partly owned companies, and encompasses staff and support functions.

› EDB BUSINESS PARTNER ASA

EDB Business Partner ASA is one of the Nordic region's leading IT groups, and a total supplier of software solutions and consultancy and operating services in Norway and abroad. The group is the result of a merger between Telenor Programvare AS and EDB ASA in May 1999, and was listed on the Oslo Stock Exchange in 1997. Telenor's ownership share in EDB Business Partner ASA at the end of 2001 was 51.8%.

At the end of 2001, EDB Business Partner was represented in Sweden, Denmark, the Benelux countries, France, Great Britain, Poland, Hungary, Spain, Switzerland and the US. [See also financial analysis on page 42–60]

› ITWORKS AS

Itworks AS is one of Norway's largest suppliers of ICT solutions, with focus on systems integration and consultancy services. Itworks is the result of a merger in January 2001 between EDB Intech AS and the hardware division of Telenor Business Solutions. At the end of the year, Telenor's ownership share in Itworks was 45%. Telenor's part-owned company, EDB Business Partner ASA, also owns 45%, while the Thrane group owns 8.8%. The remainder is divided between minority shareholders.

› TELESERVICE AS

Teleservice AS is responsible for the products Directory Enquiries 1881, MeetAt 119 (telephone and data conferences), and Contact Center services. The company aims to simplify and rationalize the customer's working day by making information and communication services easily accessible to users. From 2002 directory enquiries have been opened to competition in Norway.

Teleservice's head office is in Oslo. At the end of 2001, the company had a total of 23 district offices, 12 of which are Directory Enquiry units.

› TELENOR SATELLITE NETWORKS

Telenor Satellite Networks provides satellite-based communication solutions to the business markets in Europe, the Middle East and Africa.

The company's complete communication solutions encompasses network design, implementation, operations and service. The services are provided via subsidiaries in Norway, the Netherlands, Poland, Slovakia and the Czech Republic.

› TELENOR SATELLITE MOBILE

Telenor Satellite Mobile is one of the world's leading suppliers of global, mobile communication solutions via satellite. The company provides satellite-based voice and data services for use on land and in the shipping and aviation industries. The services are sold via a broad international chain of distributors and the company's own offices in a number of countries worldwide.

› TELENOR KEY PARTNER AS

Part of the former staff activities has been transferred to Telenor Key Partner AS, which supplies services to business areas and group units. Telenor Key Partner will offer services at market oriented prices.

› TELENOR EIENDOM (PROPERTY MANAGEMENT)

Telenor Property's main purpose is to ensure that the Telenor group has at its disposal premises that enable the primary activities to be carried out in a cost-effective manner. At the end of 2001, Telenor Property had approximately 1.1 million m^2 of owned and leased property, spread out over around 4,500 buildings.

Telenor's new head office at Fornebu consists of four separate office blocks. The first of these blocks was handed over to Telenor Property in November 2001, when it was ready for the first 1,800 employees to move in. The remaining blocks will be handed over in autumn 2002.

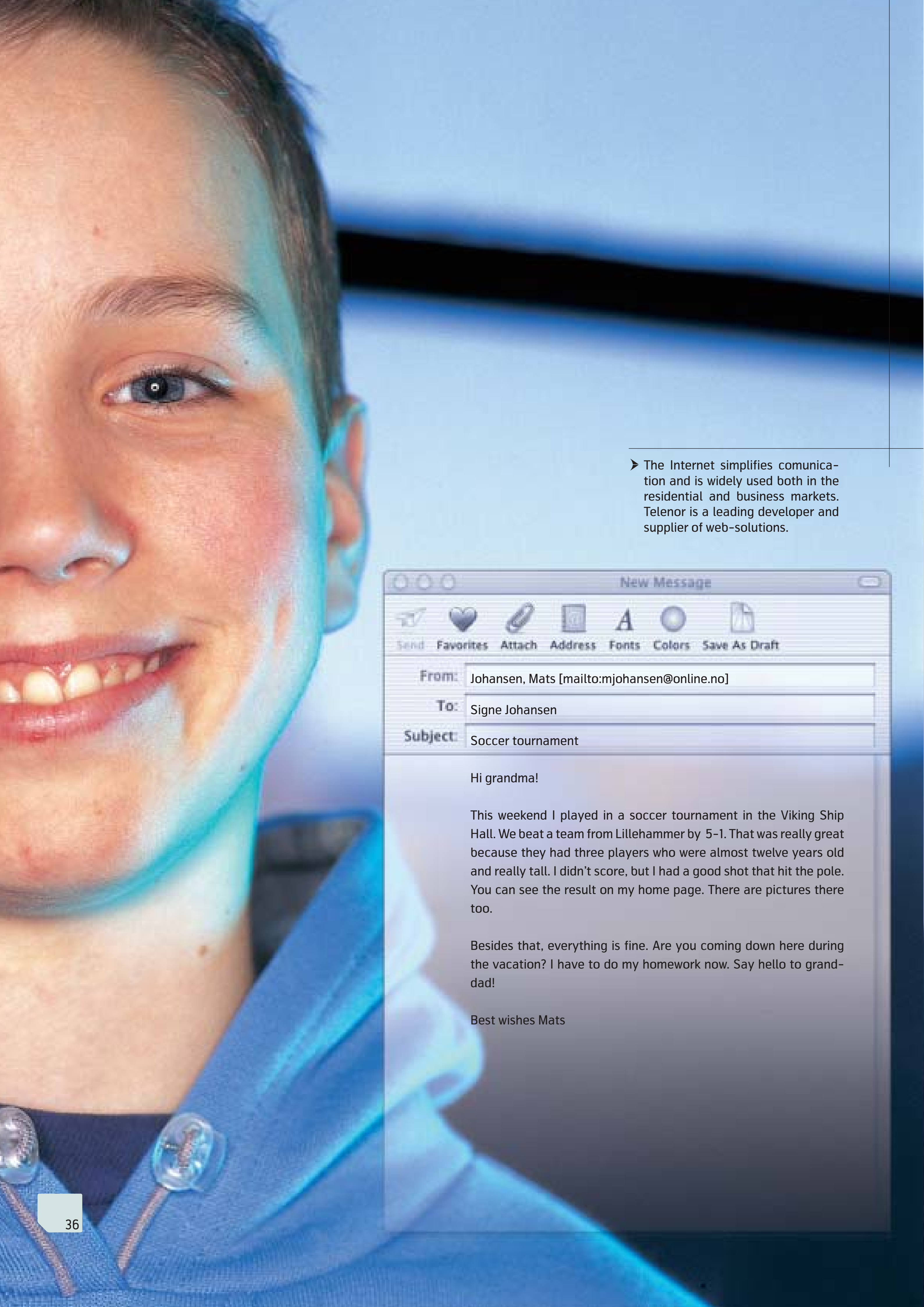
› RESEARCH AND DEVELOPMENT

With 325 man-years, Telenor Research and Development is Norway's largest research environment for information and communications technology. The commitment to R&D is crucial for Telenor's position as a leading international company in the development of simpler and improved communication solutions.

The activities are long-term and managed in multidisciplinary research programs and projects. Extensive work is carried out with leading research environments in Norway and abroad. In 2001, R&D participated in a number of international projects, mainly under the direction of the EU and EURESCOM.

The opening of Telenor's Home of the Future at Fornebu in October was an important landmark in the development of the research profile. The Home of the Future is a research laboratory that provides a unique arena for testing new services and applications in the home, as well as promoting research work.

R&D activities carried out in 2001 included various projects within technology and business models for future communication networks, services and platforms, in addition to the development of customer-oriented solutions and applications. The biggest research project was the development and establishment of solutions for the next generation broadband access for the transmission of TV signals.



The Internet simplifies comunication and is widely used both in the residential and business markets. Telenor is a leading developer and supplier of web-solutions.

New Message

Send Favorites Attach Address Fonts Colors Save As Draft

From: Johansen, Mats [mailto:mjohansen@online.no]

To: Signe Johansen

Subject: Soccer tournament

Hi grandma!

This weekend I played in a soccer tournament in the Viking Ship Hall. We beat a team from Lillehammer by 5-1. That was really great because they had three players who were almost twelve years old and really tall. I didn't score, but I had a good shot that hit the pole. You can see the result on my home page. There are pictures there too.

Besides that, everything is fine. Are you coming down here during the vacation? I have to do my homework now. Say hello to granddad!

Best wishes Mats

New Message

Send Favorites Attach Address Fonts Colors Save As Draft

From: Johansen, Signe [mailto:signejoh@frisurf.no]

To: Mats Johansen

Subject: SV: Soccer tournament

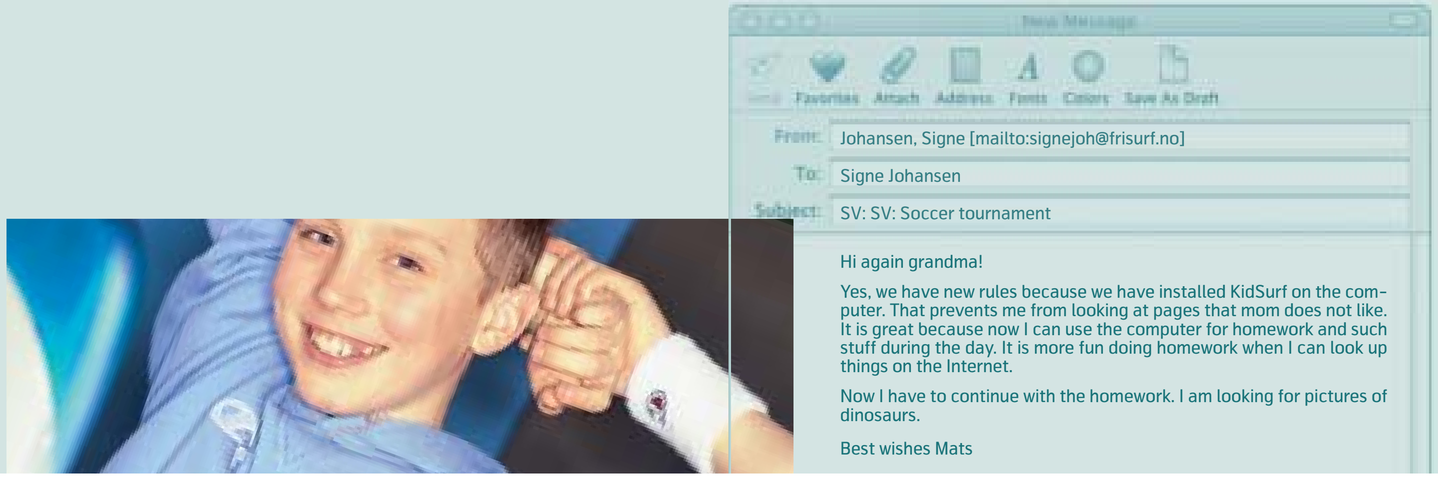
Hello Mats!
Congratulations on the victory over the team from Lillehammer. I know that you are a really good soccer player. It was fun to see the pictures from the match on the Internet.

Here in Narvik, we have terrible weather today so grandfather and I stay inside to read our e-mail instead of going out.

I was a little surprised by your mail because I didn't think you were allowed to use the Internet while your mother was at work. Have you agreed on new rules or is mother at home to day?
We are definitely visiting during the vacation.

Best wishes grandmother

Social responsibility



Social responsibility

Telenor has previously reported on the external and working environments. For 2001 a full separate social report that covers external environment, working environment, collaboration with organisations and social responsibility will be published.

› SOCIAL RESPONSIBILITY

Telenor's role in society and its social commitment changed after the company became a public corporation in 1994, and its subsequent part privatization and listing on the stock exchange in 2000. From being a part of the public administration and a telepolitical instrument for the authorities, Telenor has developed into a modern telephony and communications group in a deregulated telecoms market characterized by strong international and national competition from many players. Thus Telenor's historical legacy as a social institution and contributor to society has changed character. One of Telenor's objectives is to pursue and further develop its social commitment adapted to modern times, in line with the primary objective of creating the greatest possible values for its owners.

Telenor's efforts as regards social responsibility are linked to three different aspects of our activity. The first of these is concerned with taking responsibility for our own operations through active work in HSE, the external environment and with employees' rights. The next aspect deals with responsibility linked to the products and services that the company delivers. Last but not least, is the collaboration with various competence environments in the public and voluntary sectors, both in Norway and abroad. These represent an important expertise within their specialist field, which Telenor wishes to draw on.

Telenor has strong traditions of reporting on the external environment and the working environment. This year, the reporting has been extended to include a separate social report. This includes the following areas: external environment, working environment, social responsibility and collaboration with organizations. A short presentation of the work carried out in these key areas in 2001 is given below.

› EXTERNAL ENVIRONMENT

The effect that the group has on nature and the environment has always been taken seriously by Telenor. The environmental impact per employee at Telenor is low compared to other Norwegian operations of the same scale, something giving Telenor a good starting point for its efforts to protect the environment.

Telenor's greatest challenge with regard to its own impact on the

environment and its influence on its surroundings, lies in the sheer size of the group. In order to operate Telenor's extensive and multiple activities, a considerable use of resources is required, with subsequent costs for the group and subsequent impact on nature and the environment. The scale of the group's activities is however in itself also an important motivator in Telenor's environmental work. Even small environmental adjustments of the group's course give positive results in the form of reduced environmental impact, financial savings and the distribution of products and services in the market. Telenor's environmental work is therefore concentrated around two central tasks: developing and delivering products and services with positive effects on the environment, as well as reducing environmental impacts linked to Telenor's own operations.

Telenor's products and services represent forward-looking and environmentally friendly technology, which in many cases may replace or supplement. This applies to the use of telephone and video conferences for example. In October and November 2001, the number of telephone conferences connected via the Telenor service, MeetAt 199, increased by almost 35% compared to the same period in 2000. In the same period, the number of video conferences via Telenor increased by approximately 25%. Overall, the use of video conferences as a form of meeting, increased by approximately 50% compared to 2000.

In 2001, Telenor focused on actively reducing its impact on nature and the environment. We have used a great deal of resources on clearing away equipment and installations that are no longer in use, including masts and base stations, and we have also ensured that new installations comply with strict requirements for esthetics and considerations to the environment.

Telenor's new head office at Fornebu and the new construction at Kokstad outside Bergen have been given recognition for their environmental qualities and effective use of space. In 2001, the Kokstad facility received a number of prizes for its environmental-friendly project planning, and its solutions for energy control and energy optimization. The space per work station at Fornebu will be 23 m^2, which is 40% less than at the previously used building complex in the Oslo area. This will have a significant impact on Telenor's energy consumption. The total annual energy savings will be in the region of 50 million kWh. More than 50% of the energy consumption at Fornebu will be covered by renewable energy, in the form of a sea water-based heat pump at Oslofjorden.

› WORKING ENVIRONMENT

Developing its own expertise is of critical importance to Telenor's efficiency, innovation and results. The group's human capital can be further developed in a working environment hallmarked by job satisfaction, flexibility, cooperation, effective organization and good management.

At Telenor, the term working environment encompasses all factors that may influence employees' health, well-being and working capacity. This includes physical and mental well-being, as well as social and organisational conditions. Telenor aims to set an example in its efforts to improve the working environment for its employees, regardless of business sector or geographical location. In 2001, Telenor focused particularly on the following areas: reducing absence due to sickness, improved ergonomics, new ways of working and personal security at work.

Absence due to sickness at Telenor was in 2001 registered at 4.9%, compared to 5.0% in the previous year. A total of 143,587 days of sickness absence were registered. Telenor aims to reduce the sickness absence to less than 4% or lower, to the benefit of both employer and employees. Musculosceletal problems are among the most common causes for sickness absence at Telenor, and ergonomic adaptation is one of the most important efforts made to reduce sickness absence in the group.

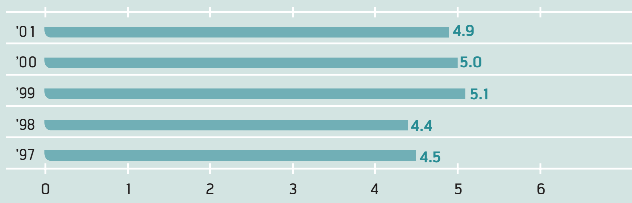
The relocation to the new head office at Fornebu outside Oslo began in 2001. The new offices are arranged to allow for open and extremely flexible ways of working, and the traditional offices have been replaced with open sections. Prior to the relocation, a great deal of attention was given to the ergonomic adaptation of workplaces, and an in-house e-learning program on ergonomy has been developed. Furthermore, extensive work was undertaken in order to prepare the employees at the center for the new ways of working in the building. Telenor will evaluate and further develop its working methods based on internal charting and feedback from the employees at Fornebu.

Working at heights, with such as installations masts and antennae, carries a higher than average risk of accident or injury. The technological development means that new groups of employees are often working at great heights. In 2001, Telenor developed and implemented a system for recognizing and training those personnel who need to carry out this kind of work.

› SOCIAL RESPONSIBILITY

Telenor has a significant effect on society, both as a supplier of

Sickness absence, 1997–2001
Telenor Group Norway (% of potential working days)



information and communication services to millions of people, and as an employer of 20,000 people. This brings with it a great responsibility, both to customers, owners, employees, joint venture partners and society in general.

Telenor will operate its business activity in an ethically responsible manner, and has strengthened its focus in this area in recent years by, for example, introducing its own ethical guidelines, which all employees are obliged to complies with. Telenor began charting and extending its responsibility in 2001, both with regard to the internal activity and in the development of new services and products.

› International standards › Telenor has a clear responsibility to protect human rights in international investments and operational activities. Primarily, the responsibility is to Telenor's own employees, but it also extends to other affected parties, such as the local community and joint venture partners. Telenor has adopted international standards for the protection of human rights and employees' rights. The prevailing standard is the UN's Universal Declaration of Human Rights from 1948 with the relevant conventions.

Telenor is determined to fight corruption in all forms, and joined Transparency International (TI) in 2001, which is a worldwide organization that works to combat corruption and to promote greater openness. Telenor supports TI's efforts to fight international corruption and together with many large Norwegian companies, works to promote efforts to strengthen the Norwegian division.

The group puts a great deal of emphasis on improving its managers' international competence. In the past two years, 100 managers have completed the Telenor International Management Program under the direction of the Telenor Corporate University. The emphasis here is both on business development and on the cultural dimension of international activities. The program is being continued in 2002.

› Products and services › Today, Telenor is among the leading innovators in the development of new services based on IT and communications technology. The technological opportunities of tomorrow, with regard to both services and content, give rise to a range of socially useful services and simplifies of people's daily life. However, they can also create unfortunate effects and unwanted content.

It is the group's aim to provide a broad range of services as well as extensive freedom of choice, with the opportunity for the customers to set their own restrictions with regard to both the Internet and TV. Telenor therefore wishes to offer technology that makes it possible to select and deselect various offers. Two examples of such selections are a children's portal on the Internet and parental control of channel selection on digital TV.

› COLLABORATION WITH ORGANIZATIONS

In recent years, a close collaboration has developed between authorities, voluntary organizations and companies, with regard to social responsibility. Telenor actively participates in a number of different areas, both in Norway and abroad, with local authorities, voluntary organizations and other companies. Telenor also adopted both the UN's Global Compact and the World Business Council for Sustainable Development in 2001.

Telenor wants to accomodate the voluntary organisations' (Non Governmental Organisations) punctilious and often critical examinations in a positive way. The group would like an open dialogue with many different organizations and seeks collaboration where it may be beneficial. Collaboration agreements with key charitable organizations will be signed during the first half of 2002.

Telenor's consolidated financial statements for 2001 are analyzed in a separate **financial review**

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› OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion should be read in conjunction with Telenor's consolidated financial statements, which have been prepared in accordance with Norwegian GAAP, which differ in certain respects from U.S. GAAP. For a reconciliation of the material differences between Norwegian and U.S. GAAP, see Note 30 to the consolidated financial statements.

Telenor has implemented changes in the business area structure during 2001. We have restated our financial statements to reflect our new business area structure.

› RESULTS OF OPERATIONS – GROUP

› Revenues

› External revenues

(in NOK millions)	2001	2000	1999
External revenues excluding gains on disposal of fixed assets and operations			
Mobile	11,001	8,244	6,582
Networks	14,106	13,998	14,585
Plus	2,942	2,487	2,053
Business Solutions	4,616	3,358	1,855
EDB Business Partner	3,312	2,439	1,392
Media [1]	1,258	1,557	1,594
Bravida [2]	–	1,796	2,888
Other business units	2,994	2,538	1,617
Corporate functions and group activities	375	195	147
Eliminations	–	(82)	71
Total external revenues excluding gains	**40,604**	**36,530**	**32,784**
Gains on disposal of fixed assets and operations	5,436	1,042	783
Total external revenues	**46,040**	**37,572**	**33,567**

[1] 9 months in 2001
[2] 10 months in 2000

External revenues excluding gains on disposal of fixed assets and operations increased by NOK 4,074 million or 11.1%, in 2001 compared to 2000. Approximately 50% of the increase in Mobile's revenues was generated by its international operations, including DiGi.Com which was consolidated as of 1 September, 2001. Networks' external revenues was in line with 2000. The increase in Plus' revenues was related to the increased number of subscribers and increased revenues from broadcasting. The increase in Business Solutions' revenues was related primarily to its international operations, including acquired businesses. EDB Business Partner increased external revenues primarily due to acquisition of new businesses. Media was sold effective of 1 October 2001, and Bravida became an associated company in November 2000.

External revenues excluding gains on disposal of fixed assets and operations increased by NOK 3,746 million, or 11.4%, in 2000 compared to 1999. Most business areas showed healthy growth during the year. Mobile showed the highest level of growth due to increased number of subscriptions, SMS messages and revenues from service providers. Networks experiences decreased external revenues due to lower prices. New businesses have increased the revenues in many business areas in 2000.

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

(in NOK millions)	2001	2000	1999
Consolidated revenues [1]			
Norway	34,032	33,269	29,861
Outside Norway	6,572	3,333	2,923
Total revenues	**40,604**	**36,530**	**32,784**
Our proportional share of revenues in associated companies and joint ventures			
Norway	4,750	1,491	748
Outside Norway	15,717	11,001	5,167
Total proportional share of revenues in associated companies and joint ventures	**20,467**	**12,492**	**5,915**

[1] Excluding gains on disposal of fixed assets and operations.
[2] The figures are partly based on management's estimates in connection with the preparation of the consolidated financial statements. Telenor's share of the revenues is not included in the consolidated financial statements. Sales between the associated companies and sales to group companies are included in revenues in the table.

Gain on disposal of fixed assets and operations in 2001 are primarily related to the sale of Telenor Media with a gain of NOK 5,000 million, sale of the subsidiary Norcom Network Communication Inc with a gain of NOK 259 million and sale of properties. In 2000, gains on disposal of properties was NOK 517 million and the gain on disposal of subsidiaries totalled NOK 447 million. In 1999, gains on disposal of subsidiaries totalled NOK 683 million.

› OPERATING EXPENSES

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

› Cost of Materials and Traffic Charges › The increase in network capacity costs in 2001 compared to 2000 was primarily related to DiGi.Com and increased revenues in the Mobile business area, as well as activities in Business Solutions which we acquired or began operating during 2000 and 2001. The increase in satellite capacity costs was primarily related to SAIT which we acquired on 1 March, 2001. The decrease in cost of materials was due to Bravida's deconsolidation for part of 2000 and 2001 and reduced sale of equipment in several units, which was in part offset by costs related to increased sales in Mobile's international operations, Business Solutions and Plus.

Increased traffic and increased satellite revenues resulted in higher traffic charges in 2000 compared to 1999. The network capacity costs for the subsidiaries in the Networks business area sold in 1999 and 2000 totalled NOK 450 million in 1999. The increased cost of materials in 2000 compared to 1999 was primarily related to new business and Mobile, partly offset by lower costs related to decreased external sales of customer equipment and installation services.

› Own Work Capitalized › 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 cost of materials, salaries and personnel costs, or other operating expenses as appropriate. The costs that are capitalized are then reversed as change in own work capitalized. Several companies in the group perform work on, and deliver long lived assets to other group companies. These long lived assets are capitalized by the purchasing company. For the group as a whole this is regarded as a change in own work capitalized, and the expenses recorded in the selling companies are reversed as a change in own work capitalized for the group. Since 1 November, 2000 Bravida has been an associated company, and purchases from Bravida are now recorded directly on our balance sheet and not recorded as a change in own work capitalized. This has contributed to a reduction in the change of own work capitalized from 1999 to 2000 and from 2000 to 2001.

› Salaries and Personnel Costs › The decrease in the salaries and personnel costs in 2001 compared to 2000 resulted primarily from the deconsolidation of Bravida. This was offset by expenses attributable to new businesses and wage inflation in general. The number of full-time equivalent employees increased by approximately 850 compared to the end of 2000. The average number of full-time equivalent employees was however lower than for 2000. The consolidation of DiGi.Com as of 1 September, 2001 increased the total number of our full-time equivalent employees by 1,500 while the sale of Telenor Media reduced such number by approximately 2,350 as of 1 October 2001. As a result of our acquisitions, there was an increase of approximately 2,650 full-time equivalent employees in 2001, compared to a decrease of approximately 1,800 in 2000. On 1 November, 2000 the number of our full-time equivalent employees decreased by approximately 5,750 as a result of the deconsolidation of Bravida, which was offset in part by an increase of approximately 2,300 full-time equivalent employees resulting from our acquired businesses in 2000.

› Other Operating Expenses › In 2001 we incurred expenses related to termination and restructuring of operations and loss contracts of NOK 625 million. In addition we recorded expenses of NOK 136 million related to legal proceedings in our Networks Business area. The total of NOK 761 million explain the increase in "other" compared to 2000. In addition our other operating expenses increased due to new businesses and because our purchases from Bravida, which mainly affects operations and maintenance expenses, became external expenses since 1 November, 2000. The effect of the sale of Telenor Media was not significant in 2001 compared to 2000. Increased cost of premises, vehicles and office equipment related to an increase in rent of properties for our new businesses and an increase in rented instead of owned properties. Marketing, sales commissions and advertising increased due to increased commissions in our Mobile business area, mainly related to campaigns and increased gross sale of contract subscriptions and prepaid cards. In our Plus business area we increased expenses related to marketing and advertising of digital and interactive services as well as ADSL. This was offset in part by lower marketing and advertising of ISDN as well as more use of Telemarketing instead of advertising in our Networks business area. Increased bad debt relates partly to losses on a network operator, losses in our international Mobile and Business Solutions business and the fact that bad debt in 2000 was low. Development of new services and business in our Plus and Business Solutions business area, as well as strategic projects and acquisition activities in corporate functions, resulted in an increased use of consultancy services and external personnel. This was offset in part by reduced expenses in our Networks and Mobile business areas due to our efforts to reduce usage of consultants and due to a decrease in acquisition activity and UMTS applications in our Mobile business area in 2001 compared to 2000.

Other operating expenses increased in 2000 compared to 1999. Generally increased activity, the development of new products and services in Norway and internationally, the acquisition and establishment of companies and purchases from Bravida after 1 November, 2000 contributed to this increase. Some of the expenses are invoiced to customers, mainly parts of consultancy expenses and rent and operation of IT systems.

› Loss on Disposal of Fixed Assets and Operations › The loss on disposal of fixed assets and operations was primarily related to retirement of equipment and sale of properties and the loss on the sale of the former subsidiary Clarion Inc. (NOK 285 million) in 1999.

› Depreciation, amortization and write-downs

(in NOK millions)	2001	2000	1999
Depreciation of tangible assets	6,266	5,201	4,616
Amortization of goodwill	668	496	281
Amortization of other intangible assets	317	124	37
Total depreciation and amortization	7,251	5,821	4,934
Write-downs of tangible assets	1,556	113	104
Write-downs of goodwill	2,266	–	9
Total write-downs	3,822	113	113
Total depreciation, amortization and write-downs	**11,073**	**5,934**	**5,047**

The increased depreciation and amortization in 2001 and 2000 was primarily related to the new companies. Shortened depreciation periods from 1 April, 2001 for some fixed assets in our Norwegian fixed and mobile networks also increased depreciation by approximately NOK 280 million in 2001. This was partly offset by decreased depreciation and amortization due to the write-downs made during 2001 which are discussed below.

In 2001 amortization of goodwill was related primarily to the Business Solution and EDB Business Partner business areas. The full year effect of amortization related to the acquisition of businesses in 2000 as well as acquisitions in 2001 contributed to the increased amortization of goodwill.

Amortization of software licenses in Business Solutions and other excess values related to DiGi.Com were the largest separate items in amortization of other intangible assets in 2001.

The write-downs of goodwill in 2001 were related to EDB Business Partner (NOK 1,259 million), Business Solutions (NOK 869 million) and Itworks (NOK 134 million). The write-downs of fixed assets were mainly related to the transatlantic fiber capacity (TAT 14) in Networks (NOK 533 million) and satellite and satellite equipment in Plus (NOK 490 million). Write-downs of fixed assets in Business Solutions were NOK 249 million and write-downs in the messaging service business in TTYL were NOK 101 million.

We expect that our depreciation and amortization will increase in 2002 as a result of the investments made in 2001 and the increase in our interest in Pannon from 25.8% to 100% on 4 February, 2002, partly offset by reduced amortization and depreciation due to the write-downs made in 2001.

The increased amortization of goodwill and intangible assets in 2000 compared to 1999 reflects the acquisition of new businesses during the period, primarily in our EDB Business Partner and Business Solutions business areas, in addition to investments in software licenses in Business Solutions in the second half of 2000.

› OPERATING PROFIT

Our operating profit in 2001 was NOK 3,177 million, a decrease of NOK 452 million, or 12.5%, compared to 2000. Our operating profit in 2001 was significantly influenced by net gains on disposal of fixed assets and operations (NOK 5,373 million), write-downs (NOK 3,822 million) and expenses for restructuring, exit costs and loss contracts (NOK 625 million). Excluding these effects, the operating profit decreased by NOK 497 million, or 18%, to NOK 2,251 million in 2001. Our operating profit benefited from the increased profitability of the Mobile business area. Adjusted operating profit in the Networks business area was in line with that of 2000. Adjusted operating profit in the Plus business area decreased by NOK 402 million due to increased expenses in connection with the digitalization of the cable-TV activities, the marketing of ADSL and the development of content services. Adjusted operating profit in Business Solutions decreased by NOK 460 million, which was due to increased depreciation and amortization in connection with increased investments in the Norwegian business as well as business outside Norway acquired and developed during 2000 and 2001. For the other business areas, changes in adjusted operating profit were primarily due to increased expenses in corporate functions and group activities related to higher activity in strategic group projects and acquisition activities.

We achieved an operating profit of NOK 3,629 million in 2000, a reduction of NOK 373 million, or 9.3%,compared to 1999. Excluding the effect of net gains, the operating profit in 2000 declined by NOK 876 million, or 24.9%, compared with 1999. The activities in the former Internet business area reduced the operating profit by NOK 887 million, primarily as a result of the increased losses in the international operations. Our operating profit was negatively affected by increased activities in developing new products and services, as well as increased costs associated with our international expansion, increased competition, and increased depreciation and amortization. Our operating profit was positively affected by the increased profitability of our Mobile business area.

› ASSOCIATED COMPANIES

(in NOK millions)	2001	2000	1999
Telenors share of[1)]			
Revenues	20,467	12,492	5,915
EBITDA	3,492	1,213	(227)
Net income	(318)	(1,086)	(1,119)
Amortization of Telenor's net excess values	(1,427)	(776)	(190)
Write-downs of Telenor's excess values	(11,597)	-	-
Gain on disposal of ownership interests	21,579	1,170	70
Net result from associated companies	**8,237**	**(692)**	**(1,239)**

* The figures are partly based on management's estimates in connection with the preparation of the consolidated financial statements. Telenor's share of the revenues and EBITDA is not included in the consolidated financial statements. The consolidated profit and loss statement contains only the line "net results from associated companies". Sales between the associated companies and sales to group companies are included in revenues in the table.

The foregoing results were influenced by our aquisitions and disposals in 2000 and 2001 and by our write-downs in 2001. Bravida became an associated company as of 1 November, 2000, DiGi.Com became a subsidiary as of 1 September. Telenordia became a subsidiary as of 1 October, 2001 , and VIAG Interkom and Esat Digifone were sold at the beginning of 2001. Increased revenues for associated companies both in 2001 and 2000 were due primarily to foreign mobile companies and Bravida. Bravida was included with revenues of NOK 5,762 million in 2001 and NOK 1,352 million in 2000. The increase in EBITDA and net income after taxes from associated companies was due to foreign mobile companies. As a result of increased depreciation and financial expenses in the associated companies, net income after taxes does not show an increase that corresponds to the EBITDA increase.

Higher amortization of Telenor's net excess values both in 2001 and 2000 was mainly related to companies acquired in 2000. Amortization in the second half of 2001 was in line with the same period in 2000 due to the write-down of Sonofon.

The write-downs in 2001 related primarily to Sonofon and Telenordia as of 30 June (NOK 7,500 million and NOK 665 million respectively) and DTAC/UCOM as of 31 December (NOK 3,400 million). The write-downs, and the fact that DiGi.Com and Telenordia became consolidated subsidiaries are expected to result in reduced amortization of excess values on associated companies in 2002 compared to 2001.

We sold our ownership stakes in VIAG Interkom and Esat Digifone in 2001, with a combined gain before taxes of NOK 21.4 billion in 2001. The sale of Ephorma AS and European Medical Solutions Group AS by EDB Business Partner contributed a combined gain of NOK 141 million in 2001. We realized gains by reducing our ownership stake in Cosmote and Scandinavia Online in 2000.

The results attributable to associated companies, excluding gains from the disposal of ownership interests, are expected to continue to be significantly negative in 2002. The consolidation of Pannon in February 2002 is expected to result in a decrease in the net income generated from associated companies in 2002 compared to 2001.

› FINANCIAL INCOME AND EXPENSES

The increase in financial income in 2001 compared to 2000 related primarily to interest income on temporary investments in interest bearing financial assets. In 2001 we held a portion of the proceeds from our disposals in liquid assets in anticipation of payment of investments and repayments of liabilities. In 2000 and 2001, the satellite organizations were incorporated, and dividends were reduced.

Reduced financial expenses in 2001 compared to 2000 related to reduced gross interest bearing liabilities for the year on average. Gross interest bearing liabilities increased considerably in the second half of 2000 due to financing of acquisitions and decreased significantly during 2001 due to disposals. Interest expenses are expected to increase in 2002 compared to 2001 due to increased interest-bearing liabilities related to investments made in the second half of 2001 and investments in 2002, in particular Pannon GSM and Comsat. Capitalized interest increased in 2001 compared to 2000. This is mainly due to the construction of our new headquarter at Fornebu.

Net foreign currency losses in 2001 related primarily to the Esat Digifone and VIAG Interkom transactions in the first quarter, and the DiGi.Com transaction in the third quarter. In the first quarter, some of the proceeds from the sale of VIAG Interkom were held in euro in anticipation for payment of other investments in this currency. Due to depreciation of the euro compared to NOK in this period, a currency loss was recorded on these liquid assets. In anticipation of receiving payment from the sale of Esat Digifone, we hedged some of the proceeds, but these activities did not qualify as hedging for accounting purposes. The currency loss on these hedge transactions were offset by an increased gain on the sale of Esat Digifone. In the third quarter, we retained liquid assets in US dollar until we paid for the shares in DiGi.Com in September. The US dollar exchange rate fell compared to NOK in this period, which resulted in a currency loss of approximately NOK 200 million. The cost price of DiGi.Com was correspondingly reduced.

NOK 365 million of the sales gain in 2001 relates to the sale of North West GSM. The net loss and write-downs in 2001 include NOK 229 million relating to the write-down of shares in Scandinavia Online AB and the losses from sales and write-downs of shares, particularly in our Venture business.

The increased financial income in 2000 compared to 1999 was due to interest from loans to associated companies. Our interest expenses increased in 2000 due to increased interest-bearing liabilities, and higher interest rates. In 1999, a gain of over NOK 500 million was recorded on the sale of shares in Elkjøp ASA. The net foreign exchange loss in 2000 and net foreign exchange gain in 1999 was primarily related to parts of the liabilities and derivative contracts established to hedge net investments in foreign currencies where we did not qualify for hedge accounting.

› INCOME TAXES

Corporate income tax rate in Norway is 28.0%. Our effective tax rate for 2001 was however 38.0% of our profit before taxes and minority interests, compared to 43.0% in 2000 and 39.9% in 1999. Our effective tax rate was increased by the losses in our associated companies and subsidiaries outside Norway together with the amortization and write-downs of excess values (mainly goodwill) which, to a great extent may not be recognized as deferred tax assets.

In 2001, these effects were partly offset by parts of the write-downs of excess values in 2001 that were recorded as temporary differences which give rise to deferred tax assets. This was mainly related to EDB Business Partner. Due to agreements to sell some activities of Business Solutions outside of Norway, we also recognized tax assets related to losses in these companies. In addition, reduction in the fair value of our associated company Sonofon was also realized in 2001 for tax purposes, and reduced our estimated current taxes by NOK 2.4 billion.There was also a low taxable gain from the sale of Telenor Media due to a high cost price for tax purposes established in connection with the formation of the new holding company Telenor ASA in the last quarter of 2000.

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 Communication AS. Tax cost base of the Telenor Communication AS shares equals estimated fair value at the time when the in kind contribution was made. To the extent Telenor ASA should dispose of shares in Telenor Communication AS, or dispose of shares in entities demerged from Telenor Communication AS, any taxes will be computed on the difference between the consideration received and the tax base cost, as established through the in kind contribution.

› RESULTS OF OPERATIONS BY BUSINESS AREA

The following tables sets forth selected financial data for our business areas for the period 1999 – 2001.

› Revenues excluding gains on disposal of fixed assets and operations

(in NOK millions)	2001	2000	1999
Mobile	12,299	9,776	8,075
Networks	16,562	16,365	16,823
Plus	3,374	2,862	2,369
Business Solutions	5,940	4,316	3,131
EDB Business Partner	4,770	3,944	2,891
Media [1)]	1,338	1,655	1,685
Bravida [2)]	-	4,222	6,033
Other business units	4,033	4,029	2,419
Corporate functons and group activities	2,774	3,152	2,918
Eliminations	(10,486)	(13,791)	(13,560)
Total revenues excluding gains	**40,604**	**36,530**	**32,784**

[1)] 9 months in 2001
[2)] 10 months in 2000

› EBITDA excluding gains and losses on disposal of fixed assets and operations

(in NOK millions)	2001	2000	1999
Mobile	3.808	2.700	2.161
Networks	5.660	5.354	5.694
Plus	254	614	509
Business Solutions	(822)	(595)	(210)
EDB Business Partner	406	532	339
Media [1)]	308	359	402
Bravida [2)]	-	77	126
Other business units	(9)	282	358
Corporate functions and group activities	(513)	(207)	(543)
Eliminations	(215)	(537)	(268)
Total EBITDA excluding gains and losses	**8.877**	**8.579**	**8.568**

[1)] 9 months in 2001
[2)] 10 months in 2000

› MOBILE

(in NOK millions)	2001	2000	1999
External revenues	11,001	8,244	6,582
Internal revenues	1,298	1,532	1,493
Gains on disposal of fixed assets and operations	259	23	-
Total revenues	12,558	9,799	8,075
Total operating expenses	10,063	8,205	6,969
Operating profit	2,495	1,594	1,106
Associated companies	9,677	(460)	(1,071)
Net financial items	(496)	(821)	(150)
Profit before taxes and minority interests	**11,676**	**313**	**(115)**
EBITDA	4,067	2,720	2,161
EBITDA excl. gains and losses	3,808	2,700	2,161
EBITDA excl. gains and losses - margin	31%	28%	27%
Investments:			
– Capex	2,716	1,978	1,328
– Acquisition of businesses	4,495	30,865	4,855
Total full-time equivalent employees (period end)	4,217	2,481	2,427
– Of which abroad	2,084	531	486

The Mobile business area's results in 2001 were affected by the consolidation of DiGi.Com as a subsidiary effective 1 September, 2001 after we increased our ownership interest in the Malaysian operator from 32.9% to 61%. Excluding DiGi.Com, there was an underlying growth in revenues without a corresponding growth in costs. This contributed to an increase in EBITDA in 2001 compared to 2000.

Gains on disposal of fixed assets and operations in 2001 were due to the sale of the subsidiary, Norcom Networks Communications Inc, against compensation of shares in the publicly listed Canadian company, Wireless Matrix Corporation, in the first quarter of 2001.

› MOBILE – mNORWAY

› Revenues – mNorway

(in NOK millions)	2001	2000	1999
External revenues			
Mobile outgoing traffic	3,500	3,104	2,758
Mobile incoming traffic	503	348	169
Roaming	1,209	1,084	824
Total traffic	5,212	4,536	3,751
SMS/MobilInfo/CPA	1,076	733	400
Subscription and connection fees	1,328	1,318	1,248
Customer equipment	620	720	752
Service providers and other	510	257	70
Total external revenues	**8,746**	**7,564**	**6,221**
Internal revenues	1,310	1,532	1,393
Gains on disposal of fixed assets and operations	-	-	-
Total revenues	**10,056**	**9,096**	**7,614**
EBITDA excluding gains and losses	3,731	3,190	2,437
EBITDA excluding gains and losses - margin	37%	35%	32%
Operating profit	2,626	2,216	1,524
Capex	1,674	1,485	1,128
No, of subscriptions (in thousand)	2,307	2,199	1,951

› EBITDA › The increase in EBITDA in 2001 compared with 2000 and 2000 compared with 1999 was due to higher traffic as a result of more subscriptions, a large increase in the use of text messages (SMS) and content services (MobilInfo/CPA (Content Provider Access)), in addition to increased revenues from service providers which more than offset increased operating expenses.

› Revenues › The market share of GSM subscriptions at 31 December, 2001 was estimated to be 60.9%, compared to 66.4% at 31 December, 2000. The reduction was related to increased competition, partly as a result of the precence of more service providers. During the same period, the estimated mobile penetration in Norway increased from 72% to 80%.

Total revenues from outgoing mobile traffic in Norway increased in 2001 compared to 2000, mainly as a result of the increase in the number of subscriptions and that on average each subscription generated more traffic. In the last quarter of 2001, the generally low level of travel activity reduced the roaming revenues.

Revenues from incoming mobile traffic increased in 2001 compared to 2000 despite reduced prices in 2001. This was due to an increase in the incoming traffic from external telecom operators. The price reduction in incoming traffic had a negative effect on internal revenues in 2001.

The increase in roaming revenues resulted from a higher number of subscriptions, more roaming agreements and that each subscriber rang more on average.

A sharp increase in the number of text messages resulted in increased revenues from SMS/MobilInfo/CPA in 2001 compared to 2000.

Increased traffic per subscription and a higher number of text messages more than compensated for the price reduction in incoming traffic, resulting in an increase in the average monthly revenue per subscription (ARPU) in 2001.

The decrease in revenues from sale of equipment from 2000 to 2001 is explained by the reduction in the sale of personal computers.

External service providers were given access to our mobile networks from the first quarter of 2000, and the revenue from this service has increased from NOK 154 million in 2000 to NOK 446 million in 2001. The increase was due to more subscriptions with the various service providers. As of 31 December, 2001, agreements had been entered into with eight service providers.

Revenues from mobile traffic (incoming and outgoing) increased in 2000 compared to 1999. The growth can primarily be attributed to a higher number of subscriptions and increased traffic.

› Operating Expenses – mNorway

(in NOK millions)	2001	2000	1999
External costs of materials and traffic charges	1,793	1,740	1,468
Internal costs of materials and traffic charges	814	743	696
Total costs of materials and traffic charges	2,607	2,483	2,164
Own work capitalized	(55)	(14)	(18)
Salaries and personnel costs	976	888	752
Other external operating expenses	2,021	1,854	1,647
Other internal operating expenses	776	704	632
Depreciation and amortization	1,083	931	913
Write-downs	22	34	-
Losses on disposal of fixed assets and operations	-	-	-
Total operating expenses	**7,430**	**6,880**	**6,090**

The increase in operating expenses in 2001 compared to 2000 was mainly due to expenses linked to a higher number of subscriptions, increased traffic, new products and services and the introduction of our loyalty program.

Costs of materials and traffic charges in 2001 increased compared to 2000 due to increased traffic. Costs linked to traffic abroad increased due to increased traffic from Norwegians abroad as a result of more subscriptions, increased traffic per subscription, and more roaming agreements. Traffic costs in Norway increased as a result of an increase in the traffic generated (voice and SMS) to subscribers in other telecom operators' networks. Lower sales of customer equipment in 2001 led to lower costs for materials.

Salary and personnel costs increased in 2001 compared to 2000 due to an increase in the number of employees and general increase in salaries.

Other operating expenses increased in 2001 as a result of increased sales commissions and increased costs linked to rent and operation of equipment and premises. Sales commission increased by NOK 148 million to NOK 983 million in 2001, mainly as a result of campaigns and higher gross sale of contract subscriptions and prepaid cards.

As of 1 April, 2001, individual depreciation periods linked to switches and radio equipment were reduced due to the anticipated shorter economic life of these assets. This led to an increase in depreciation in 2001 of approximately NOK 110 million for equipment acquired before 1 April, 2001. Other depreciation and amortization increased, mainly as a result of the increased level of investments in the digital network.

The increase in operating expenses in 2000 from 1999 can mainly be attributed to the higher number of subscriptions as well as the increased traffic and the resulting associated costs. Salary and personnel costs increased due to the higher number of employees and general increase in salaries, while other operating expenses increased as a result of a generally high level of activity. The commission costs were on a par with 1999.

› DiGi.Com – Malaysia [1]

(in NOK millions)	2001 [1]	2000	1999
Revenues excluding gains	906	-	-
EBITDA excl. gains and losses	306	-	-
EBITDA excl. gains and losses – margin	34%	-	-
Operating profit (excl amortization of our net excess values)	181	-	-
Capex	459	-	-

[1] Consolidated from 1 September, 2001.

DiGi.Com was consolidated as a subsidiary on 1 September, 2001. The following discussion is based on DiGi.Com's results as published by DiGi.Com, adjusted in accordance with our accounting principles, and, as a result, are referred to as pro forma figures. In 2001, the company had an increase in pro forma revenues of NOK 0.7 billion to NOK 2.6 billion, compared to 2000. This growth was due primarily to the increase in the number of subscriptions of 216,000 in 2001 to a total of 1,039,000 at 31 December, 2001.

As a result of increased revenues, the pro forma EBITDA of DiGi.Com increased by NOK 206 million to NOK 873 million in 2001. The pro forma EBITDA margin for 2001 decreased to 34% from 36% in 2000. Increased competition in the Malaysian market has resulted in increased sales and marketing costs. Furthermore, the investments in the extensive quality improvements and the development of the GSM network that were carried out in 2001 resulted in increased network-related costs.

We estimate the average pro forma monthly revenue per subscription (ARPU) for 2001 to be NOK 187 compared to NOK 178 in 2000.

› Grameen Phone – Bangladesh

(in NOK millions)	2001	2000	1999
Revenues excluding gains	1,185	537	205
EBITDA excl. gains and losses	457	124	12
EBITDA excl. gains and losses – margin	39%	23%	6%
Operating profit	328	41	(47)
Capex	425	266	184
No. of subscriptions (100% in thousand)	464	191	60

Grameen Phone achieved an increase in revenues of 121% compared to 2000. This growth was due primarily to a higher number of subscriptions, which resulted in increased traffic revenues, as well as increased sales of customer equipment. Increased revenues from traffic and customer equipment as well as low customer acquisition costs have contributed to an increase in EBITDA of NOK 333 million compared to 2000.

Increased operating expenses in 2001 compared to 2000 are to a large extent made up of the increased costs of materials and traffic charges, linked to the increased sales of handsets.

We estimate the ARPU to be NOK 190 for 2001, which is a reduction from NOK 226 in 2000. This reduction is due to new customers and customers with prepaid subscriptions reducing the average number of call minutes and revenues per subscription.

Revenues and EBITDA in Grameen Phone increased from 1999 to 2000 mainly due to increased number of subscriptions.

› Other units including elimination of purchase and sales between the units in Mobile

(in NOK millions)	2001	2000	1999
EBITDA excl gains and losses	(686)	(614)	(288)
Operating profit	(640)	(663)	(371)
Capex	158	227	16

Other units comprise mFuture, the mobile operations in Sweden (djuice.se) and costs related to the management and administration of our international mobile portfolio. We expect EBITDA from other units to increase in the long term compared to 2001. The reduction in the operating profit in 2001, adjusted for gain of NOK 259 million in 2001, was partly related to increased amortization linked to increased excess values in connection with the acquisition and consolidation of DiGi.Com and the amortization of capitalized development costs related to the djuice Internet portal, which is amortized over a short period.

› Associated Companies and Joint Ventures Abroad

(in NOK millions)	2001	2000	1999
Telenors share of:			
Revenues	11,678	8,915	4,186
EBITDA	3,544	1,388	(105)
Net income	421	(690)	(910)
Amortization of Telenor's net excess values	(1,276)	(689)	(161)
Write-downs of Telenor's excess values	(10,900)	-	-
Gain on disposal of ownership interests	21,432	920	-
Net result from associated companies	**9,677**	**(459)**	**(1,071)**
No. of subscriptions (Telenors share in thousand)	4,017	3,303	1,129

* The figures are partly based on management's estimates in connection with the preparation of the consolidated financial statements. Telenor's share of the revenues and EBITDA is not included in the consolidated financial statements. The consolidated profit and loss statement contains only the line "net results from associated companies". Sales between the associated companies and sales to group companies are included in revenues in the table.

Our mobile associated companies outside Norway experienced a significant increase in the customer base in all companies in 2001. Adjusted for DiGi.Com, which is now a subsidiary, and VIAG Interkom and Esat Digifone, which we sold in 2001, there was an increase of 1.75 million or 77%, subscriptions in 2001 compared to 31 December, 2000, particularly in DTAC in Thailand, VimpelCom in Russia, Pannon in Hungary and Kyivstar in the Ukraine, where Telenor's share of subscriptions increased by 120% during 2001, to a total of just over 2.6 million.

The increase in revenues, EBITDA and net income was mainly due to the successful development in all the associated companies. High investments in infrastructure contributed to the high depreciation, amortization and financial costs in some of the companies. Additionally, the results were affected by the acquisition of Sonofon and DTAC/UCOM in the autumn of 2000, the sale of VIAG Interkom and Esat Digifone in 2001, in addition to DiGi.Com being accounted for as a subsidiary as from 1 September, 2001.

As a result of the decrease in market values, we wrote down our investment in Sonofon by NOK 7.5 billion in the second quarter of 2001 to the estimated fair value. We write down DTAC/UCOM by NOK 3.4 billion to its marked value based on its stock price at 31 December, 2001.

The amortization of our net excess values increased in 2001 compared to 2000, as a result of the major acquisitions undertaken in 2000. We expect that the write-downs in 2001 and the consolidation of DiGi.Com will independently reduce the amortization of excess values included in associated companies in 2002 compared to 2001.

Gains in 2001 related to the sale of VIAG Interkom and Esat Digifone in January and April 2001 respectively.

On 4 February, 2002, we purchased shares in Pannon GSM in Hungary thereby increasing our ownership share from 25.8% to 100%. In 2001, the company had revenues of almost NOK 4.2 billion and an EBITDA margin of 35%. The total number of subscriptions amounted to almost 2 million at 31 December, 2001.

The improvement in results in our associated mobile companies from 1999 to 2000 was mainly due to gains on the disposal of shares in connection with the listing of Cosmote , when we reduced our ownership share to 18%. Amortization of excess values increased after the acquisition of Sonofon, DTAC/UCOM and DiGi.Com.

› NETWORKS

(in NOK millions)	2001	2000	1999
External revenues	14,106	13,998	14,585
Internal revenues	2,456	2,367	2,238
Gains on disposal of fixed assets and operations	6	320	-
Total revenues	16,568	16,685	16,823
Total operating expenses	14,393	13,638	13,939
Operating profit	2,175	3,047	2,884
Associated companies	-	-	-
Net financial items	(149)	(72)	(26)
Profit before taxes and minority interests	**2,026**	**2,975**	**2,858**
EBITDA	5,666	5,672	5,408
EBITDA excl. gains and losses	5,660	5,354	5,694
EBITDA excl. gains and losses - margin	34%	33%	34%
Investments::			
– Capex	3,694	3,597	3,089
– Acquisition of businesses	25	6	-
Total full-time equivalent employees (period end)	3,964	4,094	4,056
– Of which abroad	38	12	74

› EBITDA › The increase in EBITDA in 2001 compared to 2000, excluding gains and losses, was primarily due to an improvement in the margin for traffic from the fixed networks to the mobile networks as a result of reduced prices for termination in the mobile networks. The wholesale operations also made a positive contribution as a result of changes in the composition of products, while leased lines increased in volume (external and internal). In addition, improved efficiency in our operations made a positive contribution to EBITDA.

Competition in the market for fixed line telephony was strong in 2001 and we expect this to continue. We will continue to focus our efforts on defending our market shares.

The decline in EBITDA, excluding gains and losses, from 1999 to 2000 was primarily due to lower prices, change in traffic flow towards services with lower margins and increased operating expenses.

› Revenues

(in NOK millions)	2001	2000	1999
Business market – fixed network			
Analog (PSTN)/digital (ISDN) subscriptions and connections fee	1,313	1,362	1,470
Fixed to fixed traffic domestic, excluding traffic to Internet service providers	838	886	1,142
Traffic to Internet service providers	230	240	190
Trafic to mobile	694	667	703
Traffic abroad	196	218	296
Other traffic	320	316	509
Total business market – fixed network	**3,591**	**3,689**	**4,310**
Residential market – fixed network			
Analog (PSTN)/digital (ISDN) subscriptions and connections fee	2,916	2,991	2,869
Fixed to fixed traffic domestic, excluding traffic to Internet service providers	1,288	1,384	1,602
Traffic to Internet service providers	485	522	418
Trafic to mobile	1,111	1,106	1,134
Traffic abroad	287	288	354
Other traffic	725	774	757
Total residential market – fixed network	**6,812**	**7,065**	**7,134**
Wholesale market – fixed network			
Domestic interconnect	722	497	321
International interconnect	418	558	1,022
Transit traffic	953	736	388
Total wholesale market – fixed network	**2,093**	**1,791**	**1,731**
Total fixed network	**12,496**	**12,545**	**13,175**
Leased lines	1,040	884	810
Other	570	569	600
Total external revenues	**14,106**	**13,998**	**14,585**
Internal revenues	2,456	2,367	2,238
Gains on disposal of fixed assets and operations	6	320	-
Total revenues	**16,568**	**16,685**	**16,823**

Growth in the market as a whole measured in traffic minutes diminished during 2001 and stopped growing by the end of the year. Together with the change over to ADSL, where only a fixed monthly charge is paid, this resulted in a reduction in traffic minutes at the end of the year, and the growth was 4.7% for the year as a whole. An increase in the numbers of ADSL subscribers may have a negative impact on the growth in traffic minutes.

Our market share (including Internet traffic) measured in traffic minutes, was 73% at 31 December, 2001, of which Networks had a market share of 68%, and our Plus and Business Solutions business areas have the remaining 5%. Networks' market share showed a decline during the course of the year, while our total market share remained stable throughout the year.

› Business Market › The market share for traffic in the business market stabilized towards the end of 2001, but was on average 7% lower than in 2000. This resulted in a 3.5% decrease in traffic minutes and, as a result, lower revenues from traffic charges in 2001. Fewer new subscribers and fewer conversions from PSTN to ISDN led to reduced revenues from subscription and connection fees.

External traffic revenues declined in 2000 compared to 1999, as the increase in traffic volume was not sufficient to offset the tariff reductions implemented in 1999. External revenues from subscription and connection fees declined in 2000 due to lower prices.

› Residential Market › External revenues in the residential market decreased in 2001 compared to 2000 as a result of an 11% decrease in traffic minutes. This was due to the fact that the average market share for traffic decreased from 77% in 2000 to 66% in 2001. In particular, traffic from fixed to fixed networks in Norway and Internet traffic showed a decrease, while the traffic to mobile and abroad increased. This displacement in the traffic composition to traffic with higher prices partly offset the reduction in volume.

The reduction in the number of subscriptions and fewer conversions to ISDN than in previous years, resulted in a decline in revenues from subscription and connection fees in the residential market.

External revenues from subscription and connection fees increased in 2000 compared to 1999 as a result of widespread migration from analog (PSTN) to digital (ISDN) lines. In addition, we experienced increased subscription and connection fees resulting from the rebalancing of our price structure. Although traffic continued to grow as well this growth was insufficient to offset the traffic price reductions that was implemented.

› Wholesale Market › The revenues from national interconnection include total revenues from other Norwegian fixed telephony operators and mobile operators for interconnection with our fixed network. The revenues from national interconnection increased significantly in 2001 as a result of the increased number of other operators' customers.

Revenues from international interconnection consist of revenues we charge international operators for connection to our network. Reduced revenues from international interconnection in 2001 compared to 2000 are primarily due to the reduction in traffic from abroad. The price of traffic from abroad to Norway was, in addition, reduced from 2000 to 2001.

Transit traffic is traffic from other national and international operators that is sent via our fixed network to a third party operator. The increase in revenue from transit traffic in 2001 is related to the increased domestic transit traffic, including traffic between the mobile operators who go via the fixed network. The transit traffic is low margin traffic.

In 2000, international interconnection revenues, excluding the former subsidiaries Storm and Clarion which contributed to NOK 552 million in revenues in 1999, increased compared to 1999 mainly due to increased transit traffic. Lower international tariffs contributed negatively on revenues in 2000 compared to 1999.

During the same period, revenues from domestic interconnection increased due to increased traffic from other domestic fixed and mobile operators

› Leased Lines and Other › Competing network operators that are leasing lines from Networks to fulfill their own capacity needs without establishing their own infrastructure contributed to the increased demand and increased revenues.

Other revenues are revenues from other network-based and non-network-based activities, from maritime services and subsidiaries outside of Telenor Global.

Telenor reduced leased line prices twice in 2000, but increased demand contributed to growth in external revenues compared to 1999.

› Internal revenues and gain on disposal of fixed assets and operations › The increase in internal revenues was due to increased internal wholesale revenues as a result of growth in internal interconnection , in addition to the sale of ADSL subscriptions to the business areas Plus and Business Solutions. Internal sales of leased lines and co-locations also contributed to the increase in internal revenues.

Gain on disposal in 2000 related mainly to sale of the former subsidiary Storm Telecommunication Ltd.

› Operating Expenses

(in NOK millions)	2001	2000	1999
External costs of materials and traffic charges	2,148	2,011	2,143
Internal costs of materials and traffic charges	2,246	2,575	2,782
Total costs of materials and traffic charges	4,394	4,586	4,925
Own work capitalized	(145)	(188)	(179)
Salaries and personnel costs	1,920	1,868	1,818
Other external operating expenses	2,829	1,577	1,351
Other internal operating expenses	1,904	3,168	3,214
Depreciation and amortization	2,921	2,611	2,524
Write-downs	570	14	
Losses on disposal of fixed assets and operations	-	2	286
Total operating expenses	**14,393**	**13,638**	**13,939**

External costs of materials and traffic charges in 2001 showed an increase that is related to the increase in Internet and transit traffic. Internal costs of materials and traffic charges decreased due to a decrease in mobile termination prices.

External traffic charges in Storm and Clarion totalled NOK 450 million in 1999. The increased cost of materials and traffic charges in 2000 when adjusting for the effect of Storm and Clarion, reflected an increase in Internet and mobile traffic.

Salaries and personnel costs increased in 2000 and 2001 due to general increases in salaries.

In 2001, measures for more effective work processes, including measures for lower consultant and travel expenses, have stabilized the total of internal and external other operating expenses. We expensed NOK 179 million for legal disputes and losses in connection with the bankruptcy of a Norwegian operator. The displacement from internal expenses to external expenses in 2001 and 2000 was related to the purchase of contractor services from Bravida becoming external as from November 2000.

The increase in other operating expenses in 2000 was due to costs associated with the installation of digital (ISDN) and relatively higher fault rates for digital (ISDN) than for analog (PSTN).

High investments in recent years have led to an increase in depreciation and amortization in 2001 and 2000. In addition, some depreciation periods for cables and exchanges have been shortened from 1 April, 2001, which has increased depreciation and amortization in 2001 by NOK 170 million. Write-downs in 2001 are mainly related to the transatlantic fibre cable, TAT 14, whose value was adjusted downward based on market assessments.

Loss on disposal in 1999 related to sale of the former subsidiary Clarion Inc.

› PLUS

(in NOK millions)	2001	2000	1999
External revenues	2,942	2,487	2,053
Internal revenues	432	375	316
Gains on disposal of fixed assets and operations	12	13	4
Total revenues	3,386	2,875	2,373
Total operating expenses	4,227	2,740	2,241
Operating profit/loss	(841)	135	132
Associated companies	(547)	20	(118)
Net financial items	(410)	(8)	(10)
Profit before taxes and minority interests	**(1,798)**	**147**	**4**
EBITDA	248	611	512
EBITDA excl. gains and losses	254	614	509
Investments:			
– Capex	835	573	132
– Acquisition of businesses	906	1,540	753
Total full-time equivalent employees (period end)	1,344	1,148	1,007
– Of which abroad	198	98	233

› EBITDA excluding gains and losses

(in NOK millions)	2001	2000	1999
Broadcast	537	680	456
Content & Interactive	(128)	(47)	22
Internett	(76)	58	138
Other	(79)	(77)	(107)
Total EBITDA excluding gains and losses	**254**	**614**	**509**

› EBITDA › EBITDA decreased in 2001 compared to 2000 due to the increased expenses linked to the digitalization of cable TV, business development for broadband services and the launching of ADSL. In Broadcast, there was a reduction in EBITDA of NOK 78 million when adjusted for the effect of reversing of provisions in 2000 by NOK 65 million. The reduction was mainly due to increased expenses in connection with the development and launching of new digital products in Avidi and the winding-up of Coloursat. The reduction in EBITDA within Content & Interactive was due to the costs for the development of content. Expenses related to sale of ADSL in the residential markets in Norway and Sweden resulted in the decline in EBITDA in 2001 compared to 2000 in Internett, to which the consolidation of Telenordia Privat AB from October 2001 contributed negatively with NOK 36 million. "Other" consists of staff and support functions.

Increased ADSL sales, the development of new broadband services and the reduction of revenues from analog TV distribution via satellite, are expected to contribute to a further EBITDA reduction in 2002.

Profitability in Broadcast improved in 2000 compared to 1999, benefiting from increased transponder revenues from subscriber-based contracts. In addition, the consolidation of Norkring from 1 June, 1999, had a positive impact on EBITDA. Provisions of NOK 65 million in Broadcast that were regarded as necessary in 1999 were reversed in 2000. On the other hand higher development costs for content and interactive services reduced EBITDA in 2000 compared to 1999. EBITDA in Internett decreased in 2000 primarily due to lower margins as a result of considerable competition in the market.

› Revenues

(in NOK millions)	2001	2000	1999
External revenues			
Broadcast	2,231	2,072	1,687
Content & Interactive	188	72	67
Internett	508	306	299
Other	15	37	-
Total external revenues	**2,942**	**2,487**	**2,053**
Internal revenues	432	375	316
Gains on disposal of fixed assets and operations	12	13	4
Total revenues	**3,386**	**2,875**	**2,373**

External revenues in Broadcast increased by NOK 159 million in 2001. Avidi achieved external revenues of NOK 525 million, an increase of NOK 83 million compared to 2000, including NOK 43 million linked to the full year's consolidation of the companies AlfaNett and Monet in 2001. External revenues in Telenor Vision increased by NOK 16 million in 2001, to NOK 261 million. Adjusted for the sale of the hotel-TV activity to Otrum, the increase in Vision was NOK 84 million. External revenues in Satellite Broadcasting increased by NOK 45 million. The increase is mainly related to the increase in subscription-based contracts from Canal Digital, which was partly offset by the reduced revenues from analog TV distribution. The cable TV company, Sweden On-Line, was consolidated as of October 2001, and contributed with NOK 22 million in revenues.

At 31 December, 2001, the number of subscriptions in Broadcast, including all the subscriptions in the joint venture Canal Digital, was 2,323,000, an increase of 18% compared to 2000, adjusted for the sale of the hotel-TV activity in Vision with 128,000 subscribers, and the acquisition of Sweden On-Line with 183,000 subscribers. Canal Digital had 657,000 subscribers, an increase of 30% from the previous year. Avidi increased the number of subscribers by 2,500 to 360,000 in 2001 and had a market share of 43%. Telenor Vision had 1,306,000 subscribers at the end of 2001, a 36% increase in 2001 compared to 2000, including additions from the acquisition of businesses, and disposals from the hotel-TV activity.

The increase in external revenues in Content & Interactive was mainly due to increased sales of CA modules and smart cards in Conax in connection with the increase in the number of digital TV subscribers in Canal Digital and ViaSat. Internett in Norway had an increase in revenues of NOK 40 million from the sale of ADSL, and increased revenues of NOK 100 million from dialed access. The acquisition of Telenordia Privat in Sweden in October 2001 contributed with an increase in revenues of NOK 70 million. The number of connected Telenor Internett subscriptions in the Norwegian market was 831,000, of which 437,000 were FriSurf subscriptions. The number of ADSL subscriptions sold amounted to 28,000, of which 23,000 were connected subscriptions at 31 December, 2001. The number of subscriptions in the Swedish market was 360,000 at the end of 2001, of which 50,000 were fixed telephony subscriptions, 306,000 subscriptions in dialed access (Internet) and 4,000 ADSL subscriptions.

Internal revenues primarily consisted of traffic revenues in Internett and satellite revenues in Broadcast, mainly sales to Satellite Mobile and Satellite Networks.

In Broadcast, the increase in external revenues in 2000 compared to 1999 was due to an increase in revenue from the subscriber-based contracts in the Nordic market and the consolidation of Norkring.

In Internett in Norway in 2000 and 1999 the main part of external revenue was derived from subscription fees. The number of Telenor Internett subscriptions increased with 22,000 in 2000, while the number of registered FriSurf users increased with 203,000 during 2000.

The internal revenues in Internett decreased in 2000 compared to 1999 primarily due to a reduction in the price per minute from the Networks business area for Internet generated traffic. Internal Satellite revenues increased.

› Operating Expenses

(in NOK millions)	2001	2000	1999
External costs of materials and traffic charges	1,098	889	801
Internal costs of materials and traffic charges	344	237	188
Total costs of materials and traffic charges	1,442	1,126	989
Own work capitalized	(18)	(32)	(31)
Salaries and personnel costs	655	465	303
Other external operating expenses	780	433	465
Other internal operating expenses	261	256	134
Depreciation and amortization	595	464	380
Write-downs	494	12	-
Losses on disposal of fixed assets and operations	18	16	1
Total operating expenses	**4,227**	**2,740**	**2,241**

Costs of materials and traffic charges increased in 2001 and were due to the increase in revenues, mainly from traffic and the sale of ADSL in Internett and increased revenues in Content & Interactive. Salary and personnel costs in 2001 increased primarily due to the recruitment of new employees as a result of increased activity in developing content and interactive service. We also increased the overall personell in connection with the digitalization of cable TV, including the call center, and we increased the activity in Internett, including the acquisition of Telenordia Privat AB.The increase in other operating expenses from 2000 to 2001 was due to the development of services in Content & Interactive, expenses linked to the sale of ADSL and developing expenses and sales and marketing expenses related to digitalization in Avidi, in addition to expenses for winding-up activities and loss contracts of NOK 49 million. In 2000, provisions in Broadcast was reversed by NOK 65 million. Compared to 2000, the amortization and depreciation increased as a result of the acquisition of businesses, the digitalization of the cabl-TV network and investments in satellite and terrestrial broadcasting. Further write-downs of NOK 490 million were made on satellites and satellite equipment in 2001.

The cost of materials and traffic charges increased in 2000 primarily due to effect of a stronger US dollar and the acquisition of new companies. The increase in salaries and personnel costs in 2000 was primarily due to the recruitment of new employees and acquisition of new companies. The increase in other operating expenses in 2000 was due to the consolidation of Norkring, acquisition of businesses, and the development of new projects and interactive services. The reversal of provisions made in 1999 in the amount of NOK 65 million had a positive effect on the operating expenses. Depreciation and amortization increased in 2000 compared to 1999 due to the consolidation of Norkring, and goodwill related to the acquisition of companies.

› Associated Companies

(in NOK millions)	2001	2000	1999
Telenors share of:			
Revenues	1,717	858	612
EBITDA	(191)	(90)	(121)
Net income	(464)	(191)	(117)
Amortization of Telenor's net excess values	(58)	(18)	(1)
Write-downs of Telenor's excess values	(22)	–	–
Gain/loss on disposal of ownership interests	(3)	229	–
Net result from associated companies	**(547)**	**20**	**(118)**

[1] The figures are partly based on management's estimates in connection with the preparation of the consolidated financial statements. Telenor's share of the revenues and EBITDA is not included in the consolidated financial statements. The consolidated profit and loss statement contains only the line "net results from associated companies". Sales between the associated companies and sales to group companies are included in revenues in the table.

In 2001, our share of Canal Digital's revenues increased by 33% to NOK 872 million. The number of subscriptions in Canal Digital increased from 506,000 to 657,000 at 31 December, 2001. Canal Digital now only has digital subscriptions, and had a market share of 54% as of 31 December, 2001. Other increases in our share of revenues came from A-Pressen ASA as well as Otrum Electronics ASA from 1 April, 2001.

In 2001, our share of the EBITDA loss for Canal Digital was NOK 203 million, compared to NOK 93 million in 2000. The increased EBITDA loss was due to increased costs related to the change over from analog to digital services and an increase in subscriptions. Depreciation and amortization in Canal Digital increased as a result of investments linked to the digitalization and set-top boxes. The sale and write-down of activity in Otrum had a negative effect on our share of the net income in 2001.

Our share of net income from associated companies in 2000 and 1999 excluding gain on disposal of ownership interests related mainly to Canal Digital. Canal Digital increased its total number of subscribers by 101,000 to 506,000, with 92,000 of the increase being digital subscribers. Our proportional share of Canal Digital's revenues increased by 33% to NOK 654 million in 2000. Gain on disposal of ownerships interests in 2000 was mainly due to the reduced ownership interest in Scandinavia Online AB in connection with the initial public listing.

› BUSINESS SOLUTIONS

(in NOK millions)	2001	2000	1999
External revenues	4,616	3,358	1,855
Internal revenues	1,324	958	1,276
Gains on disposal of fixed assets and operations	–	–	–
Total revenues	5,940	4,316	3,131
Total operating expenses	8,908	5,489	3,561
Operating loss	(2,968)	(1,173)	(430)
Associated companies	(874)	(69)	(95)
Net financial items	(316)	(161)	27
Profit before taxes and minority interests	**(4,158)**	**(1,403)**	**(498)**
EBITDA	(828)	(600)	(210)
EBITDA excl. gains and losses	(822)	(595)	(210)
Investments:			
– Capex	1,041	1,806	470
– Acquisition of businesses	531	2,858	373
Total full-time equivalent employees (period end)	4,225	3,992	2,042
– Of which abroad	2,824	2,632	1,032

› EBITDA excluding gains and losses

(in NOK millions)	2001	2000	1999
Business Solutions Norway	59	49	(115)
Business Solutions International	(881)	(644)	(95)
Total EBITDA excluding gains and losses	**(822)**	**(595)**	**(210)**

The result in Business Solutions are affected by the consolidation of Comincom/Combellga in Russia on 1 August, 2000 and Telenordia in Sweden on 1 October, 2001, as well as Nextra International.

The decline in EBITDA in 2001 was mainly due to the negative results from Nextra International and the restructuring of this activity in the second half of 2001. As a result of a weak performance and difficult market conditions, we decided at the end of the first half of 2001 to reposition Nextra International's focus on profitable individual positions. This led to the business area entering into an agreement for the sale of Nextra Germany in the fourth quarter, with effect from 1 January, 2002, in addition to the sale of assets and obligations in the CSP (Content Service Provider) activity in Nextra Switzerland with effect from 1 December, 2001. Furthermore, we implemented workforce reductions in the second half of 2001 and other cost-reducing measures in the remaining countries in Nextra International.

As a result of this, along with the manpower reductions in Business Solutions in Norway and other cost-reducing measures in Business Solutions International, the results for 2001 include expenses for restructuring totaling NOK 229 million, of which NOK 176 million were charged to Business Solutions International.

› Revenues

(in NOK millions)	2001	2000	1999
External revenues			
ASP, operating services, software, consulting services	1,077	917	534
Access, network and communication services	1,378	1,402	794
Total Business Solutions Norway	2,455	2,319	1,328
Nextra international	1,271	818	527
Business Solutions Sweden	310	4	–
Comincom/Combellga	580	217	–
Total Business Solutions International	2,161	1,039	527
Total external revenues	**4,616**	**3,358**	**1,855**
Internal revenues	1,324	958	1,276
Gains on disposal of fixed assets and operations	–	–	–
Total revenues	**5,940**	**4,316**	**3,131**

External revenues from the sale of ASP and operating services, software and consultancy services increased by 18% from 2000 to 2001, and total (internal and external) revenues increased by 34% from 2000 to 2001. The increase in internal revenues primarily resulted from sales taking place through or in collaboration with other business areas in 2001, mainly EDB Business Partner. A weak market for the sale of software for use in large PC environments (Computer Associates software), particularly in the fourth quarter, had a negative effect on the revenues in 2001 compared to 2000. This was, however, compensated by increased revenues from the sale of operating services.

External revenues in Access, network and communication services in Norway decreased by 2% from 2000 to 2001. However, the share of internal revenues increased, and as a result, the product area as a whole experienced an increase in revenues of 5% despite lower prices for data communication services in 2001. The increase in internal revenues mainly resulted from the increase in sales of data communication services to the business area EDB Business Partner.

Other internal revenues showed an increase from 2000 as a result of increased Norwegian sales, including services provided in connection with the building of our new head office at Fornebu.

The increase in revenues from Business Solutions International was due to acquisition of companies, which mainly took place during 2000, including the consolidation of Comincom/Combellga in Russia and Telenordia in Sweden. The underlying growth in revenues in Comincom/Combellga from 2000 to 2001 was approximately 15%.

External revenues in Business Solutions Norway increased from 1999 to 2000 mainly as a result of increased sales of software and operating services. The increase in access, network and communication services must be seen in relation to the reduction in internal revenues. The growth in Business Solutions International was due to the acquisition of businesses.

› Operating Expenses

(in NOK millions)	2001	2000	1999
External costs of materials and traffic charges	1,832	1,137	684
Internal costs of materials and traffic charges	1,190	1,057	965
Total costs of materials and traffic charges	3,022	2,194	1,649
Own work capitalized	(12)	(21)	–
Salaries and personnel costs	1,891	1,382	878
Other external operating expenses	1,557	1,069	543
Other internal operating expenses	304	287	271
Depreciation and amortization	1,030	568	220
Write-downs	1,110	5	–
Losses on disposal of fixed assets and operations	6	5	–
Total operating expenses	**8,908**	**5,489**	**3,561**

The increase in operating expenses from 2000 to 2001 was substantially affected by the full year effect of acquisitions carried out in 2000. In addition, we restructured Business Solutions' Norwegian and international activity in 2001, and this resulted in considerable non-recurring costs and write-downs of fixed assets, goodwill and other intangible assets.

Costs of materials and traffic charges increased by 38% from 2000 to 2001, equivalent to the increase in revenues in the same period. The gross margin in 2001 was 49%, in line with 2000. The costs related to the sale of Computer Associates software are recorded as amortization and not cost of materials. Of the increase in cost of materials and traffic charges in 2001 compared to 2000, NOK 310 million came as a result of the consolidation of Comincom/Combellga and Telenordia.

Salary and personnel costs increased by NOK 509 million from 2000 to 2001, of which NOK 377 million was due to acquisitions mainly made in 2000. The remaining increase was due to the Norwegian operations and mainly resulted from the development of the ASP activity, and increased activity in operating services in 2001.

Other operating expenses increased by NOK 505 million from 2000 to 2001, of which NOK 297 million were due to acquisitions mainly made in 2000, and NOK 176 million were restructuring expenses relating to the international portfolio. Other operating expenses in the Norwegian operations increased by NOK 208 million, of which NOK 61 million were due to the purchase of consultancy services which were re-invoiced with a margin. In 2001, we expensed NOK 53 million in connection with the restructuring and the ongoing manpower reduction process in Norway. The remaining increase in other operating expenses in Norway was due to the increase in ASP and operating service.

Total depreciation and amortization increased by NOK 462 million from 2000 to 2001. Depreciation and amortization in the Norwegian operations increased by NOK 181 million, mainly in connection with investments in the development of the IP network and increased investments linked to ASP, operating services and the sale of software licenses. The consolidation of Comincom/Combellga and Telenordia led to increased depreciation and amortization of NOK 179 million in 2001 compared to 2000. In Nextra International, the depreciation and amortization increased as a result of the full year effects of acquisitions made in 2000 and substantial investments in the development of the CSP activity in the individual countries.

Reduced expectations of future growth in earnings, combined with the fact that we decided to reposition the focus on Nextra International, led Business Solutions, after assessing the profitability of the individual companies during 2001, to take write-downs on fixed assets and intangible assets and goodwill in Nextra International of NOK 858 million. Further write-downs of NOK 71 million were made on goodwill and fixed assets in the Swedish activity, NOK 106 million on Eurcom, and NOK 75 million in connection with the reorganization of the activity in Norway. Subsequently, the remaining excess values and goodwill in Business Solutions were mainly linked to Comincom/Combellga.

The increase in operating expenses from 1999 to 2000 was mainly due to the acquisitions undertaken in 2000 in the international activity and the development of the ASP activity in Norway. Despite this, the costs of materials and traffic charges increased at a relatively lower rate than the revenues as a result of higher sales of software licenses in 2000.

› Associated Companies

(in NOK millions)	2001	2000	1999
Telenors share of:			
Revenues	600	725	498
EBITDA	(57)	18	(28)
Net income	(125)	(37)	(95)
Aortization of Telenor's net excess values	(76)	(43)	-
Write-downs of Telenor's excess values	(665)	-	
Gain/loss on disposal of ownership interests	(8)	11	-
Net result from associated companies	**(874)**	**(69)**	**(95)**

Associated companies in 2001 mainly consisted of Telenordia, which we consolidated as a subsidiary as of 1 October, 2001. Due to the reduced expectations of future growth in earnings, we wrote down the value of goodwill linked to Telenordia AB by NOK 665 million in the second quarter of 2001.

› MEDIA

(in NOK millions)	2001[1]	2000	1999
External revenues	1,258	1,557	1,594
Internal revenues	80	98	91
Gains on disposal of fixed assets and operations	5	-	683
Total revenues	1,343	1,655	2,368
Total operating expenses	1,081	1,354	1,362
Operating profit	262	301	1,006
Associated companies	(12)	6	(3)
Net financial items	21	33	42
Profit before taxes and minority interests	**271**	**340**	**1,045**
EBITDA	313	359	1,085
EBITDA excl. gains and losses	308	359	402
Investments			
– Capex	56	35	40
– Acquisition of businesses	127	35	-
Total full-time equivalent employees (period end)	-	1,908	1,407
– Of which abroad	-	990	531

[1] 9 months.

› EBITDA › The sale of Media was effective as of 1 October, 2001, and consequently Media was consolidated for the first nine months of 2001 only. EBITDA for the first nine months of 2001 compared to the same period in 2000 decreased due to new businesses in and outside Norway. There was an increase in EBITDA in the same period in the Directory business in Norway due to cost reductions. The EBITDA in the fourth quarter of 2000 was NOK 11 million.

After adjustment for the results and gains associated with operations that have been disposed, EBITDA in 2000 increased by NOK 19 million compared to the preceding year. Considerable costs were charged to the Norwegian operations in 2000 in connection with the implementation of a complete customer information and billing system (DSMP).

› Revenues › Revenues for the first nine months of 2001 increased compared to the same period in 2000. This related to acquired business outside Norway. Revenues for the Norwegian operations declined in the same period due to lower sales of listings and advertisements and the timing of distribution of directories. The total reveues in the fourth quarter of 2000 was NOK 348 million.

If the revenues from operations which we disposed of and acquired are eliminated, revenues from our international companies increased by NOK 29 million in 2000 compared to 1999. The revenues in 2000 from the Norwegian directory operations rose by NOK 133 million as a result of the increased volume for printed and electronic products.

› Operating Expenses

(in NOK millions)	2001[1]	2000	1999
External costs of materials and traffic charges	159	250	318
Internal costs of materials and traffic charges	4	5	1
Total costs of materials and traffic charges	163	255	319
Own work capitalized	-	-	(3)
Salaries and personnel costs	406	512	473
Other external operating expenses	344	389	371
Other internal operating expenses	117	140	123
Depreciation and amortization	51	58	79
Write-downs	-	-	-
Losses on disposal of fixed assets and operations	-	-	-
Total operating expenses	**1,081**	**1,354**	**1,362**

[1] 9 months.

Operating expenses for the nine months of 2001 were affected by increased expenses from new businesses, and cost reductions in the Directory business in Norway, especially cost of materials and traffic charges.

When adjusting for operations that were acquired or sold in 2000 and 1999, operating expenses increased in 2000 as a result of a higher number of employees, the implementation of a customer information and billing system (DSMP), a higher level of marketing activities, greater utilisation of consultants, higher technical costs and higher charges to the Norwegian operations for intercompany costs.

› BRAVIDA

Following the merger with the holding company of BPA AB, Bravida has been accounted for as an associated company in Telenor's financial statements since 1 November, 2000. The tables below are mainly included to show the effect of Bravida on Telenors figures in the periods where Bravida was consolidated as a subsidiary.

(in NOK million)	2001	2000[1]	1999
External revenues		1,797	2,888
Internal revenues		2,425	3,145
Gain on disposal of fixed assets and operations		3	24
Total revenues		4,225	6,057
Total operating expenses		4,235	6,038
Operating profit		(10)	19
Result from 1 November, 2000 as an associated company	(29)	(148)	
Net financial items		(11)	(22)
Profit before taxes	(29)	(169)	(3)
EBITDA		80	147
EBITDA-margin		2%	2%
Investments			
Total full-time equivalent employees (period end)		-	5,966
– Of which abroad		-	454

› Revenues

(in NOK millions)	2001	2000[1]	1999
External revenues			
Customer equipment		881	1.374
IT-Service and installations		889	1.406
Other		27	108
Total external revenues		1.797	2.888
Internal revenues		2.425	3.145
Gain on disposal of fixed assets and operations		3	24
Total revenues		**4.225**	**6.057**

› Operating Expenses

(in NOK millions)	2001	2000[1]	1999
External costs of materials and traffic charges		1,130	2,541
Internal cost of materials and traffic charges		461	148
Total costs of materials and traffic charges		1,591	2,689
Own work capitalized		-	(8)
Salaries and personnel costs		1,712	2,151
Other operating external expenses		476	601
Other operating internal expenses		366	474
Depreciation and amortization		90	128
Loss on disposal of fixed assets and operations		-	3
Total operating expenses		**4,235**	**6,038**

[1] Associated company since 1 November, 2000

› EDB BUSINESS PARTNER

(in NOK millions)	2001	2000	1999
External revenues	3.312	2.440	1.392
Internal revenues	1.458	1.505	1.499
Gains on disposal of fixed assets and operations	41	21	-
Total revenues	4.811	3.966	2.891
Total operating expenses	6.019	3.765	2.764
Operating profit/loss	(1.208)	201	127
Associated companies	130	(21)	(4)
Net financial items	(94)	(19)	(13)
Profit before taxes and minority interests	**(1.172)**	**161**	**110**
EBITDA	447	554	338
EBITDA excl. gains and losses	406	533	339
Investments:			
– Capex	174	335	375
– Acquisition of businesses	749	2.935	652
Total full-time equivalent employees (period end)	3.172	2.745	2.027
– Of which abroad	344	148	154

EDB Business Partner encompasses the former Telenor Programvare and EDB ASA, which were consolidated from 1 May, 1999. Acquisitions and their effective dates were: Telesciences, Inc. (7 December, 1999); Fellesdata (1 April, 2001); BDC (1 July, 2000); PDS AS (1 April, 2001); DnB IT Drift (1 July, 2001); Unigrid AB and Accept-Data AS (1 August, 2001), and Infovention AB (1 September, 2001).

› EBITDA › Excluding gains, EBITDA for 2001 showed a decrease of NOK 126 million compared to the previous year. The decrease was related to reduced earnings in the Operations area. In the third quarter of 2001 we initiated a restructuring process in the Operations area, and we recorded total expenses of NOK 150 million for restructuring, non-recurring costs and provision for loss contracts. Our restructuring progressed as planned and the Operations area showed improved profitability in the last quarter of 2001. The Telecom area improved its margins at the end of the year as a result of high volume of license sales of software, while NOK 20 million were expensed in connection with the closing-down of the activity in Ireland. The Banking/Finance area showed a decrease in its margins compared to 2000, but there was an improvement in margins towards the end of 2001.

The increase in EBITDA from 1999 to 2000 resulted from the acquisition of businesses.

› Revenues › Revenues in 2001 were 21% higher than in 2000. Banking/Finance and Operations had an increase in revenues, which were mainly due to the purchase of Fellesdata and other new operations in 2001. Telecom and Consulting showed some reduction. The decline in Telecom was in the domestic market, while international sales increased.

The increase in revenues in 2000 was largely attributable to acquired companies. The revenues in 1999 included significant revenues related to the year 2000 test center and operations.

› Operating Expenses

(in NOK millions)	2001	2000	1999
External costs of materials and traffic charges	275	162	266
Internal costs of materials and traffic charges	8	90	93
Total costs of materials and traffic charges	283	252	359
Own work capitalized	-	-	-
Salaries and personnel costs	1,904	1,599	941
Other external operating expenses	1,808	1,344	1,082
Other internal operating expenses	369	217	170
Depreciation and amortization	393	352	211
Write-downs	1,262	1	-
Losses on disposal of fixed assets and operations	-	-	1
Total operating expenses	**6,019**	**3,765**	**2,764**

The increase in operating expenses from 2000 to 2001 was primarily related to new businesses.

Consulting services, operations, maintenance and of rent of hardware and software and other IT-services that are billed to our customers were included in other operating expenses. Such expenses increased in 2001 compared to 2000 due to new businesses in the Operations area, and increased leasing of equipment instead of owned equipment.

Goodwill amortization totalled NOK 193 million in 2001, an increase of NOK 39 million compared to 2000, which was mainly related to the acquisition of Fellesdata and DnB IT drift. Due to the significant decline in the market value of EDB Business Partner's shares and the entire sector in which EDB Business Partner operates, NOK 1,259 million goodwill related to the Consulting, Operations and Bank/Finance area was written down in 2001.

The increase in operating expenses from 1999 to 2000 was primarily related to new companies. Goodwill amortization increased by NOK 90 million in 2000 compared to 1999, NOK 82 million of which was related to the acquisition of Fellesdata.

› Associated companies
Ephorma AS and European Medical Solution Group AS were sold in 2001 with a total gain of NOK 141 million.

› OTHER BUSINESS UNITS

› Revenues

(in NOK millions)	2001	2000	1999
External revenues			
Satellite Mobile	1,210	777	658
Satellite Networks	354	327	324
Itworks	957	883	265
Inkasso AS (sold in 2000)	-	45	46
Finans AS (sold in 2000)	-	176	123
Other	473	330	201
Total external revenues	**2,994**	**2,538**	**1,617**
Internal revenues	1,038	1,491	802
Gains on disposal of fixed assets and operations	1	4	-
Total revenues	**4,033**	**4,033**	**2,419**
EBITDA	**(37)**	**261**	**358**

› EBITDA excluding gains and losses

(in NOK millions)	2001	2000	1999
Satellite Mobile	152	147	170
Satellite Networks	51	(1)	12
Itworks	(102)	(92)	(180)
Inkasso AS (sold in 2000)	-	18	16
Finans AS (sold in 2000)	-	212	176
Other	(110)	(2)	164
Total EBITDA excluding gains and losses	**(9)**	**282**	**358**
Operating profit/loss	**(686)**	**(181)**	**5**
Investments:			
– Capex	476	599	644
– Acquisition of businesses	252	1,677	-

› Satellite Mobile › The increase in external revenues was related to the consolidation of SAIT on 1 March, 2001. SAIT's activity relates to the invoicing of traffic over other operators' earth stations and has a low margin. A higher EBITDA in 2001 compared to 2000 resulted mainly from SAIT, and was partly offset by increased salary and personnel costs in the other activities. Increased deprecation and amortization in 2001 related to SAIT and higher investments, including increased activity of Sealink services, contributed to a lower operating profit in 2001 compared to 2000.

Satellite Mobile's external revenues rose in 2000 compared to 1999 as a result of a higher US dollar exchange rate and changes in our price and traffic agreements. EBITDA decreased in 2000 due to increased expenses, primarily related to higher usage of satellite capacity from INMARSAT, higher US dollar exchange rates and changes in the tariff and traffic agreements.

› Satellite Networks › The increase in external revenues in 2001 compared to 2000 was due to new contracts. EBITDA in 2001 improved compared to 2000, and was due to the strong cost control. Write-downs of NOK 59 million were undertaken in 2001, mainly in connection with the project in Poland.

Revenues in 2000 were lower than in 1999 because of significant equipment deliveries to the Ministry of the Interior in Slovakia in 1999. The reduction in EBITDA in 2000 compared to 1999 was due to expansion of its cost base in preparation for an expected rapid expansion.

› Itworks › External revenues in Itworks increased in 2001 compared to 2000, partly because sales to Bravida in 2001 were accounted for as external revenues as opposed to internal revenues for the first ten months of 2000 when Bravida was a consolidated subsidiary of Telenor. Total revenues (internal and external) in Itworks were reduced in 2001 compered to 2000 as a result of the difficult market situation for IT-related activity, particularly in the second half of 2001. In addition to this, NOK 42 million was charged in connection with the manpower reductions and restructuring of the activity in 2001. Further, write-downs of NOK 142 million was undertaken, mainly on goodwill.

Increased external revenues in 2000 compared to 1999 were due to the business being developed in 1999. In 2000, costs of NOK 30 million were incurred in connection with workforce reductions.

› Other › Other business include principally Telenor Teleservice, Telenor Venture and Telenor Innovation. The units Satellite Tracking and TTYL are also included, and in 2001 we decided to close these down.

In 2000 an investment in messaging services through the company TTYL was established. In 2000 the EBITDA loss was NOK 25 million. The EBITDA loss in 2001 was NOK 117 million, and the operating loss was NOK 256 million. Included in these figures are exit costs, including cost for workforce reduction and loss contracts, of NOK 47 million, and write-downs of NOK 101 million.

› CORPORATE FUNCTIONS AND GROUP ACTIVITIES

(in NOK millions)	2001	2000	1999
External revenues	375	195	147
Internal revenues	2,399	2,957	2,771
Gains on disposal of fixed assets and operations	5,116	657	72
Total revenues	**7,890**	**3,809**	**2,990**
EBITDA	4,593	445	(482)
EBITDA excluding gains and losses	(513)	(207)	(543)
Operating profit/loss	4,139	16	(868)
Investments:			
– Capex	2,642	1,372	146
– Acquisition of businesses	127	271	73

This area essentially comprises Real Estate, Research and Development, Strategic Group Projects , the internal IT department, Group Treasury, International Services and central staff and support functions.

Gains on disposal of fixed assets and operations in 2001 consisted of gains from the sale of Telenor Media of NOK 5 billion, and properties of NOK 116 million. The sales gains in 2000 are mainly linked to the sale of Finans AS and properties.

EBITDA adjusted for gains and losses decreased in 2001 compared to 2000 partly as a result of increased expenses in connection with the acquisition of businesses and strategic group projects. A further NOK 74 million was expensed in connection with the transfer of the activity in the Telemuseum to a foundation in 2001. Lower revenues from previously wholly-owned Telenor companies have also contributed to a increased EBITDA loss in 2001 compared to 2000. In 1999, EBITDA was negatively affected by consultancy costs related to the discontinuance of the merger with Telia of approximately NOK 250 million.

› LIQUIDITY AND CAPITAL RESOURCES

› Working Capital › Working capital (current assets loss current liabilities) was negative by NOK 0.8 billion as of December 31, 2001, positive by NOK 0.2 billion as of December 31, 2000 and negative by NOK 0.4 billion as of December 31, 1999. 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 › See the cash flow statement in the consolidated financial statements for detailed figures related to the group's cash flow.

Net cash flow from operating activities increased in 2001 compared to 2000. This was primarily related to lower net financial expenses due to reduced interest bearing liabilities and increased interest bearing liquid assets and lower payments of income taxes.

Our level of investment (capex and acquisition of businesses) was considerably lower in 2001 compared to 2000. Furthermore, we conducted significant disposals of companies and assets, of which the sale of VIAG Interkom, Esat Digifone and Telenor Media in aggregate contributed proceeds of approximately NOK 38 billion. These transactions gave us a significant positive cash flow from investment activities in 2001.

Proceeds from our disposals were used to repay interest bearing liabilities in the amount of approximately NOK 24 billion during 2001. Telenor ASA paid dividends of NOK 532 million in 2001.

At 31 December, 2001 Telenor held cash and cash equivalents of NOK 5,839 million, an increase of NOK 3,533 compared to 31 December, 2000. In January and 4 February, 2002 respectively Telenor paid approximately NOK 9 billion to acquire Comsat and the remaining 74.2% of the shares in Pannon GSM.

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

We increased our investments in 2000 compared to 1999. We paid NOK 39.3 billion to acquire subsidiaries (net of cash acquired) and interests in associated companies, and to contribute capital to associated companies. Moreover, cash flow increased from the sale of associated companies, subsidiaries and operating assets in addition to the sale of other investments and shares. The proceeds from the sale of the head office were received in 2001.

A net amount of NOK 15.2 billion in equity was received in December 2000. To finance a portion of our investments we drew down net debt of NOK 25.4 billion. We paid dividends of NOK 500 million in 2000 and NOK 700 in 1999.

› Investments

(in NOK millions)	2001	2000	1999
Fixed networks	4,456	3,550	2,899
Mobile networks	1,610	1,054	1,032
Satellite networks	9	15	23
Properties	1,102	680	471
Support systems (office and computer equipment, software, cars etc.)	2,891	2,083	1,625
Other intangible assets	316	1,381	100
Work in progress (ned additions) and other	1,250	1,658	265
Total Capex [1]	11,634	10,421	6,415
Acquisition of businesses [2]	7,212	40,251	6,755
Total	**18,846**	**50,672**	**13,170**

[1] Capex is investments in tangible and intangible assets
[2] Acquisition of businesses is acquisition of shares and participations including acqusition of subsidiaries and businesses not organized as separate companies.

Investments in Norway amounted to NOK 10.9 billion in 2001, of which NOK 1.6 billion was acquisition of businesses. NOK 2.0 billion was invested in real estate (including work in progress), of which the new headquarter located on Fornebu contributed to the largest part. Other investments were made in the fixed and mobile networks, including the networks for our TV-distribution businesses. Investments were also made in operational systems and administrative support systems, of which NOK 0.6 billion was invested in connection with strategic group projects, including the support systems and IT infrastructure at the new headquarter. Investments outside Norway amounted to NOK 7.9 billion in 2001, of which NOK 5.6 billion was for acquisition of businesses. Capex outside Norway consisted mainly of investments in the Mobile business area (DiGi.Com and Grameen Phone), the Business Solutions business area and in the transatlantic fibre capacity in the Networks business area.

Investments in Norway were NOK 13.8 billion in 2000 (NOK 7.0 billion in 1999), of which NOK 4.7 billion was for acquisition of businesses (NOK 0.9 billion in 1999). Investments outside Norway were NOK 36.9 billion in 2000 (NOK 6.2 billion in 1999), of which NOK 35.6 billion was for acquisition of businesses (NOK 5.5 billion in 1999). The increase in other intangible assets in 2000 was primarily related to the purchase of software licenses.

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

(in NOK millions)	2001	2000	1999
VIAG Interkom	–	8,103	1,352
DiGi.Com bhd	3,223	599	1,661
VimpelCommunication	255	445	1,238
TAC/UCOM	–	6,548	–
Telenordia AB	191	1,313	113
Connect Austria	264	869	–
Canal Digital	378	324	62
Kyivstar	254	64	–
INMARSAT	–	1,546	–
A-pressen ASA	–	547	–
Sonofon	–	14,201	–
EDB ASA	–	–	547
Telesciences Inc	–	–	105
Norkring AS	–	–	579
Wireless Matrix Corporation	317	–	–
Otrum Electronics ASA	273	–	–
Sweden On-Line AB	165	–	–
SAIT Communications S.A	189	–	–
OniWay	324	–	–
Unigrid AB	122	–	–
DnB IT operations	597	–	–
Kbank IT operations	–	287	–
Fellesdata AS	–	2,528	–
Nextra Czech – purchase of operations	–	142	–
XTML/CIX Ltd.	–	299	–
alfaNETT AS	–	499	–
Other	660	1,937	1,098
Total Acquisition of businesses	**7,212**	**40,251**	**6,755**

Investments other than acquisitions are expected to exceed NOK 12 billion in 2002, including approximately NOK 4 billion within subsidiaries abroad and more than NOK 2 billion associated with the relocation at Fornebu. The remaining investments are mainly expected in the fixed, mobile and cable-TV networks in Norway and investments in IT-related operations and support systems, as well as other necessary replacement and expansion investments. These amounts do not include the possible acquisition of new business. The actual amounts and the timing of the investments may vary substantially from our estimates. In the first two months of 2002, Telenor completed the acquistion of Pannon GSM and Comsat for a total cost of approximately NOK 9 billion. If the purchase of the rest of Canal Digital (50%) is completed in 2002 this will increase investments by up to NOK 2.4 billion, of which NOK 500 million is dependent on future profits and will be paid within 2008.

› CAPITAL RESOURCES

To finance our future investments, we will use debt, equity financing, net cash flows from operations and proceeds from possible disposals of assets.

We issue debt in the Norwegian and international capital markets, primarily through issuance of commercial paper and bonds. In order to establish satisfactory access to funding, with regard to both volume and price, we are dependent on maintaining a satisfactory credit rating. Our long-term and short-term rating is currently A2/P-1, respectively, from Moody's and A-/A-2 from Standard & Poor's, with a stable outlook.

In 2000, we established a syndicated US dollar revolving credit facility maturing in 2005, limited to US dollar 1,000 million. In addition to this a syndicated euro revolving credit facility of euro 1,000 million was established in December 2001. This facility matures in December 2002, but Telenor has a one year term-out option.

The total of the amounts drawn on these credit facilities and the amount of outstanding commercial paper, will not exceed the total limits of the credit facilities. As of 31 December, 2001, outstanding commercial paper was NOK 1,930 million. Total interest bearing liabilities as of 31 December, 2001, was NOK 19,169 million.You should read Notes 20 and 21 to the consolidated financial statements for additional information on our interest-bearing liabilities.

At an extraordinary general meeting held on 10 November, 2000 it was resolved to grant authority to the board of directors to increase the share capital by up to NOK 1,063,291,134 through the issuance of up to 177,215,189 ordinary shares of NOK 6 nominal value each in connection with possible future investments. Such authority will expire on 1 July, 2002. The board of directors may disallow the preemptive rights of shareholders to such shares. The authority includes the issuance of shares against consideration other than cash and the issuance of shares in a merger. The general meeting in 2001 granted an authority to allow such an increase in share capital to be used in share option plans and employee share issue for employees as well.

578,753 shares were issued under this authority in 2001 in an employee share issue. On 21 February, 2002 we introduced a share option programme granting options to 85 managers and key personnel to subscribe for up to 2,520,000 shares in Telenor ASA. At the exercise of options Telenor maintains the right to redeem options by paying an amount in cash corresponding to the difference between exercise quotation price and closing price on the day the notification reached the company.

As of 31 December 2001 we held 28,103,172 treasury shares of the total 30,000,000 shares which were issued through a transfer of capital from "other paid in capital" to share capital (a share dividend issue). The Kingdom of Norway waived its right to receive the new shares, which were issued to us as treasury shares, to be used to grant additional bonus shares to retail investors in Norway pursuant to the global offering. The general meeting held in 2001 granted an authority to the Board of Directors that the remaining shares, (28,103,172 shares) could be used for other purposes. The tax base cost of the Teasury 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 recognised 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 Ministry of Finance. No capital gain will arise if the shares are cancelled

› QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Please refer to notes 20 and 21 for a description of funding and financial risk management activities in Telenor.

› Sensitivity analysis › We chose sensitivity analysis as the approach to quantify market risk as of December 31, 2001. This is a change compared to previous years, when a tabular presentation of future cash flows was used. We have not changed the strategies for managing market risk, however, it is our opinion that a sensitivity analysis provides a better picture of Telenor's exposure to financial market risk than is provided by the tabular presentation. The tabular presentation, which set forth the cash flows of every transaction in the portfolio, did not present an agregate analysis of the portfolio exposure. We also believe that the sensitivity analysis is more in line with the portfolio approach that we apply in relation to financial risk management. Therefore, a change in presentation format was implemented. Comparable information as of 31 December, 2000 is also enclosed.

Fair values of money market instruments as well as currency swaps and interest rate swaps are estimated by computing the present value of future cash flows, net of accrued interest. The Black Scholes model is used to revalue outstanding options.

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 NOK.

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

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. Thus the total effects of deficiencies in the assumptions implicit in the model might be substantial. Consequently, the hypothetical gains and losses calculated do not express management's expectations of future changes in fair value.

		Hypothetical loss/gain from +/- 10% change in:			
	Fair value	Interest rates	Interest rates	Exchange rates	Exchange rates
2001	as of 31.12.01	-10%	+10%	-10%	+10%
Foreign exchange derivatives	905	68	(65)	(96)	96
Interest rate derivatives	(28)	(30)	35	10	(10)
Net interest bearing liabilities	(13,424)	(153)	141	1,968	(1,968)
Total	**(12,547)**	**(115)**	**111**	**1,882**	**(1,882)**

		Hypothetical loss/gain from +/- 10% change in:			
	Fair value	Interest rates	Interest rates	Exchange rates	Exchange rates
2000	as of 31.12.00	-10%	+10%	-10%	+10%
Foreign exchange derivatives	1,439	94	(84)	(149)	149
Interest rate derivatives	26	(48)	48	–	–
Net interest bearing liabilities	(41,287)	(193)	178	3,993	(3,993)
Total	**(39,822)**	**(147)**	**143**	**7,692**	**(7,692)**

The reduction in fair value of net interest bearing liabilities as of 31 December, 2001 compared to 31 December, 2000 is due primarily to debt repayment related to incoming cash flows from the disposals of Esat Digifone, VIAG Interkom and Telenor Media. The interest rate sensitivity of the portfolio has not changed accordingly, because the debt redeemed during the period has been short-term instruments or floating rate instruments. The reduction of exchange rate sensitivity of the portfolio has been reduced because Telenor has reduced its foreign currency hedging positions during 2001.

› Information about Contractual Cash Payments › The table below shows the contractual obligations and commercial commitments as of December 31, 2001

			Payments due		
Contractual obligations (in NOK millions)	**Total**	**Less than 1 year (2002)**	**2–3 years**	**4–5 years**	**Over 5 years**
Long-term interest bearing liabilities	17,269	4,336	4,682	6,655	1,596
Capital lease obligation	1,228	116	231	254	627
Rent of premises	3,026	654	759	512	1,101
Rent of cars, office equipment etc	282	142	126	14	-
Rent of satellite capasity etc	938	432	346	102	58
IT related agreements	807	329	332	136	10
Other contractual obligations	2,868	1,552	820	350	146
Commited investments					
Associated companies	3,114	1,345	1,769	-	-
Properties and equipment	1,765	1,664	59	11	31
Other contractual investments	12,418	10,821	1,584	9	4
Total contractual obligations	**43,715**	**21,391**	**10,708**	**8,043**	**3,573**
Guarantees (expire)	2,719	357	1,451	160	751

The table does not include future investment required under the UMTS license awarded to Telenor in Norway, or licence fee payments.

The Capital lease obligations in the table relates to satellite leases (Thor II and III), as described in Note 20 in the consolidated financial statements. Under these agreements, Telenor may be required to provide security arrangements if its credit rating is downgraded to A- with negative outlook. Telenor has treated the lease financing arrangements as mortgages as though these mortgages were already secured. You should read "Note 23 - Mortgages and Guarantees" for additional information on Telenor's mortgages.

The decrease in rent of satellite capacity is due to the fact that Telenor has committed to invest in satellite capacity in 2003. The committed investment of NOK 1,053 million is included in other contractual investments due in 2–3 years.

The high level of other contractual obligations in 2002 compared to subsequent years relate mainly to the one-year framework agreement with Bravida for installation and service work.

Of the committed investments in associated companies a total of NOK 2.2 billion is related to OniWay in Portugal. In connection with its 17.45% ownership interest in Connect Austria, Telenor has entered into a support agreement with the Austrian mobile operator`s bank syndicate under which Telenor may be required to contribute up to euro 33.2 million into the company. Telenor may be required to provide a bank guarantee for such amount if our credit rating is downgraded to BBB- or below. The support agreement will expire 31 December, 2003.

Committed investments in properties and equipment are mainly related to investment in fixed network in Norway and in DiGi.Com. With respect to the construction of the new headoffice NOK 256 million is contractually obligated in due less than 1 year.
Other contractual investments include Pannon GSM, Canal Digital and Comsat.

We have entered into Cross Border Tax Benefit Leases for digital telephone switches and for GSM Mobile telephony network. The agreements called for prepayments of all amounts by the parties under the leases to financial institutions. The leasing obligations and the prepayments are netted in the balance sheet and not included in the table above.
Guarantees as of 31 December, 2001 was to a large extent related to associated companies and Inmarsat.

In the first quarter of 2002 one of the other owners of Kyivstar exercised their right to start negotiations with us to sell their 16.5% ownership interest to us pursuant to the agreement between the parties. If the parties do not reach an agreement on price and other terms within a given timeframe, the other party can exercise their right to start a sale process including Telenor's shares in Kyivstar.

› OTHER ISSUES

› Inflation › Our results in recent years have not been substantially affected by inflation. Inflation in Norway as measured by the consumer price index during the years ended December 31, 1999, 2000 and 2001 was 2.3%, 3.1% and 3.0% respectively.

› Norwegian GAAP compared with U.S. GAAP › Our consolidated financial statements have been prepared under Norwegian GAAP, which differs from U.S. GAAP in several respects. We have prepared a reconciliation of our net income for the years ended December 31, 1999, 2000 and 2001, and of our shareholders' equity as of December 31, 2000 and 2001.

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

Under U.S. GAAP, net income for the years ended December 31, 1999, 2000 and 2001 would have been NOK 2,188 million, NOK 1,082 million and NOK 7,004 million, respectively, as compared to NOK 2,035 million, NOK 1,076 million and NOK 7,079 million, respectively, under Norwegian GAAP.

The financial statements
are prepared in accordance
with law, regulations and GAAP

› CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Telenor Group
1 January – 31 December

(in NOK millions, except per share amounts)	Note	2001	2000	1999
Revenues	2	40,604	36,530	32,784
Gains on sale of fixed assets and operations	2	5,436	1,042	783
Total revenues		**46,040**	**37,572**	**33,567**
Operating expenses				
Cost of materials and traffic charges	4	10,204	9,606	9,007
Own work capitalized	5	(1,002)	(1,544)	(1,773)
Salaries and personnel costs	6, 7	10,128	10,513	8,961
Other operating expenses	8, 9	12,397	9,376	8,021
Loss on sale of fixed assets and operations		63	58	302
Depreciation and amortization	14, 15	7,251	5,821	4,934
Write-downs	14, 15	3,822	113	113
Total operating expenses		**42,863**	**33,943**	**29,565**
Operating profit		**3,177**	**3,629**	**4,002**
Associated companies	**16**	**8,237**	**(692)**	**(1,239)**
Financial income and expenses				
Financial income		897	828	573
Financial expenses		(1,396)	(1,921)	(761)
Net currency gain/loss		(402)	(64)	104
Net gain/loss and write-downs of financial items		(258)	223	635
Net financial items	**12**	**(1,159)**	**(934)**	**551**
Profit before taxes and minority interests		**10,255**	**2,003**	**3,314**
Taxes	13	(3,897)	(861)	(1,323)
Profit before minority interests		6,358	1,142	1,991
Minority interests		721	(66)	44
Net income		**7,079**	**1,076**	**2,035**
Net income per share in NOK (basic), excluding treasury shares		3,994	0,754	1,454
Net income per share in NOK (diluted), excluding treasury shares		3,990	0,754	1,454

› CONSOLIDATED BALANCE SHEET

Telenor Group
at 31 December

(in NOK millions)	Note	2001	2000
Assets			
Intangible assets	14	10,200	7,209
Tangible assets	15	37,608	29,770
Financial assets	16	18,287	43,902
Total fixed assets		**66,095**	**80,881**
Inventories		513	655
Current receivables, etc	17	9,701	9,365
Short-term investments	18	475	478
Cash and cash equivalents	27	5,839	2,306
Total current assets		**16,528**	**12,804**
Total assets		**82,623**	**93,685**
Equity and liabilities			
Shareholder's equity		42,144	35,474
Minority interests		3,539	2,706
Total equity and minority interests		**45,683**	**38,180**
Liabilities			
Provisions	19	**761**	**413**
Long-term interest-bearing liabilities	20, 21	18,497	42,069
Long-term non-interest-bearing liabilities	22	388	426
Total long-term liabilities		**18,885**	**42,495**
Short-term interest-bearing liabilities	20	672	743
Short-term non-interest-bearing liabilities	22	16,622	11,854
Total short-term liabilities		**17,294**	**12,597**
Total equity and liabilities		**82,623**	**93,685**
Mortgages	23	5,000	1,991
Guarantee liabilities	23	2,719	3,598
Contingent liabilities	24		

› CONSOLIDATED CASH FLOW STATEMENT

Telenor Group
1 January – 31 December

(in NOK millions)	2001	2000	1999
Proceeds from sale of goods and services	39,771	35,684	31,926
Payments to suppliers of goods and services	(10,670)	(8,819)	(8,511)
Payments to employees, pensions, social security tax, tax deductions	(9,186)	(9,919)	(8,104)
Payment of other operating expenses	(11,564)	(7,962)	(6,384)
Interest etc. received	739	658	619
Interest etc. paid	(1,405)	(1,950)	(892)
Other proceeds and payments related to operating activities	366	439	(137)
Payment of taxes and public duties	(1,058)	(2,216)	(1,465)
Net cash flow from operating activities[1]	**6,993**	**5,915**	**7,052**
Proceeds from sale of tangible and intangible assets	1,413	435	204
Purchase of tangible and intangible assets	(11,558)	(8,566)	(6,443)
Cash receipts from sale, of subsidiaries and associated companies, net of cash sold	37,919	3,032	1,063
Cash payments on purchase of subsidiaries and associated companies, net of cash received	(6,125)	(39,289)	(4,501)
Proceeds from sale of other investments	314	759	1,350
Purchase of other investments	(1,072)	(3,679)	(560)
Net cash flow from investment activities	**20,891**	**(47,308)**	**(8,887)**
Proceeds from long-term liabilities	4,199	43,948	7,844
Proceeds from short-time liabilities	442	14,974	5,649
Payments on long-term liabilities	(28,103)	(18,512)	(4,251)
Payments on short-term liabilities	(482)	(15,027)	(5,689)
Paid in equity from minorities in subsidiaries	89	1,589	74
Paid in equity	21	15,168	–
Purchase of own shares from and dividend paid to minorities in subsidiaries	–	(82)	(13)
Payment of dividends	(532)	(500)	(700)
Net cash flow from financing activities	**(24,366)**	**41,558**	**2,914**
Effect on cash and cash equivalents of changes in foreign exchange rates	15	17	2
Net change in cash and cash equivalents	**3,533**	**182**	**1,081**
Cash and cash equivalents at 1 January	2,306	2,124	1,043
Cash and cash equivalents at 31 December	**5,839**	**2,306**	**2,124**
[1] Reconciliation			
Net income	7,079	1,076	2,035
Minority interests	(721)	66	(44)
Taxes	3,897	861	1,323
Profit before taxes and minority interests	**10,255**	**2,003**	**3,314**
Taxes paid	(1,173)	(1,643)	(1,107)
Net gain/loss including write downs of financial items	(5,115)	(1,207)	(1,116)
Depreciation, amortization and write downs	11,073	5,934	5,047
Associated companies	(8,237)	692	1,239
Changes in inventories	32	(38)	77
Changes in accounts receivable and prepayments from customers	(368)	(207)	(646)
Changes in accounts payable and prepaid expenses	(436)	529	536
Difference between expensed and paid pensions	(106)	(111)	(129)
Currency gain/loss not relating to operating activities	367	48	(86)
Change in other accruals	701	(85)	(77)
Net cash flow from operating activities	**6,993**	**5,915**	**7,052**

The principle for reporting value-added tax (VAT) and investment tax (IT) in the cash flow statement was changed in 2001, and the comparative figures for 2000 and 1999 have been restated. VAT is now regarded as collection of tax on behalf of the authorities and reported net. The change in principle affects operating and investment activities. Net VAT and IT unrelated to operating activities have been reclassified from operating activities to investment activities in the amount of NOK 444 million and NOK 318 million in 2000 and 1999, respectively.

› CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Telenor Group

	Number of shares	Nom Amount (NOK)	Share Capital (NOK mill.)	Other paid capital (NOK mill.)	Other equity (NOK mill.)	Cumulative translation adjustment (NOK mill.)	Treasury shares (NOK mill.)	Total (NOK mill.)
Balance as of 31 December, 1998	**1,400,000,000**	**6**	**8,400**	**5,600**	**4,486**	**29**		**18,515**
Net income for the year 1999					2,035			2,035
Dividends					(500)			(500)
Translation adjustments						(17)		(17)
Balance as of 31 December, 1999	**1,400,000,000**	**6**	**8,400**	**5,600**	**6,021**	**12**		**20,033**
Net income for the year 2000					1,076			1,076
Dividends					(532)			(532)
Translation adjustments						(349)		(349)
Share dividend issue	30,000,000	6	180	(180)				–
Share issue	372,151,899	6	2,233	13,013				15,246
Treasury shares				180			(180)	–
Balance as of 31 December, 2000	**1,802,151,899**	**6**	**10,813**	**18,613**	**6,565**	**(337)**	**(180)**	**35,474**
Net income for the year 2001					7,079			7,079
Dividends					(621)			(621)
Translation adjustments						192		192
Employee share issue	578,753	6	3	17				20
Distribution of treasury shares		6		(11)			11	
Balance as of 31 December, 2001	**1,802,730,652**	**6**	**10,816**	**18,619**	**13,023**	**(145)**	**(169)**	**42,144**

	2001	2000	1999
Average number of shares basic (exclusive treasury shares)	1,772,330,267	1,426,509,450	1,400,000,000
Average number of shares diluted (exclusive treasury shares)	1,774,086,782	1,426,649,837	1,400,000,000

The general meeting on 10 November, 2000 approved a 1,666.67 to one split of the share capital and a share dividend issue. The share dividend issue increased the share capital from NOK 8,400,000,000 to NOK 8,580,000,000 by issuing 30,000,000 shares at a nominal value of NOK 6 each. The shareholder waived its right to receive the new shares, and these shares are held by Telenor as treasury shares. 1,896,828 shares were issued in December 2001 to existing shareholders according to the share bonus program. There were no other dilutive securities outstanding during the period presented. The general meeting held in 2001 granted an authority to the board of directors, that the remaining 28,103,172 shares could be used for other purposes.

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

A total of 578,753 shares were subscribed for in an employee share issue in December, 2001.

› Minority Interests

(in NOK millions)	Minority share in % 31.12.01	Minority part of result -01	Minority part of result-00	Minority part of result -99	Minority interests 31.12.01	Minority interests 31.12.00
Telenor Venture AS	36,3	(83)	22	23	71	76
Telenor Venture II ASA	49,0	(7)	–	–	136	143
OJSC Comincom/Combellga	32,5	6	3	–	192	174
Grameen Phone Ltd. [1]	53,6	126	53	(52)	247	126
EDB Business Partner ASA	47,1	(764)	13	16	1,469	2,146
Nextra SPA	11,2	(11)	(20)	(3)	3	14
DiGi.Com bhd	39,0	44	–	–	1,386	–
Other	–	(32)	(5)	(28)	35	27
Total		**(721)**	**66**	**(44)**	**3,539**	**2,706**

[1] Telenor has a voting interest of 51% in Grameen Phone Ltd.

› SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES
Telenor Group

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

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

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

› Consolidation principles
The Group consolidated accounts include Telenor ASA and subsidiaries in which Telenor ASA has effective control, which generally exists where Telenor ASA has more than 50% ownership.
All significant intercompany transactions and balances have been eliminated.

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

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

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

› Net income per share
Net income per share has been retroactively adjusted for a share split. See the consolidated statement of shareholders equity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Gains and losses on foreign exchange contracts that are designated as hedges of firm commitments are deferred and recognized in income at the same time as the related transactions, provided that the hedged transaction is eligible for hedge accounting. Certain future transactions are not eligible for hedge accounting although the hedge is economically highly effective. Consequently gains and losses on foreign currency hedges on this type of transactions are charged through profit and loss without any immediate offsetting effect.

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

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

› Taxes

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

› Cash and cash equivalents

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

› Investments

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

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

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

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

› Inventories

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

› Advertising costs, marketing and sales commissions

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

› Tangible assets, intangible assets, depreciation and amortization

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

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

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

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

With effect from 1 April, 2001, Telenor has reduced the depreciation periods for certain operating assets in the fixed and mobile networks in Norway. The changes are in accordance with the expected technical and economical reduced useful life as a result of technological advances. This has resulted in a total increase in depreciation in 2001 (nine months) of NOK 280 million for investments made before 1 April, 2001.

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

› Use of estimates

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

Actual results could differ from those estimates.

› Changes in classification

In 2001 some adjustments related to gross/net reporting of revenues and expenses have been made. The changes have no material effect on the accounts. The adjustments are mainly related to accounting for dealer commissions for prepaid cards and for some content. Dealer commission is now recorded as an expense instead of a reduction of revenue. Commissions are expensed as incurred. Revenue and related other operating expenses have been increased with NOK 204 million, NOK 169 million and NOK 108 million for 2001, 2000 and 1999 respectively. In addition accrued expenses of NOK 42 million was expensed in 2001 related to this change. This change affects our Mobile business area.

Payment from content sold on behalf of external content providers is now recorded as a reduction in revenue. Previously this was recorded gross as revenues and expenses respectively. Revenue and related cost of materials have been decreased with NOK 332 million, NOK 241 million and NOK 108 million for 2001, 2000 and 1999 respectively. These changes affect our Mobile and Network business areas.

In 2000 revenues and cost of materials related to programming revenues and expenses for TV distribution were adjusted and is now recorded gross. Revenues and related cost of materials increased by NOK 104 million and NOK 99 million for 2000 and 1999 respectively. This change affected our Plus business area.

› NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

› 1. ACQUISITIONS AND DISPOSALS

During the three years ended 31 December, 2001, Telenor entered into the following significant acquisitions and disposals. Each acquisition was recorded using the purchase method of accounting. The summary does not include capital increases or other types of financing by Telenor.

› Significant Acquisitions in 2001

(in NOK millions) Company	Country	Change in ownership interest %	Business	Purchase price	Net excess value***	Amortization period
DiGi.Com bhd	Malaysia	28.1	Mobile Communication	3,223	3,003	4-20 years
VimpelCom	Russia	*)	Mobile Communication	255	-	-
Otrum Electronics ASA	Norway	33.1	TV distribution	266	91**	10 years
Sweden On-Line AB	Sweden	100.0	TV distribution	165	130	10 years
Telenordia AB	Sweden	50.0	Telecommunication	130	115	0,5-2 years
SAIT Communications S.A	Belgium	100.0	Satellite Mobile Communications	189	180	10 years
DnB IT-operations	Norway	100.0	Operation services	597	390	7 years
Unigrid AB	Sweden	100.0	Operation services	122	97	10 years
Accept Data AS	Norway	100.0	Information technology	65	56	10 years
Wireless Matrix Corporation	Canada	30,8	Mobile Communication	317	225**	3 years

*) Telenor reduced its ownership share through a share issue in VimpelCom, and acquired shares to maintain a voting interest of 25%.

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

***) Preliminary evaluations and allocations.

› Acquisition of DiGi.Com in 2001 and Pannon GSM in 2002

On 1 September, 2001, Telenor acquired additional 28.1% of the outstanding common shares in DiGi.Com. After completion of the acquisition Telenor owns 61% of the outstanding common shares and the results of DiGi.Com operations have been included in the consolidated financial statements since that date. Under current Malaysian Law we are required to reduce our ownership interest in DiGi.Com to below 50% by 2006. DiGi.Com is a leading telecommunications service provider in Malaysia with a full range of telecommunications-related licenses. DiGi.Com is Malaysia's market leader in prepaid services. This acquisition is part of Telenor's strategy to gain control of operations to take advantage of synergies stemming from coordinated activities in a number of markets. The aggregate purchase price was NOK 3,223 million and was paid in cash. The value was set based on the stock price through a partial tender offer. The allocation of the purchase price has been based on Telenor`s preliminary estimates of the fair values of assets and liabilities acquired and potentially could change based on the final allocation.

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

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

	DiGi.Com 1 September, 2001	Pannon.GSM 4 February, 2002
Goodwill	3.835	6.348
Intangible assets	773	1.826
Tangible assets and financial assets	4.271	2.577
Current assets	794	1.025
Total assets acquired	**9,673**	**11,776**
Long-term liabilities	1,727	2,910
Short-term liabilities	968	178
Total liabilities	**2,695**	**3,088**
Minority interest	1,316	-
Net assets at the date of consolidation	**5,662**	**8,688**

[1)] These figures include both the purchase price for the latest acquisitions and the book value for the previous investments, when the companies were accounted for as associated companies.

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

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

Total intangible assets of Pannon GSM was NOK 1,826 million at the date of consolidation, of which NOK 1,000 million relates to identified intangible assets in Telenor's latest acquisition. Of this amount NOK 700 million was assigned to customer relationship (3-5 years average useful life) and NOK 300 million was assigned to trademarks (10-20 years average useful life).

Goodwill of NOK 6,348 million relates to the Mobile Business Area with a useful life of 20 years.

› Pro forma information (unaudited)

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

(in NOK millions, except per share data)	2001	2000
Pro forma revenues	47,678	39,403
Result before taxes and min.int	10,122	1,809
Pro forma net income	6,922	830
Pro forma net income per share in NOK	3.905	0.582

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

› Significant Disposals in 2001

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

In January 2001 Telenor sold its 10% ownership interest in VIAG Interkom, and recorded a gain before taxes of NOK 10,705 million. The cash consideration was NOK 20.7 billion.

In April 2001 Telenor sold its 49.5% stake in Esat Digifone, and recorded a gain before taxes of NOK 10,740 million. The cash consideration was NOK 11.4 billion.

In April 2001 the hotel-TV business of Telenor Vision was sold in exchange of shares in the listed company Otrum Electronics ASA, and Telenor recorded a gain of NOK 6 million.

Telenor sold the business area Telenor Media with effect from 1 October, 2001. A gain of NOK 5,000 million before taxes was recorded. The cash consideration was NOK 5.8 billion. The disposal was in line with the strategy to dispose of non core business.

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

(in NOK millions, exept per share data)	2001	2000	1999
Net income for Telenor Media	187	228	942
Gain on sale of Telenor Media	5,000	-	-
Tax on gain on sale of Telenor Media	(72)	-	-
Effect on net income discontinued operations	5,115	228	942
Net income for Telenor	7,079	1,076	2,035
Net income continuing operations (excluding Telenor Media)	1,964	848	1,093
Net income per share in NOK for discontinued operations (Telenor Media)	2.886	0.160	0.673
Net income per share in NOK for continuing operations (excluding Telenor Media)	1.108	0.594	0.781

› Significant Acquisitions in 2000

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

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

› Significant Disposals in 2000

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

Telenor has reduced the ownership in the associated company Cosmote S.A. to 18%, and recorded a gain of NOK 913 million before tax. In connection with this transaction Telenor increased its ownership in Telenor B-Invest to 100%. Telenor B-Invest owns Telenor's shares in Cosmote.
The ownership interest in Scandinavian Online AB was reduced and a gain of NOK 205 million before taxes was recorded.
Bravida AS was merged with a holding company of BPA AB and is being accounted for as an associated company with effect from 1 November, 2000. Telenor's ownership interest was 49.71% at the end of 2000. No gain was recorded in this transaction.

› Significant Acquisitions in 1999

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

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

› Significant Disposals in 1999

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

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

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

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

› Pro forma information (unaudited)

The following unaudited pro forma financial information presents results as if the acquisition of the subsidiaries in the table above for 2000 and 1999 had occured at the beginning of the respective periods:

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

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

› 2. REVENUES

(in NOK millions)	2001	2000	1999
Analog (PSTN)/digital (ISDN and ADSL)	13,668	12,802	13,313
Mobile telephony	9,531	7,197	5,468
Leased lines	1,065	902	810
Satellite and TV-distribution	3,879	3,245	2,584
Other network based activities	2,633	2,215	1,593
Customer equipment	2,165	2,836	2,940
IT service and installations	5,009	4,738	3,501
Advertising, etc	1,266	1,555	1,588
Other	1,388	1,040	987
Revenues	**40,604**	**36,530**	**32,784**
Gain on disposal of fixed assets and operations	5,436	1,042	783
Total revenues	**46,040**	**37,572**	**33,567**

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

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

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

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

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

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

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

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

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

Other includes revenues from contracting, rent, etc.

› 3. BUSINESS AREAS

Mobile is responsible for the Group's mobile communication comprising voice, data, Internet, content services and electronic commerce in the Norwegian and the international markets. *Networks* operates the Group's fixed network in Norway and delivers services including analog (PSTN), digital (ISDN) broadband and leased lines to residential and business customers and to other network operators, as well as ADSL to service providers. *Plus* provides TV-based services mainly within the Nordic region and provides Internet access and services to the residential market in Norway and Sweden, as well as telephony in Sweden. *Business Solutions* provides a broad range of communication and application management solutions to the business market in Norway and selected European countries. *Media* delivers directory service in Norway and abroad. Telenor Media was sold with effect from 1 October, 2001. *Bravida* delivers installation, maintenance and operating services to network operators and other customers. From 1 November, 2000 Bravida became an associated company of Telenor. *EDB Business Partner* is an Oslo Stock Exchange listed IT group which delivers solutions, consulting services and operating services. *Other Business units* includes business units as Satellite Mobile, Satellite Networks, Itworks, Teleservice and Venture. *Corporate functions and group activities* comprises activities as Real Estate, Research and Development, strategical group projects, Internal IT operations, Group Treasury, International services and central staff and support functions.

The business areas and the amount of each business areas item reported below are consistent with reporting to the chief operating decision-maker, and are used by the chief operating decision-maker for assessing performance and allocating resources.

Telenor has implemented changes in the business area structure during 2001. All figures have been changed to reflect the new business area structure. Telenor Telecom has been divided in Networks and Business Solutions. The part of Internet and Telenordia providing services to the business market, as well as Comincom/Combellga, is now a part of Business Solution. The Broadcasting business of Broadband Services together with the residential part of Internet and Telenordia is now Plus. Satellite Mobile and Satellite Networks, previously a part of Broadband Services, are now included in other business units. Mobile remains unchanged.

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

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

› Profit and loss 2001

(in NOK millions)	[1]Revenues	[1]External revenues	EBITDA	Operating profit	Associated companies and joint ventures	Net financial items	Profit before taxes and minority interests
Mobile	12,558	11,260	4,067	2,495	9,677	(496)	11,676
Networks	16,568	14,112	5,666	2,175	–	(149)	2,026
Plus	3,386	2,954	248	(841)	(547)	(410)	(1,798)
Business Solutions	5,940	4,616	(828)	(2,968)	(874)	(316)	(4,158)
EDB Business Partner	4,811	3,353	447	(1,208)	130	(94)	(1,172)
Media	1,343	1,263	313	262	(12)	21	271
Bravida	–	–	–	–	(29)	–	(29)
Other business units	4,033	2,995	(37)	(686)	(78)	(402)	(1,166)
Corporate functions and group activities	7,890	5,491	4,593	4,139	(30)	686	4,795
Elimination	(10,489)	(4)	(219)	(191)	–	1	(190)
Total	**46,040**	**46,040**	**14,250**	**3,177**	**8,237**	**(1,159)**	**10,255**

[1] Revenues include gains on disposal of fixed assets and operations

› Balance and investments 2001

(in NOK millions)	Fixed Assets	Associated companies	Current assets	Total assets	Long-term liabilities incl. provisions	Short-term liabilities	Investments
Mobile	29,281	13,078	15,485	57,844	19,418	34,899	7,211
Networks	14,246	–	4,441	18,687	4,520	6,658	3,719
Plus	4,996	850	2,456	8,302	5,324	2,997	1,741
Business Solutions	4,257	7	4,572	8,836	2,052	8,723	1,572
EDB Business Partner	2,957	29	1,684	4,670	1,081	1,431	923
Media	–	–	–	–	–	–	183
Other business units	3,424	247	2,378	6,049	3,480	1,324	728
Corporate functions and group activities	40,545	–	20,772	61,317	13,118	30,997	2,769
Elimination	(47,857)	35	(35,260)	(83,082)	(29,347)	(69,735)	–
Total	**51,849**	**14,246**	**16,528**	**82,623**	**19,646**	**17,294**	**18,846**

› Profit and loss 2000

(in NOK millions)	[1]Revenues	[1]External revenues	EBITDA	Operating profit	Associated companies and joint ventures	Net financial items	Profit before taxes and minority interests
Mobile	9,799	8,267	2,720	1,594	(460)	(821)	313
Networks	16,685	14,318	5,672	3,047	–	(72)	2,975
Plus	2,875	2,500	611	135	20	(8)	147
Business Solutions	4,316	3,358	(600)	(1,173)	(69)	(161)	(1,403)
EDB Business Partner	3,966	2,461	554	201	(21)	(19)	161
Media	1,655	1,557	359	301	6	33	340
Bravida	4,225	1,799	80	(9)	–	(11)	(20)
Other business units	4,033	2,542	261	(181)	(167)	142	(206)
Corporate functions and group activities	3,809	852	445	16	(1)	(34)	(19)
Elimination	(13,791)	(82)	(539)	(302)	–	17	(285)
Total	**37,572**	**37,572**	**9,563**	**3,629**	**(692)**	**(934)**	**2,003**

[1] Revenues include gains on disposal of fixed assets and operations.

› Balance and investments 2000

(in NOK millions)	Fixed Assets	Associated companies	Current assets	Total assets	Long-term liabilities incl. provisions	Short-term liabilities	Investments
Mobile	6,261	36,426	8,633	51,320	24,384	20,303	32,843
Networks	13,720	–	5,137	18,857	5,159	6,039	3,603
Plus	7,603	706	1,905	10,214	6,624	1,934	2,113
Business Solution	4,881	1.582	3,733	10,196	2,277	7,424	4,664
EDB Business Partner	4,286	83	1,489	5,858	1,438	1,291	3,270
Media	273	52	1,224	1,549	14	960	102
Bravida	–	167	–	167	–	–	158
Other business units	666	69	1,542	2,277	658	824	2,276
Corporate functions and group activities	43,357	–	13,597	56,954	37,153	8,592	1,643
Elimination	(39,348)	97	(24,456)	(63,707)	(34,799)	(34,770)	–
Total	**41,699**	**39,182**	**12,804**	**93,685**	**42,908**	**12,597**	**50,672**

› Profit and loss 1999

(in NOK millions)	[1]Revenues	[1]External revenues	EBITDA	Operating profit	Associated companies and joint ventures	Net financial items	Profit before taxes and minority interests
Mobile	8,075	6,582	2,161	1,106	(1,071)	(150)	(115)
Networks	16,823	14,585	5,408	2,884	–	(26)	2,858
Plus	2,373	2,057	512	132	(118)	(10)	4
Business Solution	3,131	1,855	(210)	(430)	(95)	27	(498)
EDB Business Partner	2,891	1,392	338	127	(4)	(13)	110
Media	2,368	2,277	1,085	1,006	(3)	42	1,045
Bravida	6,057	2,912	147	19	–	(22)	(3)
Other business units	2,419	1,617	358	5	(11)	231	225
Corporate functions and group activities	2,990	219	(482)	(868)	63	431	(374)
Elimination	(13,560)	71	(268)	21	–	41	62
Total	**33,567**	**33,567**	**9,049**	**4,002**	**(1,239)**	**551**	**3,314**

[1] Revenues include gains on disposal of fixed assets and operations.

› Geographic distribution of revenues based on customer location[*]

(in NOK millions)	2001	2000	1999
Norway	36,555	31,466	27,736
Other Nordic	2,235	2,018	2,666
Western Europe	2,061	1,579	1,474
Central Europe	800	841	362
Eastern Europe	828	160	132
Asia	2,346	594	328
Other countries	1,215	914	869
Total revenues	**46,040**	**37,572**	**33,567**

› Geographic distribution of revenues based on company location[*]

(in NOK millions)	2001	2000	1999
Norway	39,453	34,235	29,961
Other Nordic	878	641	1,595
Western Europe	2,144	1,246	1,140
Central Europe	505	337	248
Eastern Europe	705	286	82
Asia	2,088	537	205
Other countries	267	290	336
Total revenues	**46,040**	**37,572**	**33,567**

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

› Assets by geographical location of the company

	Tangible assets		Total assets	
(in NOK millions)	2001	2000	2001	2000
Norway	30,004	27,768	31,788	47,537
Other Nordic	562	62	8,126	16,538
Western Europe	225	227	15,572	12,359
Central Europe	319	270	3,569	4,029
Eastern Europe	758	683	3,914	3,302
Asia	5,717	706	19,145	9,405
Other countries	23	54	509	515
Total assets	**37,608**	**29,770**	**82,623**	**93,685**

› 4. COST OF MATERIALS AND TRAFFIC CHARGES

(in NOK millions)	2001	2000	1999
Traffic charges — network capacity	4,853	3,688	3,235
Traffic charges — satellite capacity	1,190	805	623
Cost of materials etc	4,161	5,113	5,149
Total cost of materials and traffic charges	**10,204**	**9,606**	**9,007**

› 5. OWN WORK CAPITALIZED

(in NOK millions)	2001	2000	1999
Cost of materials etc	220	367	493
Salary and personnel costs	396	667	796
Other operating expenses	386	510	484
Total own work capitalized	**1,002**	**1,544**	**1,773**

› 6. SALARIES AND PERSONNEL COSTS

(in NOK millions)	2001	2000	1999
Salaries and holiday pay	7,897	8,109	7,016
Social security tax	1,132	1,212	991
Pension costs including social security tax	591	538	428
Other personnel costs	508	654	526
Total salaries and personnel costs	**10,128**	**10,513**	**8,961**

The average number of employees was 22,400 in 2001, 24.950 in 2000 and 22.460 in 1999.

› 7. PENSIONS OBLIGATIONS

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

Up until 31 August, 1995 most of Telenor's employees were covered through the Norwegian Public Service Pension Fund. In 1995 Telenor Pensjonskasse was established as a defined benefit plan. 15,632 of the Group's employees are now covered through Telenor Pensjonskasse. In addition, the Group has a few group pension schemes with independent insurance companies and a separate pension plan for executive employees. Plan assets consisting primarily of bonds and shares fund these pension plans. For employees abroad, contribution plans are dominant.

In addition Telenor has two early retirement pensions plans. The agreement-based early retirement plan (AFP) was established in 1997. Under this scheme employees may retire upon reaching the age of 62 years or later.

The other plan is an early retirement plan that was offered to the employees within established criteria until the end of 1996. Telenor Communications AS covers the cost of early retirement. The present value of the estimated pension obligation is included in the calculation of the pension obligation presented below. This early retirement plan does not have any plan assets.

(in NOK millions)	2001	2000
Change in benefit obligation		
Benefit obligation at the beginning of the year	2,945	2,836
Service cost	435	375
Interest cost	186	189
Actuarial gains and losses	106	106
Acquisitions and sale	(108)	(336)
Benefits paid	(229)	(225)
Benefit obligations at the end of the year	**3,335**	**2,945**

(in NOK millions)	2001	2000
Change in plan assets		
Fair value of plan assets at the beginning of the year	2,052	1,779
Actual return on plan assets	7	32
Acquisitions and sale	(88)	(153)
Pension premium	549	478
Benefits paid	(120)	(84)
Fair value of plan assets at the end of the year	**2,400**	**2,052**
Funded status	935	893
Unrecognized prior service costs	(233)	(251)
Unrecognized net actuarial loss	(644)	(431)
Prepaid social security tax	6	16
Total provision for pensions	**64**	**227**

Assumptions as of 31 December	2001	2000	1999
Discount rate in %	6.5	6.5	6.5
Expected return on plan assets in %	7.5	7.5	7.5
Rate of compensation increase in %	3.5	3.5	3.5
Expected increase in the social security base amount in %	3.0	3.0	3.0
Annual adjustments to pensions in %	3.0	3.0	3.0

Components of net periodic benefits cost	2001	2000	1999
Service cost	435	375	288
Interest cost	186	189	158
Expected return on plan assets	(164)	(148)	(111)
Amortization of prior service costs	23	23	24
Amortization of actuarial gains and losses	16	25	-
Social security tax	68	59	45
Net periodic benefit costs	**564**	**523**	**404**
Contribution schemes	27	15	24
Total pension costs charged to profit for the year	**591**	**538**	**428**

› 8. OTHER OPERATING EXPENSES

(in NOK millions)	2001	2000	1999
Cost of premises, vehicles, office equipment, etc	2,437	1,939	1,416
Operation and maintenance	2,503	954	415
Travel and travel allowances	750	772	641
Marketing and sales commission	1,787	1,582	1,347
Advertising	598	596	423
Bad debt	362	191	351
Consultancy fees and external personnel[1]	2,246	2,222	2,259
Other[2]	1,714	1,120	1,169
Total other operating expenses	**12,397**	**9,376**	**8,021**

[1] Includes fees for consultants and external personnel, which perform services that are sold to external customers or capitalized on fixed assets.
[2] In 2001 includes NOK 625 million in restructuring costs and other accruals, and NOK 136 million related to legal disputes in Networks.

› 9. BAD DEBT

(in NOK millions)	2001	2000	1999
Provisions as of 1 January	462	538	371
Provisions as of 31 December	543	462	538
Change in provisions for bad debt	81	(76)	167
Realized losses for the year	324	318	230
Recovered on amounts previously written off	(43)	(51)	(46)
Total bad debt	**362**	**191**	**351**

› 10. RESEARCH AND DEVELOPMENT COST

Research and development costs amounted to NOK 916 million, NOK 524 million, NOK 528 million for 2001, 2000 and 1999 respectively.

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

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

› 11. BUSINESS RESTRUCTURING AND OTHER ACCRUALS

In 2001, 2000 and 1999 provisions were made for restructuring, workforce reduction, loss contracts and exit of activities. Loss contracts relate mainly to contractual obligations no longer of use in the ongoing business.

The following table displays roll forward of the accruals from 31 December, 1998:

(in NOK millions)	31 Dec, 1998 Balance	1999 Add-itions	1999 Amounts utilized	31 Dec, 1999 Balance	2000 Add-itions	2000 Amounts utilized	31 Dec, 2000 Balance	2001 Add-itions	2001 Amounts utilized	31Dec, 2001 Balance
Restructuring and other accruals	46	69	41	74	9	25	58	667	209	489

The additions in 2001 are as follows: Plus has expensed NOK 49 million for loss contracts and Business Solutions NOK 229 million for workforce reductions, loss contracts and exit of activitites, mainly related to the Internet business. EDB Business Partner expensed NOK 170 million for workforce reductions, loss contracts and exit of activities, and additionally recorded NOK 42 million in the balance sheet in connection with the purchase price allocation in a business combination. Other business units and corporate functions expensed NOK 177 million in 2001, of which NOK 74 million related to transfer of activity in the Telemuseum to a foundation, NOK 42 million for restructuring and workforce reductions in Itworks and NOK 47 million for exit of the activities in TTYL. Of the provision related to the dismantling of the NMT 900 mobile network as of 31 December, 2000, NOK 27 million was reversed without incurring related expenses.

› 12. FINANCIAL INCOME AND EXPENSES

(in NOK millions)	2001	2000	1999
Dividends from satellite organizations	97	196	235
Interest income	740	573	245
Other financial income	60	59	93
Total financial income	**897**	**828**	**573**
Interest expenses	(1,638)	(1,965)	(812)
Other financial expenses	(53)	(96)	(63)
Capitalized interest	295	140	114
Total financial expenses	**(1,396)**	**(1,921)**	**(761)**
Net foreign currency gain/loss	(402)	(64)	104
Gain on sale of financial assets	491	376	680
Loss and write-downs of financial assets	(749)	(153)	(45)
Net gain/loss and write-downs of financial assets	**(258)**	**223**	**635**
Net financial items	**(1,159)**	**(934)**	**551**

During 2001 write-downs of NOK 599 million were made on shares for diminution in values other than temporary. The write-downs were triggered by fall in market values for listed shares and by weak profit performance for not listed shares. Listed shares were written down to the quoted prices at the relevant dates. For not listed shares the values were based on individual estimates of the fair values, based on evaluations of future profitability and transactions in the market.

› 13. TAXES

(in NOK millions)	2001	2000	1999
Profit before taxes and minority interests			
Norway	2,683	3,300	4,720
Outside Norway[*]	7,572	(1,297)	(1,406)
Total profit before taxes and minority interest	**10,255**	**2,003**	**3,314**
Current taxes			
Norway	1,826	1,184	1,638
Outside Norway	1,758	12	20
Total current taxes	**3,584**	**1,196**	**1,658**
Deferred taxes			
Norway	(555)	81	(289)
Outside Norway	868	(416)	(46)
Total deferred taxes	**313**	**(335)**	**(335)**
Total income tax expense	**3,897**	**861**	**1,323**

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

› Effective tax rate

(in NOK millions)	2001	2000	1999
Expected income taxes according to statutory tax rate (28%) [1]	2,871	561	928
Net losses from associated companies and subsidiaries outside Norway [2]	1,778	674	380
Non-taxable income and non-deductible expenses	(1,404)	(79)	2
Amortization and write-downs of goodwill	399	100	58
Previous not recognized deferred tax assets	(205)	(410)	(24)
Not recognized tax assets current year	470		
Other	(12)	15	(21)
Income tax expense	**3,897**	**861**	**1,323**
Effective tax rate in %	**38.0**	**43.0**	**39.9**

[1] Norwegian nominal statutory tax rate is 28%

[2] Includes amortization and write-downs of Telenor's excess values in respect of associated companies.

The effective tax rate is higher than the nominal tax rate. This is due to valuation allowances, primarily on results from associated companies and subsidiaries outside Norway and a portion of amortization and write-downs of excess values, mainly goodwill. A portion of the write-downs of goodwill in EDB Business Partner and some other businesses where agreements of disposal have been made, has been recognised as deferred tax assets. Amortization and write-down of goodwill related to Sonofon has been realised for tax purposes and have reduced current taxes of NOK 2.4 billion. This has partly offset the taxes payable related to the gains on sale of VIAG Interkom and Esat Digifone of NOK 4.6 billion, in addition to a deferred tax liability of NOK 1.5 billion. The taxable gain on the sale of Telenor Media was low due to a high cost price for tax purposes established in connection with the foundation of Telenor ASA in 2000, where the new tax values established was based on estimated market values at the time.

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

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

› Tax losses carried forward

(in NOK millions)	
2002	259
2003	34
2004	56
2005	47
2006	143
2006 and later	1,690
Not time-limited	2,681
Total tax losses carried forward	**4,910**

› Deferred taxes

(in NOK millions)	Assets 2001	Liabilities 2001	Assets 2000	Liabilities 2000
Tangible and intangible assets	1,717	(1,115)	551	(916)
Associated companies	4,228	(932)	1,185	(15)
Other long-term items	210	(170)	269	(162)
Total long-term assets and liabilities	**6,155**	**(2,217)**	**2,005**	**(1,093)**
Current assets	290	(136)	140	(99)
Current liabilities	315	(86)	150	(4)
Total current assets and liabilities	**605**	**(222)**	**290**	**(103)**
Tax losses carried forward	1,430		786	
Deferred tax/tax assets	**8,189**	**(2,437)**	**3,081**	**(1,196)**
Valuation allowances	(5,647)		(1,443)	
Net deferred tax/tax assets	**105**		**442**	

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

Preliminary RISK (regulation of the taxable costprice) for Telenor ASA for 2001 is calculated to be NOK 2.33 per share.

› 14. INTANGIBLE ASSETS

(in NOK millions)	Accumul. cost 01.01.01	Additions 2001	Foreign exchange adjustm. 2001	Disposals 2001	Amortization 2001	Acc. amortization 31.12.01	Book value 31.12.01	Book value 31.12.00
Goodwill	6,453	5,879	78	(1,440)	(2,934)	(3,531)	7,439	5,181
Other intangible assets	1,838	1,026	18	(202)	(443)	(519)	2,161	1,586
Total	**8,291**	**6,905**	**96**	**(1,642)**	**(3,377)**	**(4,050)**	**9,600**	**6,767**
Deferred tax assets							600	442
Total intangible assets							**10,200**	**7,209**

Amortization of goodwill and other intangible assets was NOK 668 million and NOK 317 million respectively in 2001, NOK 496 million and NOK 124 million respectively in 2000, and NOK 281 million and NOK 37 million respectively in 1999. Write-downs of goodwill and other intangible assets were NOK 2,266 million and NOK 126 million respectively in 2001.

The write-downs of goodwill in 2001 related to the business area EDB Business Partner (NOK 1,259 million), the business area Business Solutions (NOK 869 million) and Itworks (NOK 134 million). EDB Business Partner is a listed company, and during 2001 there was a significant decrease in the quoted price of the shares of the company as well as in the entire sector in which EDB Business Partner operates. In addition EDB Business Partner initiated a restructuring process for parts of the business. This triggered an evaluation of goodwill. The write-downs were based on estimated future cash flows and market evaluations. The write-downs of goodwill in Business Solutions mainly related to the Communications Service Provider businesses in Nextra International (NOK 682 million) and the IT-business in Eurocom Aps (NOK 106 million). In addition goodwill of NOK 81 million were written down on businesses which are disposed of. The write-downs in Nextra International were based on assessments of the profitability of the individual companies, triggered by reduced expectations of future growth in earnings, combined with the fact that we decided to reposition the focus on Nextra International. The write-down in Eurocom was triggered by the weak IT-market in Denmark and conditions within the company, and the write-down was based on estimated discounted cash flows. Itworks suffered from the low demand in the IT-market in 2001 , and produced losses, which triggered an evaluation of the future profitability, and a write-down of goodwill was made based on estimated discounted cash flows.

The write-downs of other intangible assets in 2001 mainly related to Nextra International on the same basis as discussed above, and licenses in TTYL in connection with the decision to close down the messaging service business.

The additions of other intangible assets in 2001 mainly relates to DiGi.Com.

Goodwill relates to the following subsidiaries and operations[*]:

(in NOK millions)	Book value 31.12.01	Amortization period	Year of purchase
DiGi.Com bhd	3,832	20 years	2001
Sweden On-Line AB	130	10 years	2001
Unigrid AB	126	10 years	2001
Accept Data AS	53	10 years	2001
SAIT Communications S.A	160	10 years	2001
DnB IT Operations	420	7 years	2001
Telenordia AB	80	0.5-2 year	2001
Fellesdata AS	1,173	20 years	2000
EDB Stradec AS	58	20 years	2000
OJSC Comincom/Combellga	447	10 years	2000
alfaNETT AS	188	10 years	2000
Nextra Czech Republic s.r.o – purchase of operations	103	5 years	2000
Telesciences Inc	51	20 years	1999
EDB Business Partner ASA	63	20 years	1999
Other	555	3-20 years	
Total	**7,439**		

[*] The allocation of goodwill and net excess values are preliminary estimates for some of the investments.

› 15. TANGIBLE ASSETS

(in NOK millions)	Accumul. cost 01.01.01	Additions 2001	Foreign exchange adjustm. 2001	Disposals 2001	Amortization 2001	Acc. amortization 31.12.01	Book value 31.12.01	Book value 31.12.00
Local, regional & trunk networks	31,091	3,921	6	(50)	(2,220)	(24,968)	10,000	8,501
Mobile telephone network and switches	7,085	4,564	(14)	(3)	(997)	(4,873)	6,759	3,205
Subscriber equipment	309	7	–	(1)	(43)	(211)	104	138
Switches & equipment	14,423	952	5	(307)	(1,352)	(10,970)	4,103	4,702
Radio installations	1,648	20	1	–	(15)	(629)	1,040	1,033
Cable TV equipment	1,063	645	–	(13)	(137)	(555)	1,140	644
Land	674	79	–	(43)	(2)	(6)	704	674
Buildings	7,502	1,257	–	(1,009)	(292)	(3,568)	4,182	3,848
Support systems	5,877	4,134	(8)	(1,307)	(1,989)	(5,000)	3,696	2,053
Satellites	2,178	9	–	(11)	(649)	(1,385)	791	1,439
Total [1)]	**71,850**	**15,588**	**(10)**	**(2,744)**	**(7,696)**	**(52,165)**	**32,519**	**26,237**
Work in progress [2)]	3,533	1,554	2	–	–	–	5,089	3,533
Total	**75,383**	**17,142**	**(8)**	**(2,744)**	**(7,696)**	**(52,165)**	**37,608**	**29,770**

[1)] Includes book value of NOK 1,882 million for capital leases as of 31 December, 2001, mainly switches, GSM Mobile telephone network and satellites.
[2)] Net additions.

Accumulated capitalized interest (cost) was NOK 952 million as of 31 December, 2001.

The Group has entered into Cross Border Tax Benefit Leases for digital telephony switches and for GSM Mobile network with a book value as of 31 December, 2001 of NOK 1,092 million. The agreements called for the prepayments of all amounts due by both parties under the leases to financial institutions. The financial institutions then release the payments over the life of the leases in accordance with their contractual terms. During the course of the lease, Telenor maintains the rights and benefits of ownership of the equipment. Telenor has received benefits of NOK 320 million since the parties can depreciate the equipment for tax purposes. The amount has been deferred over the expected lease periods.

Depreciation of tangible assets was NOK 6,266 million in 2001, NOK 5,201 million in 2000 and NOK 4,616 million in 1999, respectively. Write-downs of tangible assets were NOK 1,430 million in 2001, NOK 100 million in 2000 and NOK 104 million in 1999.

The write-downs in 2001 mainly related to the transatlantic fiber capacity, TAT 14, in Networks (NOK 533 million) and satellite and satellite equipment in Plus (NOK 490 million). The write-downs were triggered by reductions in estimated future profitability and estimated fair values, mainly related to overcapacity in the relevant markets. Write-downs of NOK 179 million and NOK 123 million were made in the business areas Business Solutions and Other business units, respectively, to a large extent in connection with disposal and restructuring of businesses. Fair values are based on future discounted cash flows and estimated sales prices.

› 16. FINANCIAL ASSETS

(in NOK millions)	2001	2000
Long-term receivables*)	965	1,383
Shares and other investments(**)	3,076	3,337
Associated companies and joint ventures(***)	14,246	39,182
Total financial assets	**18,287**	**43,902**

› *) Long-term receivables

(in NOK millions)	2001	2000
Interest bearing		
Receivables from associated companies and joint ventures	783	885
Loans to employees	27	25
Other long-term receivables	49	340
Provision for bad debt	–	(5)
Non-interest bearing		
Receivables from associated companies and joint ventures	21	22
Other long-term receivables	95	133
Provision for bad debt	(10)	(17)
Total long-term receivables	**965**	**1,383**

[**] Shares and other investments:

(in NOK millions)	2001	2000
Satellite organizations [1]	–	524
Other shares and investments [2]	3,076	2,813
Total shares and other investements	**3,076**	**3,337**

[1] All the Satellite organizations were incorporated as limited companies by 31 December, 2001, and Telenor's ownership interests as of 31 December, 2001, are included in other shares and investments.

[2] Specification of other shares and investments in 2001:

(in NOK thousand)	No. of shares owned by Telenor	Share owned in %	Book value
Inmarsat Ventures Plc	1,500,000	15.00	1,857,098
Intelsat Ltd	20,566,590	4.11	441,544
New Skies Satellites N.V.	4,709,400	3.65	224,901
Eutelsat S.A.	4,127,130	0.04	35,458
Expert Eilag ASA	3,190,000	9.97	116,435
Sponsorservice ASA	700,000	12.72	56,020
Cosmoholding Albania	48,000	3.00	23,281
Næringslivets Kompetansesenter AS	4,115	15.91	12,960
A-team International AS	209,976	17.70	10,000
Carrot Communication AS	1,162,791	5.30	10,000
Intergame AS	33	13.75	9,900
Extend AS	119	18.40	6,567
GolfaXess ASA	249,000	12.50	4,980
Bank VPB	220,000	19.80	3,992
Bank Rosprombasnk		5.00	3,722
Norsk Helseinformatikk AS	40	18.00	3,500
N3 Sport AS	189,000	13.70	3,336
IT Fornebu	92,770	11.28	1,657
Essnet AB	330,000	8.09	1,646
Sørlandets Teknologisenter AS	1,300	18.00	1,300
Smart Club AS	2,500,000	2.14	1,200
Tæl AS	1,000	10,80	1,030
Capital contribution to Telenor Pensjonskasse			228,000
Other			17,313
Total other shares and investments			**3,075,840**

Expert Eilag ASA and New Skies Satellites N.V. are listed companies. The market values as of 31 December, 2001 for Telenors shares were NOK 115 million and NOK 264 million, respectively. Other includes shares in companies where Telenor owns more than 10% with insignificant book values.

[***] Associated companies and joint ventures

(in NOK millions)	2001	2000
Balance 1 January	39,088	7,382
Investments	2,336	33,199
Transferred to/from other investments and disposal	(34,643)	(1,034)
Net income after taxes	(318)	(1,086)
Gains/losses from disposal [1]	21,579	1,170
Amortization of net excess values	(1,427)	(776)
Write downs of excess values	(11,597)	–
Equity and translations adjustments	(832)	233
Balance 31 December	**14,186**	**39,088**
Of which investments carried with a negative value (classified as provisions)	60	94
Total associated companies and joint ventures	**14,246**	**39,182**

Shares and investments are carried at negative values where Telenor has a corresponding liability above and beyond the capital contributed.

[1] Specification of gains and loss from disposal:

(in NOK millions)	2001	2000
VIAG Interkom	10,705	–
Esat Digifone	10,740	–
Ephorma AS	100	–
European Medical Solutions Group AS	41	–
Cosmote S.A.	–	913
Scandinavia Online AB & Schibsted Interactive AB	–	223
Other	(7)	34
Total	**21,579**	**1,170**

Specifications of investments in associated companies and joint ventures:

(in NOK thousands) Company	Share owned in %	Book value 31.12.00	Invest-ments /disposals during 2001	[1][2] Share of result	Amort-ization of net excess values	Equity and trans-lation adjust-ments	Book value 31.12.01	Net excess values 31.12.01
Pannon GSM RT [7]	25.8	568,689	26,533	145,499	(40,146)	28,564	729,138	277,872
Esat Digfone Ltd [8]	–	551,227	(11,308,516)	10,783,292	(9,733)	(16,270)	–	–
Connect Austria GmbH	17.5	738,055	264,041	(169,404)	–	(10,800)	821,892	–
Cosmote S.A.	18.0	608,553	–	226,752	(5,299)	(26,817)	803,188	109,028
VIAG Interkom GmbH & Co [8]	–	9,500,719	(20,110,564)	10,704,528	–	(94,683)	–	–
Kyivstar J.S.C [11]	45.4	313,275	254,119	15,585	(33,695)	4,849	554,133	383,118
European Telecom S.A, (ProMonte) [5]	44.1	89,909	–	58,952	–	(4,026)	144,835	–
StavTeleSot J.S.C	49.0	(35,222)	–	33,666	–	661	(894)	–
Extel Kaliningrad J.S.C	49.0	(21,699)	379	15,626	(872)	(449)	(7,016)	4,292
VimpelCommunication [10]	29.0	1,589,609	262,294	(33,544)	(46,797)	35,200	1,806,760	317,628
Sonofon Holding A/S [3] [6]	53.5	14,218,300	4,000	93,715	(8,165,893)	(594,193)	5,555,929	5,791,785
DTAC [12]	40.3	4,368,330	–	11,848	(2,535,862)	5,049	1,849,365	491,090
UCOM [6]	24.9	1,532,613	–	16,428	(1,165,308)	2,028	385,761	83,070
DiGi.Com bhd [4]	–	2,434,880	(2,423,019)	92,756	(107,967)	3,350	–	–
Telenordia AB [4]	–	1,573,809	(598,676)	(86,935)	(740,519)	(147,678)	–	–
Bravida ASA	48.0	167,091	(2,127)	(29,268)	–	–	135,697	–
Canal Digital Group [9]	50.0	140,621	377,740	(356,281)	(17,359)	–	144,721	146,102
World Wide Mobile Communicat. AS	40.0	61,914	–	(441)	–	–	61,474	–
A-pressen ASA	29.2	535,221	–	3,789	(30,828)	(10,338)	497,844	269,778
Ephorma AS [8]	–	31,082	(135,500)	105,559	(1,140)	–	–	–
European Medical Solutions Group AS [8]	–	3,015	(47,183)	44,168	–	–	–	–
Axon AS	30.0	25,091	–	(2,994)	(13,579)	–	8,518	737
TIBE Reklame Holding AS	34.0	14,399	–	804	(2,857)	–	12,346	9,977
Atento AS	28.0	–	20,054	(18,730)	–	–	1,324	–
Metropol (NYTV Oslo ASA)	23.4	–	29,138	(5,964)	(23,174)	–	–	–
Visiworld AS	50.0	–	28,121	(13,255)	(3,633)	–	11,233	14,534
Etellus AS	33.0	10,291	–	(10,291)	–	–	–	–
Televenture Management AS	23.9	12,168	–	470	–	–	12,638	–
Smart Club Telecom AS	48.9	(5,919)	25,401	(19,481)	–	–	–	–
Nordialog AS	48.0	7,129	–	1,298	–	–	8,427	–
Triggerduck AS	33.5	–	10,000	(927)	(1,296)	–	7,777	5,172
ZebSign AS	50.0	–	29,348	(2,448)	–	–	26,901	–
OniWay	20.0	–	324,455	(51,853)	–	(5,178)	267,423	–
Wireless Matrix Corporation Canada	30.8	–	316,662	(77,829)	(62,954)	(2,688)	173,191	159,651
Doorstep AS	50.0	(3,065)	20,171	(9,570)	–	–	7,537	–
Ajourit AS	29.5	–	31,298	(21,875)	–	–	9,423	–
Oslo Lufthavn Tele & Data AS	50.0	3,900	573	2,306	–	–	6,779	–
Otrum Electronics ASA	33.1	–	272,678	(81,400)	(6,797)	–	184,481	83,831
Care for You AS	18.0	–	15,000	(2,175)	(1,992)	–	10,833	11,280
Other	–	54,085	6,999	(101,610)	(6,066)	1,322	(45,269)	11,039
Total		**39,088,069**	**(32,306,582)**	**21,260,766**	**(13,023,766)**	**(832,099)**	**14,186,388**	**8,169,983**

[1] Includes pretax gains on disposal and Telenor's share of the companies' net income after taxes.
[2] Share of net income after taxes are partly based on preliminary results from some of the companies. Actual figures may deviate from the preliminary figures.

[3] Jointly controlled according to a shareholders agreement.
[4] During 2001 the ownership interest in DiGi.Com increased to 61%, and the company became a subsidiary with effect from 1 September, 2001. With effect from 1 October, 2001 Telenordia became a wholly-owned subsidiary of Telenor.
[5] European Telecom S.A. has an ownership share of 91.1% in ProMonte GSM and Telenor owns 44% of European Telecom.
[6] In 2001 the following significant write-downs of excess values were recorded;
Sonofon NOK 7,500 million, DTAC NOK 2,290 million, UCOM NOK 1,110 million and Telenordia NOK 665 million. The write-downs were triggered by a significant fall in the market values for telecommunication companies. For DTAC and UCOM, the write-downs were made to the quoted market price as of 31 December, 2001. The fair values for Sonofon and Telenordia were estimated based on estimates of the earnings potential and comparison to similar companies and estimates from external parties.
[7] On 4 February, 2002 Pannon GSM became a wholly-owned subsidiary of Telenor.
[8] Telenor's ownership interests in VIAG Interkom, Esat Digifone, Ephorma and European Medical Solutions Group were sold in 2001.
[9] Telenor signed an agreement with Canal+ in 2001 for the acquisition of the remaining 50% of Canal Digital for a cash payment of NOK 2.4 billion, of which NOK 0.5 billion is dependent on future profits of Canal Digital and will be paid within 2008. The transaction is pending regulatory approval and is expected to be completed during 2002.
[10] Telenor has a voting interest of 25% in VimpelCommunication.
[11] In 2002 one of the other owners of Kyivstar excercised their right to start negotiations with Telenor to sell their 16.5% ownership interest to Telenor pursuant to the agreement between the parties. If the parties do not reach an agreement on price and other terms within a given timeframe, the other party can excercise their right to start a sale process including Telenor's shares in Kyivstar.
[12] Ownership interest in DTAC includes indirect ownership through UCOM.

› 17. CURRENT RECEIVABLES

› Accounts receivables

(in NOK millions)	2001	2000
Accounts receivables	6,579	6,137
Provision for bad debt	(501)	(380)
Total accounts receivables	**6,078**	**5,757**

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

› Other current receivables:

(in NOK millions)	2001	2000
Interest bearing		
Receivables from associated companies and joint ventures	170	651
Receivables from others	115	35
Non-interest bearing		
Receivables from associated companies and joint ventures	85	208
Receivable on employees	36	54
Other short-term receivables	1,300	574
Provision for bad debt	(32)	(60)
Total other current receivables	**1,674**	**1,462**

› Prepaid expenses and accrued revenues:

(in NOK millions)	2001	2000
Prepaid expenses	539	437
Accrued revenues	1,410	1,709
Total prepaid expenses and accrued revenues	**1,949**	**2,146**
Total current receivables, etc	**9,701**	**9,365**

› 18. SHORT TERM INVESTMENTS

(in NOK millions)	2001	2000
Bonds/Commercial paper	159	10
Shares [1]	316	468
Total short term investments	**475**	**478**

[1] Specification of shares classified as current assets.

(in NOK thousands)	No. of shares owned by Telenor	Share owned in %	Book value
Incatel AS	127,930	67.9	54,839
E-Line Group ASA	4,431,890	22.1	44,329
Crest Computer AB	4,166,062	42.0	24,427
Virtual Garden AS	2,009,820	16.9	20,535
Nordisk Språkteknologi AS	2,015,272	26.3	20,153
Blue Chip Communication AS	1,309,520	32.1	17,847
Telenostra AS	69,698	31.5	14,421
Travis AS	1,845,455	22.2	14,084
Viva Technologies AS	14,640,000	32.3	10,067
Melody Interactive Solutions AB	283,408	15.3	8,400
Roxen AB	833,660	16.4	7,559
Maritech AS	3,586,673	10.4	6,625
ZoomOn AB	847,200	10.0	6,445
Q-Free ASA	105,934	6.6	5,890
Sonat AB	30,000	20.0	4,647
North Node AB	71,074	19.4	4,357
Voice Provider AB	18,572	13.0	3,024
PolyDisplay ASA	2,959,515	18.6	2,813
ClustRa Systems Inc.	1,000,000	1.3	2,713
Other shares, etc [1]	-	-	42,995
Total shares classified as current asset			**316,170**

[1] Includes companies where Telenor owns more than 10% with insignificant book values.

The above shares are mainly owned by Telenor Venture. E-Line Group ASA is a listed company. The market value as of 31 December, 2001 for Telenor's shareholding was NOK 44 million. Mutual funds are included in other shares with a market value of NOK 43 million as of 31 December, 2001.

› 19. PROVISIONS

(in NOK millions)	2001	2000
Provisions for pensions	64	227
Deferred tax liability	495	-
Restructuring etc [1]	85	52
Negative values associated companies	60	94
Other provisions	57	40
Total provisions	**761**	**413**

[1] Provisions for restructuring, workforce reduction, onerous contracts, exit costs, legal disputes, dismantling, etc.

› 20. INTEREST BEARING LIABILITIES

› Total interest bearing liabilities

(in NOK millions)	2001	2000
Euro Commercial paper loans (ECP)	-	3,263
US Commercial paper loans (USCP)	-	3,797
Norwegian Commercial paper loans	1,930	1,065
Euro medium-term note loans (EMTN)	10,861	28,628
Loans from Japanese investors	412	1,304
Loans from Norwegian investors	700	-
Satellite leasing	1,228	1,362
Other interest bearing liabilities	3,366	2,650
Total long-term interest bearing liabilities	**18,497**	**42,069**
Short-term interest bearing liabilities	**672**	**743**
Total interest bearing liabilities	**19,169**	**42,812**

A short-term Euro Commercial Paper program (ECP) was established in 1996, with a USD 500 million limit. In 2000 Telenor established a US Commercial Paper Program (USCP), which has a USD 1000 million limit. Telenor issued commercial paper in the Norwegian market during 2001, which as of 31 December, 2001 had an average maturity of 2.3 months.

In 2000 Telenor established a syndicated USD revolving credit facility maturing in 2005, limited to USD 1,000 million. In addition to this a syndicated EUR revolving credit facility of EUR 1,000 million was established in December 2001. This facility matures in December 2002, but Telenor has a one year term-out option, provided that if the credit rating is equal to or less than either BBB or Baa 2 respectively, Telenor must maintain a net debt to EBITDA ratio equal to or less than 3.5:1.

The total amount of outstanding commercial paper (ECP, USCP and Norwegian) and drawings under these facilities will not exceed the total limits of the credit facilities. The commercial paper are treated as long-term, irrespective of the actual maturity date.

In 1996, Telenor established its Euro Medium Term Note Program (EMTN). The program had a limit of USD 6,000 million as of 31 December, 2001. As of 31 December, 2001, notes issued under the program had terms between eight months and ten years.

The commercial paper (ECP, USCP, Norwegian), the EMTN program and loans from Japanese and Norwegian investors are liabilities of Telenor Communications AS (NOK 13,903 million as of 31 December, 2001) which are unsecured and contain provisions restricting the pledge of assets to secure future borrowings without granting a similar secured status to the existing lenders (negative pledge). The financing agreements also contain covenants limiting disposals of significant subsidiaries and assets.

Telenor established lease financing agreements for the two satellites, Thor II and Thor III, in 1997 and 1998. Both lease agreements are amortized over 12 years, with final maturity in 2010.

Telenor entered into Cross Border Tax Benefit Leases for digital telephony switches and for GSM Mobile telephone network in 1998 and 1999. The agreements called for prepayments of all amounts due by the parties under the leases to financial institutions. The leasing obligations and the prepayments are netted in the balance sheet, and are not reflected in the tables. See note 15 and 30.

Other interest bearing liabilities are interest bearing liablilities in subsidiaries, mainly DiGi.Com, Grameen Phone, EDB Business Partner and committed purchase of software licenses in Business Solutions, in addition to the book value of currency derivatives that hedge interest bearing liabilities.

The weighted average years to maturity of outstanding interest bearing liabilities of the group (NOK 19,169 million) was 3.42 as of 31 December, 2001. The average duration of this portfolio was 1.3 years.

› Maturities of the Group's long-term interest bearing liabilities as of 31 December, 2001

Year	Installment (in NOK millions)
2002	4,452
2003	2,582
2004	2,331
2005	3,017
2006	3,892
After 2006	2,223
Total long-term interest bearing liabilities	**18,497**

› Distribution of long-term funding in originated currencies as of 31 December

(in millions, except percentages)	Average weighted fixed interest rate in % 31.12.01	Foreign currency 31.12.01	NOK 31.12.01	NOK 31.12.00
Commercial paper (ECP and USCP)				
GBP	-	-	-	132
USD	-	-	-	6,928
Norwegian commercial paper				
NOK	6.90	-	1,930	1,065
EMTN loans				
AUD	4.31	36	170	182
CHF	3.21	798	4,292	5,184
EUR	4.20	183	1,460	16,707
JPY	2.47	26,000	1,785	1,696
USD	5.50	350	3,154	4,859
Loans from Japanese investors				
JPY	3.85	6,000	412	1,304
Loans from Norwegian investors				
NOK	7.61	700	700	-
Satellitte leasing				
GBP	7.50	94	1,228	1,362
Other				
Other interest bearing liabilities	Between 7-16	-	3,366	2,650
Total long-term interest bearing liabilities			**18,497**	**42,069**

› 21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The assets, liabilities and committed future transactions of the Telenor Group are exposed to interest rate and exchange rate risk. Telenor manages these risks by issuing debt denominated in foreign currencies and by using derivatives. The derivative transactions are entered into with financial institutions which have high credit ratings, in order to minimize credit risk. Limits and guidelines are established for the use of derivatives and financial instruments, including credit assessment of counterparts and continuous measurement of credit exposure. Financial flexibility, the overriding objective on the financial area for Telenor, is reflected in the limits.

Telenor has a limited activity related to trading. As of 31 December, 2001 Telenor did not have any outstanding open trading positions.

Telenor is also exposed to equity price risk on our investments in equity instruments.

The group has established an inhouse bank (Telenor Finans), which is responsible for funding, foreign exchange risk, interest rate risk and credit risk management.

Telenor has a portfolio approach on financial risk management. Management considers the various transactions in the portfolio in aggregate and thus focuses on the net exposure of the portfolio for financial risk management purposes.

Outstanding financial instruments as of 31 December, 2001 include bank deposits and loans, commercial paper and bonds, currency swaps, foreign currency forward contracts, interest rate swaps, forward rate agreements and interest rate options.

› Exchange rate risk

Telenor has invested in companies which have other functional currencies than Norwegian kroner. The value of these investments for Telenor will fluctuate with appreciation or depreciation of these currencies compared to Norwegian kroner. To reduce this risk, Telenor creates liabilities in the currencies involved. Whether Telenor uses interest-bearing liabilities, derivatives or a combination depends on which strategy that provides the lower funding cost.

Committed cash flows greater than equivalent NOK 50 million are hedged economically, but do often not qualify for hedge accounting.

Hedging as described above is only entered into in currencies with well-functioning capital markets. Instruments used are primarily commercial paper and bond borrowings as well as currency swaps and foreign currency forward contracts. Foreign currency swaps are also used in managing the liquidity flows of the group.

The net currency exposure of the portfolio designed to hedge Telenor's investments in foreign currencies as of 31 December, 2001, were as follows (amount in millions local currency): CHF 5, DKK 3,826, EUR 408, GBP 14, SEK 1,220, USD 184.

Not all of the hedging transactions in the portfolio above have been designated as hedges of net investments in order to apply hedge accounting for net investment hedges. Consequently, exchange rate fluctuation on the undesignated hedging instruments is recorded in earnings.

In addition to this Telenor had purchased EUR 850 million as of 31 December, 2001 to hedge the settlement of the Pannon acquisition, which was closed on 4 February, 2002.

› Interest rate risk

Telenor is exposed to interest rate risk due to money market activities in relation to funding of the group's investments and liquidity management.

The interest rate strategy of the Telenor management is to hold an efficient debt portfolio that provides the optimal funding cost in the long run. It is an objective to balance the desire of predictability in future interest payments and the increased market risk imposed by increased portfolio duration. The average duration of the portfolio as of 31 December, 2001 was 1.3 years.

Telenor uses interest rate derivatives to manage the interest rate risk of the debt portfolio. This would typically include interest rate swaps to change the interest rate on the underlying debt from fixed to floating, or the other way round, while Forward Rate Agreements and interest rate options are used to a lesser extent.

› Liquidity and credit risk

Cash is invested in short-term interest bearing instruments. As only counterparts with high credit ratings are accepted in this type of transactions, the credit risk associated to these investments is limited. Guidelines and limits are established to achieve a well-diversified portfolio.

The procedures designed to manage the liquidity flows in the group and the two revolving credit facilities are intended to ensure a low liquidity risk level.

› Face value of foreign currency forward contracts as of 31 December, 2001

Telenor pays	Amount in millions local currency	Telenor receives	Amount in millions local currency	Average years to maturity
DKK	(3,826)	NOK	4,114	0.09
GBP	(14)	NOK	181	0.08
SEK	(451)	NOK	390	0.09
NOK	(8,876)	EUR	1,103	0.14
USD	(25)	NOK	224	0.18
CHF	(5)	NOK	31	0.03

› Interest rate instruments as of 31 December, 2001

Telenor pays	Telenor receives	Instrument	Average years to maturity	Currrency	Notional amount in millions local currency	Notional amount in millions NOK
Floating	Fixed	Interest rate swap	1.31	CHF	181	972
Fixed	Floating	Interest rate swap	2.57	EUR	250	1,993
Floating	Fixed	Interest rate swap	0.65	EUR	92	734
Floating	Fixed	Interest rate swap	7.35	JPY	12,000	823
Fixed	Floating	Interest rate swap	3.29	NOK	1,817	1,817
Fixed	Floating	Interest rate option	0.50	NOK	300	300
Fixed	Floating	Interest rate swap	0.61	SEK	235	201
Floating	Floating	Interest rate swap	1.31	SEK	534	457
Fixed	Floating	Interest rate swap	1.41	USD	70	631
Floating	Floating	Interest rate swap	3.87	USD	90	811

› Cross currency interest rate instruments as of 31 December, 2001

Telenor pays	Face value in millions local currrency	Telenor receives	Face value in millions local currrency	Average years to maturity
Fixed EUR	(159)	Fixed USD	180	4.19
Fixed JPY	(5,000)	Floating NOK	346	2.67
Fixed NOK	(220)	Floating JPY	3,000	2.93
Floating EUR	(51)	Floating CHF	81	1.31
Floating EUR	(51)	Floating JPY	5,500	1.07
Floating EUR	(50)	Floating NOK	400	5.10
Floating EUR	(37)	Fixed NOK	300	5.10
Floating NOK	(780)	Fixed USD	100	4.19
Floating SEK	(534)	Floating CHF	100	1.31
Floating SEK	(235)	Floating EUR	26	0.61
Floating USD	(44)	Fixed CHF	67	1.31
Floating USD	(9)	Fixed AUD	12	4.24
Floating USD	(19)	Floating AUD	25	4.36
Floating USD	(133)	Fixed CHF	200	2.75
Floating USD	(24)	Fixed NOK	221	2.93
Floating USD	(56)	Floating NOK	506	9.98

All floating rates (NIBOR, LIBOR, STIBOR) are 6 months.

› Fair value of financial instruments

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

Fair values of interest bearing liabilities as interest rate- and cross currency interest rate swaps are estimated by the present value of future cash flows, net of accrued interest. Derivatives are revalued on the swap curve, whereas interest bearing liabilities are revalued using an interest rate curve, which incorporates estimates of the Telenor credit spread as of 31 December, 2001. Outstanding options are revalued using the Black-Scholes model. Fair values for listed shares are based on quoted prices at the end of the relevant years. Listed companies consolidated in the Telenor Group or accounted for by using the equity method, are not included in the table below.

At 31 December, 2001 and 2000 the book value for financial instruments approximated fair value with the following exceptions:

	2001		2000	
(in NOK millions)	Book value	Fair value	Book value	Fair value
Financial assets:				
Listed shares	428	466	561	447
Financial liabilities:				
Long-term interest bearing liabilities	(18,497)	(19,422)	(42,069)	(43,603)
Instruments used for interest rate risk management				
Gain on interest rate swaps	–	83	–	60
Loss on interest rate swaps	–	(112)	–	(33)
Loss on forward rate agreements	–	–	–	(1)
Gain on interest rate options	–	1	–	–
Instruments used for exchange rate risk management				
Gain on cross currency interest rate swaps[1]	–	1,373	–	2,056
Loss on cross currency interest rate swaps[1]	–	(385)	–	(442)
Gain on foreign currency forward contracts	13	13	–	–
Loss on foreign currency forward contracts	(96)	(96)	(175)	(175)

[1] Change in value of these instruments due to exchange rate movements is included in the book value of long-term interest bearing liabilities. Unrealised gain on transactions with exchange rate movements in favour of Telenor as of 31 December, 2001 was NOK 1,200 million, whereas unrealised loss was NOK 478 million. The corresponding figures for 31 December, 2000 were NOK 1,845 million and NOK 448 million respectively.

› 22. NON-INTEREST BEARING LIABILITIES

(in NOK millions)	2001	2000
Accounts payable	2,762	3,277
Government taxes, tax deductions etc	2,002	2,127
Dividends payable	621	532
Dividends payable to minority interests in subsidiaries	–	56
Current taxes	3,421	1,115
Accrued expenses	4,731	2,786
Prepaid revenues	1,701	1,099
Provision for restructuring etc [1]	590	6
Other current liabilities	794	856
Total current non-interest bearing liabilities	**16,622**	**11,854**
Long-term non-interest bearing liabilities	388	426
Total non-interest bearing liabilities	**17,010**	**12,280**

[1] The provisions are mainly related to disposal and close down of businesses, loss contracts and legal disputes.

› 23. MORTGAGES AND GUARANTEES

(in NOK millions)	2001	2000
Mortgages		
Inventories, receivables, tangible assets, etc	5,000	1,991
Total mortgages	**5,000**	**1,991**
Guarantees		
Satellite organizations	–	2,117
Other guarantees	2,719	1,481
Total guarantees	**2,719**	**3,598**

Mortgages as of 31 December, 2001 mainly relates to assets in DiGi.Com, Grameen Phone, the satellites Thor II and Thor III as well as shares in Kyivstar. Guarantees as of 31 December, 2001 is to a large extent provided for obligations in associated companies and Inmarsat.

› 24. COMMITMENTS AND CONTINGENCIES

Telenor is involved in a number of proceedings, including those described below, concerning matters arising in connection with the conduct of Telenors business. Provisions have been made to cover the expected outcome of the proceedings to the extent that negative outcomes are likely and reliable estimates can be made. For the proceedings mentioned below, no provisions have been made. While acknowledging the uncertainties of litigation, Telenor believes that these matters will be resolved without any material effect on Telenors financial position.

In April 2001, the company S&A Telecom Cyprus Ltd. initiated legal proceedings against Telenor in the Greek civil court in Athens for a compensation claim of approximately NOK 444 million due to an alleged breach of contract. The company WR Com Ltd. has also indicated its intention to commence arbitration proceedings in Oslo based on similar grounds in the same complex of cases. The arbitration panel has been established, but a date for hearing has not yet been set.

In October 2000, Tele Danmark, Telia, Sonera, and Iceland Telecom first gave notice of a claim against Telenor for NOK 435 million relating to the alleged co-ownership of Telenor Satellite Mobile's operations at the Eik earth station between us and the plaintiffs. The factual basis is the other parties' contribution to paying for the depreciations of the investments at Eik. Telenor expects the claim to be a claim for compensation. Telenor and the plaintiffs agreed to resolve this dispute by arbitration. Telenor has received no detailed claims yet.

In August 2001, the Norwegian State Railways (Norges Statsbaner, NSB) brought legal proceedings against Telenor before the Oslo County Court claiming that an agreement previously entered into between the parties concerning the allocation of costs linked to contamination of a site used for the treatment of telephone poles with creosote is not binding for NSB. NSB's claim is for NOK 122 million. In addition, NSB claims that Telenor are responsible to NSB for any additional costs linked to clearing the creosote from the site. The Oslo County Court has not yet set a date for the main hearing.

› 25. CONTRACTUAL OBLIGATIONS

The Group has entered into agreements with fixed payments in the following areas as of 31 December, 2001:

(in NOK millions)	2002	2003	2004	2005	2006	After 2006
Rent of premises	654	423	336	286	226	1,101
Rent of cars, office equipment, etc.	142	88	38	11	3	–
Rent of satellite capacity, etc.	432	275	71	61	41	58
IT-related agreements	329	201	131	85	51	10
Other contractual obligations	1,552	470	350	189	161	146
Committed investments						
Associated companies	1,345	1,328	441	–	–	–
Properties and equipment	1,664	48	11	6	5	31
Other contractual investments	10,821	1,070	514	5	4	4
Total contractual obligation	**16,939**	**3,903**	**1,892**	**643**	**491**	**1,350**

The table do not include future investments due to the UMTS license in Norway awarded to Telenor or licence fee payments.

The decrease in rent of satellite capacity in 2003 is due to the fact that Telenor has committed to invest in satellite capacity in 2003. The committed investment is included in other contractual investments in 2003 with NOK 1,053 million.

The high level of other contractual obligations in 2002 compared to subsequent years relate mainly to the one-year framework agreement with Bravida for installation and service work.

Of the committed investments in associated companies a totale of NOK 2.2 billion is related to OniWay in Portugal.

Committed investments in properties and equipment are mainly related to investment in fixed network in Norway and in DiGi.Com. Related to the construction of the new headquarter NOK 256 million is contractually obligated in 2002.

Other contractual investments in 2002 and 2004 includes Pannon GSM, Canal Digital and Comsat.

› 26. RELATED PARTIES

Telenor ASA is 77.7% owned by the Norwegian state.

The Norwegian telecommunications market is governed by the Telecommunications Act and other regulations issued pursuant to this Act, as well as by concessions (licenses) for certain activities. According to the concession on fixed network and the public telephony service, Telenor must provide and maintain Universal Service Obligations (USO) — PSTN telephony to all households and companies, public pay phones, services for the disabled, emergency services — and Special Service Obligations (SSO) — the defense of Norway, coastal radio, services concerning Svalbard, wire services for ships, provisions of emergency lines for the police, fire department and ambulances — at a certain level. Telenor receives no compensation from the state for the provision of USO services, whereas compensation is given to Telenor for the provision of SSO. In 2001, 2000 and 1999 Telenor received NOK 80 million, NOK 78 million and NOK 76 million, respectively, under this agreement. Telenor paid NOK 200 million to the Norwegian state for a UMTS licence in 2000.

In addition Telenor provides mobile and fixed telephony services, leased lines, customer equipment, Internet connections, TV distributions and installation and IT operations/services to the state in the normal course of business and at arms-length prices. In 1999 Telenor acquired land on Fornebu for its new headquarter from the Norwegian state. The total consideration was NOK 471 million. In 2000 Telenor sold its headquarters for NOK 550 million to Entra Eiendom AS, a Norwegian government-owned entity, and Selmer ASA. Telenor lease back the administrative premises pending the completion of our new headquarters at Fornebu.

Telenor pays an annual fee to the Norwegian Post and Telecommunications Authority ("PT") for delivering telephony and mobile services. The fee was NOK 81 million in 2001, NOK 61 million in 2000 and NOK 61 million in 1999, respectively.

Canal Digital, a joint venture, owned 50% by Telenor, has agreements to purchase products and services from Telenor, mainly satellite broadcasting and cards for TV-decoders. The total amount invoiced for these products and services was NOK 475 million in 2001, NOK 282 million in 2000 and NOK 188 million in 1999, respectively. The transactions are based on arm's lenght agreements.

Associated companies abroad hire personnel from Telenor. A total of NOK 29 million, NOK 24 million and NOK 49 million was invoiced for these services in 2001, 2000 and 1999, respectively.

Bravida is an associated company from 1 November, 2000 and is not consolidated from 1 November. NOK 2,636 million was invoiced from Bravida to other Group companies in 2001 and NOK 491 million for two months in 2000, mainly for installation and other services. NOK 450 million and NOK 173 million in 2001 and 2000, respectively, was invoiced from Group companies to Bravida for sale of customer equipment and administrative services. The transactions are based on arm's length agreements.

› 27. ADDITIONAL INFORMATION ABOUT CASH FLOW

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

› Restricted bank accounts

	2001	2000	1999
For employees' tax deduction	114	24	35
Other	179	52	55
Total	**293**	**76**	**90**

› Material non-monetary transactions

	2001	2000	1999
Investments in businesses	678	–	–
Issuance of shares in subsidiaries in a business combination	–	–	619
Purchase of software license	–	1,006	–
Total	**678**	**1,006**	**619**

› 28. MANAGEMENT COMPENSATION ETC.

The annual salary for the President and Chief Executive Officer Tormod Hermansen was NOK 3,000,000 in 2001. In addition, NOK 295,454 was paid as compensation for vacation not used in 2000 and NOK 143,795 as delayed holiday allowance for 1999. In addition Telenor paid pension premiums of NOK 5,171,856 and other remuneration of NOK 140,184.

Remuneration to the Board of Directors and the Corporate Assembly for 2001 was NOK 1,443,750 and NOK 408,000 respectively.

Under the employment agreements, the members of the Group Management have the right to receive salary for six months beyond the agreed period of notice of six months if Telenor terminates the employment, with the following exceptions: Tormod Hermansen, Berit Svendsen, Stig Eide Sivertsen and Bjørn Formo have no right to receive salary beyond the agreed period of notice. Jon Fredrik Baksaas has the right to receive salary for twelve months beyond the agreed period of notice.

Two members of the Group Management, Arve Johansen and Torstein Moland, both have agreements which entitle them to a possible transfer to other tasks within the organisation with the right to compensation equivalent to half of their salary. These agreements relate to a specified time period up to the age of retirement. The future pension benefits are based on the salary at the time of transfer to other work. Another member of the Group Management; Henrik Torgersen, has the right to reduce his position to 2/3 of full time starting from 1 August, 2003. The future pension benefits will be maintained as for a full time position.

The Group Management have bonus agreements up to an amount corresponding to four months' salary as of 31 December, 2001. Exceptions to this are Arve Johansen, who has a bonus agreement corresponding to five months' salary, Gun Bente Johansen and Berit Svendsen with bonus agreeements up to an amount corresponding to two months' salary, and three months' salary for Bjørn Formo.

As of 1 January, 2002 the composition of the total remuneration to the Group Management has been adjusted. The previous long-term bonus of maximum two months' salary has been replaced by a share option program. At the same time, the composition of the compensation elements (fixed salary, annual bonus and share options) has been evaluated. Some members of the Group Management will have a relative higher component of annual bonus in their total remuneration, while others will have a relative higher component related to share options (long-term bonus).

21 February, 2002 Telenor ASA introduced a share option programme granting options to 85 managers and key personnel to subscribe for up to 2,520,000 shares in Telenor ASA. The option programme partly replaces existing bonus and incentive agreements for managers and key personnel.

One third of the options may be exercised each of the three years subsequent to the date of grant. The latest possible exercise date is seven years subsequent to the date of grant. The exercise price corresponds to the average closing price at Oslo Stock Exchange five trading days prior to the date of grant, increasing with an interest per commenced month corresponding to 1/12 of 12 months NIBOR (Norwegian Interbank interest rate). The options may only be exercised four times a year, during a ten-day period after the publication of the company's quarterly results. Upon the exercise of options Telenor maintains the right to redeem options by paying an amount in cash corresponding to the difference between exercise quotation price and closing price on the day the notification reached the company.

The following members of the Group Management were on 21 February, 2002 granted options according the above mentioned option-program.

Name	Granted options as of 21 February, 2002
Jon Fredrik Baksaas	100,000
Torstein Moland	100,000
Berit Svendsen	100,000
Arve Johansen	100,000
Bjørn Formo	100,000
Jan Edvard Thygesen	75,000
Stig Eide Sivertsen	75,000
Morten Lundal	75,000
Henrik Torgersen	75,000
Gun Bente Johansen	50,000

Members of Group Management have the right to retire at the age of 60/62 years with a supplementary pension, making their pension 66% of their salary at the date of retirement.

The suggested audit fee for 2001 to the auditor of the Group (Arthur Andersen & Co, Norway) is NOK 0.9 million for the parent company (Telenor ASA) and NOK 12.4 million for the subsidiaries. For other services the auditor of the Group (Arthur Andersen & Co, Norway) have invoiced NOK 32.5 million, of which NOK 13.8 million relates to the parent company.

Total loans to employees were NOK 38 million as of 31 December, 2001. The loans were mainly given to finance cars purchased by the employees, as an alternative to company cars, and loans provided in connection with the purchase of shares in the Employee Stock Ownership Program in December, 2001 (NOK 15.6 million). The loans for purchase of shares was limited to NOK 5,987 per employee after discount. The Board of Directors will decide whether a similar Employee Stock Ownership Program is going to be established in 2002. Loans for share purchase are non-interest bearing and have terms of one year. The remaining loans are established at normal market conditions. As of 31 December, 2001, the three employee representatives in the Board of Directors, in addition to Tormod Hermansen, Jon Fredrik Baksaas and Jan Edvard Thygesen had outstanding loans of NOK 5,987 each, related to this share purchase arrangement.

The number of shares owned by the members of the Board of Directors, the Corporate Assembly and the Group Management as of 31 December, 2001 is shown below. Shares owned by the Board of Directors and the Group Management includes closely related parties.

Board of Directors	No. of shares owned as of 31 December, 2001
Tom Vidar Rygh	15,000
Åshild Marianne Bendiktsen	682
Thorleif Enger	2,000
Bente Neegård Halvorsen	682
Harald Stavn	2,992
Per Gunnar Salomonsen	1,160
Irma Tystad	478

Corporate Assembly	No. of shares owned as of 31 December, 2001
Ragnar Klevaas	682
Eystein Gjelsvik	275
Stein Erik Olsen	478
Berit Kopren	275
Ole Morten Olsen	478
Jan Riddervold	1,303

Group Management	No. of shares owned as of 31 December, 2001
Tormod Hermansen	10,407
Jon Fredrik Baksaas	11,364
Torstein Moland	11,364
Berit Svendsen	3,745
Henrik Torgersen	2,057
Arve Johansen	24,280
Gun Bente Johansen	3,624
Jan Edvard Thygesen	14,426
Morten Lundal	7,417
Stig Eide Sivertsen	27,913
Bjørn Formo	682

› 29. NUMBER OF SHARES, SHAREHOLDERS ETC.

Telenor ASA has a share capital of NOK 10,816,383,912 divided into 1,802,730,652 ordinary shares with a nominal value of NOK 6 each. All shares have equal voting rights and the right to receive dividends. As of 31 December, 2001 the company had remaining 28,103,172 treasury shares of the total of 30,000,000, which were issued to Telenor as treasury shares to be used to grant additional bonus shares to retail investors in Norway pursuant to the global offering in December 2000. On 4 December, 2001, 1,896,828 treasury shares were transferred as additional bonus shares to retail investors. The general meeting held in 2001 granted an authority to the Board of Directors that the remaining shares could be used for other purposes.

At the extraordinary general meeting held on 10 November, 2000 it was resolved to grant authority to the board of directors to increase the share capital up to NOK 1,063,291,134 through the issuance of up to 177,215,189 ordinary shares of NOK 6 nominal value each in connection with possible future investments. Such authority lasts until 1 July, 2002. The board of directors may waive the pre-emptive rights of shareholders to such shares. The authority includes the issuance of shares against consideration other than cash and the issuance of shares in a merger. This will place the company in a better position for future growth. The general meeting in 2001 granted permission that such an increase in share capital may be used in share option plans and stock ownership programmes for employees as well. An employee stock ownership program took place in November/December 2001. A total of 578,753 shares at a nominal value of NOK 6 each were subscribed for. Telenor ASA established an option plan on 21 February, 2002, see note 28.

The following shareholders had 1% or more of the total number of 1.774.727.480 outstanding shares (excluding the 28.103.172 million treasury shares) as of 31 December, 2001.

Name of shareholders	Number of shares	%
Ministry of Trade and Industry	1,400,000,000	78.86
National Insurance Scheme Fund	29,000,000	1.63
State Street Bank (nominee)	17,837,100	1.01

› 30. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Group's consolidated financial statements have been prepared under Norwegian GAAP, which differs in certain respects from US GAAP. The principal differences between the Group's accounting principles under Norwegian GAAP and US GAAP are set out below:

Reconciliation of net income from Norwegian GAAP to US GAAP

(in NOK millions, except per share amounts)	Note	2001	2000	1999
Net income in accordance with Norwegian GAAP		7.079	1.076	2.035
Adjustments for US GAAP:				
Depreciation of capitalized interest associated companies	1	(38)	(4)	(5)
Pensions	2	(25)	(25)	(18)
Amortization of license costs and related goodwill	3	(27)	(3)	(3)
Temporary investments in entities	4	43	(38)	(53)
Gains on subsidiaries equity transactions and disposal of shares in subsidiary	5	–	393	307
Stock compensation	7	52	(194)	(30)
Sale and lease back of properties	8	36	(153)	–
Derivative financial instruments	9	171		
Goodwill amortization	10	39		
Tax effect of US GAAP adjustments	11	(56)	(48)	(64)
Minority interests	7	(270)	78	19
Net income in accordance with US GAAP		**7.004**	**1.082**	**2.188**
Net income continuing operations (excluding Telenor Media)		1.889	854	1.246
Net income per share in NOK in accordance with US GAAP:				
– Continuing operations (excluding Telenor Media)		1.066	0.599	0.890
– Cumulativ effect on prior years of change in accounting principle		0.033	–	–
– Basic		3.952	0.759	1.563
– Diluted		3.948	0.759	1.563
– Revenues in accordance with US GAAP		40.581	36.481	32.716

› Reconciliation of shareholder's equity from Norwegian GAAP to US GAAP

(in NOK millions)	Note	2001	2000
Shareholder's equity in accordance with Norwegian GAAP		42,144	35,474
Adjustments for US GAAP:			
Dividends	10	621	532
Gains on subsidiaries' equity transactions and disposal of shares in subsidiary	5	700	700
Capitalized interest associated companies	1	28	66
Pensions	2	140	165
Amortization of license costs and related goodwill	3	22	49
Temporary investments in entities	4	(110)	(153)
Equity and debt securities net of tax	6	27	(82)
Stock compensation	7	(172)	(224)
Sale and lease back of properties	8	(117)	(153)
Derivative financial instruments	9	(30)	
Goodwill amortization	10	39	
Tax effect of US GAAP adjustments	11	(188)	(188)
Minority interests	5	(160)	118
Shareholder's equity in accordance with US GAAP		**42,944**	**36,304**
Total assets in accordance with US GAAP		90,129	99,776
Long-term interest bearing liabilities in accordance with US GAAP		24,758	46,972

› The following table reflects the components of comprehensive income under US GAAP

(in NOK millions)	2001	2000	1999
Net income in accordance with US GAAP	7,004	1,082	2,188
Other comprehensive income			
– Unrealized gain/loss on available for sale securities	99	(210)	52
– Translation adjustment	47	(349)	(17)
Total other comprehensive income	**146**	**(559)**	**35**
Comprehensive income	**7,150**	**523**	**2,223**

› 1) Capitalized interest

Under Norwegian GAAP the Group has expensed interest incurred in connection with the financing of associated companies.

Under US GAAP interest incurred on equity funds, loans and advances to associated companies, under a period which the associated company is undergoing activities necessary to start its planned principal operations and such activities include the use of funds to acquire qualifying assets for its operations, shall be capitalized. Depreciation started in 1998 since those companies started their principal operations in 1998.

› 2) Pensions

In 1995 the Group began to account for pensions according to the accounting standard which is substantially consistent with US GAAP. The change in accounting principle was offset directly against shareholder's equity.

Under US GAAP the effect of adopting SFAS 87 would be amortized over the remaining average service period.

› 3) Amortization of license costs and related goodwill

Up to the end of 1997 the Group amortized license costs and goodwill related to acquired licenses over a period not exceeding 10 years. With effect from 1998 the amortization period has been changed to the term of the license. In accordance with Norwegian GAAP this change has been accounted for as a change of estimate, with no retroactive restatement of prior periods.

Under the US GAAP reconciliation, this revision in the amortization period was accounted for retroactively.

› 4) Temporary investment in entities

Investments in entities in which the Group has an ownership that are considered to be temporary in nature are recorded at cost or written down to fair value. The Group invests periodically in companies for the purpose of making profits.

Under US GAAP, all temporary investments with an ownership greater or equal to 20% are accounted for under the equity method or consolidated. The effect on the financial statements of temporary investments consolidated under US GAAP are immaterial.

Total assets accounted for under the equity method for US GAAP was NOK 39,361 million for the year ended 31 December, 2000 and NOK 14,389 million for the year ended 31 December, 2001

Total assets accounted for under the cost method for US GAAP was NOK 104 million for the year ended 31 December, 2000 and NOK 172 million for the year ended 31 December, 2001.

› 5) Gain from subsidiaries equity transactions, disposal of shares in a subsidiary and minority interest

Under Norwegian GAAP, no gains from subsidiary's equity transactions and disposal of shares in a subsidiary are recognized.

Under US GAAP, the Group records gains from subsidiary equity transactions (SAB 51 transactions) and disposal of shares in a subsidiary through income.

Under Norwegian GAAP, the minority interest is measured at fair value of the consideration paid from the minority. The difference between the recorded equity in the subsidiary and value of the consideration paid by the minority will be amortized or written down through allocating results to minority.

This allocation is not consistent with US GAAP.

The following information relates to the issuance of subsidiary shares under US GAAP:

Telenor's 100% owned subsidiary Telenor Programvare AS (now EDB Business Partner ASA) and the listed company EDB ASA merged in a purchase business combination in 1999, where the shareholders in EDB ASA received 34% of the shares in Telenor Programvare AS in exchange for its ownership in EDB AS. The total consideration was NOK 547 million based on the quoted price of EDB ASA at the date the transaction was announced. Recognized gain was NOK 192 million. In September 1999 Telenor sold 4.1 million of its shares in EDB Business Partner ASA. The total consideration was NOK 144 million. The resulting gain was NOK 94 million. In November 1999, Telenor B Invest issued shares to a minority shareholder for cash, reducing Telenor's ownership stake in the company by 26.67%. The total consideration was NOK 230 million. Recognized gain was NOK 21 million.

Telenor reduced its ownership stake in EDB Business Partner ASA when EDB Business Partner ASA issued shares to minority shareholders for cash in two transactions in February and May 2000, reducing Telenor's ownership by 7.3%. In particular, EDB Business Partner ASA issued 6.9 million shares in February 2000 at a price per share of NOK 137. Telenor did not participate in this issue, and Telenor's ownership was reduced from 59.6% to 54.2%. EDB Business Partner ASA issued another 10 million shares in May 2000 at a price per share of NOK 100. Also during May 2000, 2.7 million share option subscriptions by employees took place at an average price per share NOK 37.73. Telenor's ownership was thereby reduced from 54.2% to 52.6%. Total consideration received from minority shareholders was NOK 1,449 million and recognized gain under US GAAP was NOK 393 million. Taxes have been accrued in the tax effect line item of US GAAP adjustments.

› 6) Marketable equity securities

For investments in marketable equity securities classified as current assets that are managed as a portfolio, adjustment in the book value are only made if the aggregate holdings have a lower estimated fair value than the original cost. Other marketable shares are valued at the lower of cost or fair market value. Investment in marketable equity securities classified as long-term are valued at historical cost or possibly fair value if the decline in value is not temporary.

Under US GAAP, marketable equity securities are valued at their fair value for each security. For marketable equity securities classified as available for sale, unrealized gains and losses after tax are recorded directly to shareholder's equity. All listed shares are classified as available for sale in accordance with SFAS 115.

As of 31 December, 2000 and 2001, available for sale securities at cost amounted to NOK 561 million and NOK 466 million, respectively, with unrealized holding loss of NOK 114 million for 31 December, 2000 and a unrealized holding gain of NOK 38 million for 31 December, 2001 respectively. For the years ended 31 December, 2000 and 2001, proceeds from the sale of available for sale securities was NOK 660 million and NOK 94 million, respectively, and the gross realized gain from such sales was NOK 509 million in for the year ended 31 December, 2000 and a realised loss of NOK 238 million for the year ended 31 December, 2001

› 7) Stock compensation

The subsidiary EDB Business Partner ASA has stock compensation plans for its employees. The exercise price is based on the share price when the option was granted and is increased by 1% for each subsequent month until the date of exercise. Most of the options that are not exercised according to the plan can be carried forward to the next year.

In accordance with Norwegian GAAP, the Group did not recognize expense for stock options with no intrinsic value that were granted to employees.

In accordance with US GAAP, the measurement date for determining compensation costs for stock options is the first date at which the number of shares the employee is entitled to receive and the exercise price of the options are known. When EDB Business Partner ASA granted stock options, the number of shares was known at the grant date; however, the exercise price to be paid was not known because it was not known when the employee would exercise the option. Accordingly, variable plan accounting for these options would apply under US GAAP and the intrinsic value of the options at the end of each reporting period, based on the presumed exercise price and the quoted market price of EDB Business Partner's stock, would be calculated and recorded as compensation expense over the vesting period.

The following information relates to the stock compensation plans for EDB Business Partner:

EDB Business Partner operates a stock incentive plan for all its employees, which was established in 1999.

The share option plan has the approval of the shareholders of EDB Business Partner to grant options for the year ended 31 December 2001. The continuiation of the plan for 2002 and 2003 requires, and is subject to, additional shareholders approval. Norwegian law requiers shareholder approval of share issues , and the Board of Directors can not obtain power of attorney to execute such plan due to the longevity of the execise period. For purpose of the finacial statments these grants should be considered effective.

As of 31 December, 2001, EDB Business Partner's stock incentive plans have authorized the grant of options to employees for up to 9,955,850 shares of EDB Business Partner's common shares. Options granted had one to four year terms, where one-third of vested options become exercisable each year. Options vest over a one to three year period of continued employment. Vested but unexercised options can be carried forward to May 2004 or expire. Of the total options outstanding at year-end, options for 1.7 million shares have been accounted for as fixed plan awards. In fixed plan awards, the measurement date occurs on the grant date when both the number of shares of stock that may be acquired and the price to be paid by the employee are known. The options for the remaining 8.3 million shares of stock are considered variable plan grants because terms do not define the ultimate exercise price of the options.

EDB Business Partner has elected to continue to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options. However, pro forma information regarding net income and earnings per share is required by FASB Statement No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), and has been determined as if EDB Business Partner had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions. The assumptions for 2001 were risk-free interest rates of 5.85%; dividend yield of zero; volatility factor of the expected market price of EDB Business Partner's common shares of 30%; and a weighted-average expected life of the options of 2.3 years. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because EDB Business Partner's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. Had compensation cost for these plans been determined consistent with SFAS 123, the Group's net income would have been the following:

(in NOK millions)	2001	2000	1999
Pro forma net income based on US GAAP	6,858	1,143	2,199

EDB Business Partner recognized NOK 94 million in pro forma compensation expense under SFAS 123 for 2001.

The possible exercise of the stock options will have no dilutive effect on earnings per share since the options are only exercisable for EDB Business Partner ASA's shares. Thus, the exercise of options could not change the number of Telenor shares outstanding.

A summary of EDB Business Partner's stock option program and related information for the years ended 31 December follows:

› Options Outstanding

	Options	Weighted Average Exercise Price
Balance as of 31 December, 1998	**-**	**-**
Option of the date of acquisition	1,976,821	26.28
Options granted 1999	7,383,739	62.00
Balance as of 31 December, 1999	**9,360,560**	**54.46**
Options granted in 2000	6,277,134	179.07
Options exercised in 2000	2,722,448	30.79
Options forfeited in 2000	590,768	53.45
Balance as of 31 December, 2000	**12,324,478**	**121.62**
Options granted in 2001	699,070	106.33
Options exercised in 2001	1,667,104	62.90
Options forfeited in 2001	1,400,594	134.00
Balance as of 31 December, 2001	**9,955,850**	**126.72**

The table below details EDB Business Partner's options outstanding by related option exercise price as of 31 December, 2001 and is based on the final exercise dates. Some options under the new plan may be exercised prior to the termination of the plan.

Weighted average Exercise Price (in NOK)	Options Outstanding	Weighted Average Remaining Life	Options Exercisable
62,00	4,015,760	2.3	-
106.33	699,070	2.3	-
137,60	447,879	2.3	-
182,93	4,793,141	2.3	-
	9,955,850	**2.3**	**-**

› 8) Sale and lease back of properties

Under Norwegian GAAP the Group recognized gains from sale and lease back of properties when the lease back agreement is an operating lease agreement. Under US GAAP only gain from sale and lease back of properties that exceed the net present value of the lease back agreement can be recognised as gains. The remaining gains must be deferred over the lease periods.

› 9) Derivative financial instruments

Effective 1 January, 2001, US GAAP introduced Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138. This new accounting standard requires that all derivative instruments be recorded on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships for which hedge accounting is applied.

Interest rate derivatives not held for trading purposes are carried at cost under Norwegian GAAP. Under US GAAP all derivatives are now recorded marked – to – market and recognized on the balance sheet at fair value.

Translation adjustments related to hedging of net investments in foreign currencies are recorded through equity both in US GAAP and Norwegian GAAP. Under Norwegian GAAP we may combine more than one instrument in our hedging of net investments. Under US GAAP there are more stringent requirements of what instruments can be designated as hedging instruments, and foreign exchange gains or losses are to a greater extent reported through earnings under US GAAP than Norwegian GAAP. Telenors policy is to use instruments that may be used as hedging under both Norwegian GAAP and US GAAP, as long as this is cost effective.

The following information relates to derivative financial instruments under SFAS 133

› Transition effect › Telenor recognized an expense through earnings for the transition effect of NOK 80 million at 1 January, 2001, mainly due to fair value accounting for interest rate derivatives that were previously carried at cost. There was no transition effect charged to equity (Other Comprehensive Income).

› Derivative (and nonderivative) instruments designated as fair value hedging instruments

A significant portion of the debt issued by Telenor is fixed rate bonds (57% of outstanding bonds as of 31 December, 2001). Fixed rate bonds with long maturities impose a greater interest rate risk - in terms of mark-to-market risk – than management wishes to take on. As such the interest rate exposure on these bonds is often altered through entering into a derivative instrument that allows Telenor to receive a fixed interest and pay a specified floating interest rate. Telenor has designated these derivatives as fair value hedging relationships.

A common strategy for Telenor is to issue a fixed rate bond in the currency in which funding is to be raised and consequently enter into a "receive fixed/pay floating" interest rate swap. These fair value hedging relationships typically qualify for short cut treatment, as the requirements set out in paragraph 68 of SFAS 133[1] are met.

A second hedging strategy for Telenor is to hedge a fixed rate bond issued in currency other than Norwegian kroner with a receive fixed non base pay floating base cross currency interest rate swap. In these cases the hedged risks would be benchmark interest rates and exchange rates[2]. The swap would be the hedging instrument and the bond would be the hedged object in the fair value hedging relationship. In certain cases a combination of swaps are designated as the hedging instrument. Short cut treatment would not be applicable using this strategy. Still the hedging effectiveness for these hedging relationships has proved to be significantly above the 80/125 offset requirement, which has been in line with management's expectations given the cash flows of the transactions involved.

› Derivative instruments designated as cash flow hedging instruments

Telenor has not designated any cash flow hedging relationships, either at transition 1 January, 2001 or during the fiscal year 2001.

› Derivative and nonderivative instruments designated as hedging instruments of a net investment in a foreign operation

As described in Note 21 to the financial statements Telenor hedges net investments in foreign currency by issuing debt in the various currencies or through entering into derivative transactions. Material hedging positions have been designated as net investment hedges. In 2001 the instruments involved have been bonds and forward contracts. To the extent these hedging relationships have proven to be effective, translation adjustments on these hedging instruments have been reported in the Cumulative Translation Adjustment section of equity.

› Derivatives not designated as hedging instruments

Telenor has a duration-based target for interest rate risk management. Interest rate swaps are used to periodically rebalance the portfolio in order to be in line with the duration target. These derivatives do not qualify as hedging instruments, and are marked-to-market through earnings.

[1] A number of requirements are outlined in this paragraph. Among others; the notional amount of the swap matches the principal amount of the interest-bearing asset or liability, the fair value of the swap at its inception is zero, the formula for computing net settlements under the interest rate swap is the same for each net settlement.

[2] The benchmark interest rates in this instance would be the swap rates.

Foreign currency swaps are frequently used for liquidity management purposes. No hedging relationships are designated in relation – to – these derivatives, and any changes in fair value are recognized through earnings.

› Quantitative information

Fair value hedging relationships;	NOK in millions
Net loss recognized in 2001 earnings hedged items	(510)
Net gain recognized in 2001 earnings hedging instruments	508
Amount of hedge ineffectiveness	(2)

No components of the derivative instruments' gain or loss have been excluded from the assessment of hedge effectiveness.

› Hedges of foreign currency exposure of a net investment in a foreign operation; › Net amount of losses on hedging instruments included in the cumulative translation adjustment during 2001 was NOK 139 million.

For forward contracts the forward points have been excluded in determining hedge effectiveness.

› 10) Goodwill amortization

Goodwill is no longer amortized for business combinations initiated after 1 July. 2001 under US GAAP

Under Norwegian GAAP goodwill is still amortized.

› 11) Taxes

The income tax effects of US GAAP adjustments are recorded as a deferred tax expense.

› 12) Dividends

Under Norwegian GAAP, dividends payable reduce shareholder's equity for the year in which they relate.

Under US GAAP, dividends payable are recorded as a reduction of shareholder's equity when approved.

› 13) Cross border tax benefit leases

The Group has offset the future lease obligations under the digital telephone switches and the GSM Mobile telephone network cross border tax benefit lease transaction against the unused prepayments on deposits at financial institutions.

Both under Norwegian GAAP and under US GAAP we have deferred the gain from the transactions since there is more than a remote possibility of loss of the gain due to indemnification or other contingencies.

Under US GAAP, assets and liabilities may not be offset except when there exists the legal right to offset the asset and liability. The legal right to offset the prepaid lease amount against the future lease obligations do not legally exist therefore, under US GAAP, the prepaid lease amounts and the Group's future obligations under the sales-leaseback transactions are recorded gross on the consolidated balance sheet as financial assets and long-term interest bearing liabilities in the amount of approximately NOK 4,830 million for the year ended 31 December, 2001 and financial assets and long-term interest bearing liabilities of NOK 4,902 million for the year ended 31 December, 2001. This does not affect the profit and loss statement or shareholder's equity.

At 31 December, 2001 future minimum annual rental commitments under capital lease liability are as follows under US GAAP:

	As of 31 December, 2001 (in NOK millions)
2002	616
2003	615
2004	774
2005	776
2006	796
Later years through 2016	4,591
Total minimum lease payments	**8,168**
Less amount representing interest	2,110
Capital lease obligation under US GAAP	6,058
Capital lease obligation under Norwegian GAAP	1,228
Deferred gain (both Norwegian and US GAAP)	220

Capital leases are for switches, GSM mobile telephony network and satellites. Capital lease property is included in tangible assets as follows (at net book value):

(in NOK millions)	2000	2001
Switches	355	545
GSM mobile telephony network	737	1,066
Satellites	790	1,439
Total	**1,882**	**3,050**

› 14) Revenue recognition

Under Norwegian GAAP gains on the sale of fixed assets and operations are included in total revenues. Under US GAAP such gains would be included below other operating income.

Under Norwegian GAAP revenue from telecommunications installation fees and connection fees are recognized in revenue at the time of the sale and all initial direct costs are expensed as incurred. Under US GAAP, such connection and installation fees that do not represent a separate earnings process should be deferred and recognized over the periods that the fees are earned which is the expected period of the customer relationship. Initial direct costs to the extent of the deferred revenue should also be deferred over the same period that the revenue is recognized. The effect on net income of this difference is not material.

› SAB 101

The Company has considered the effect of SAB 101 and determined that it would not have a material effect on net income for any period presented.

› New US Accounting Standards

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires the use of the purchase method of accounting for all business combinations initiated after 30 June, 2001. SFAS No. 141 requires intangible assets to be recognised if they arise from contractual or legal rights or are "separable", i.e., it is feasible that they may be sold, transferred, licensed, rented, exchanged or pledged. As a result, it is likely that more intangible assets will be recognised under SFAS No. 141 than its predecessor, APB Opinion No.16 although in some instances previously recognised intangibles will be subsumed into goodwill.

Under SFAS No. 142, goodwill will no longer be amortized on a straight line basis over its estimated useful life, but will be tested for impairment on an annual basis and whenever indicators of impairment arise. The goodwill impairment test, which is based on fair value, is to be performed on a reporting unit level. A reporting unit is defined as a SFAS No. 131 operating segment or one level lower. Goodwill will no longer be allocated to other long-lived assets for impairment testing under SFAS No. 121 Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. Additionally, goodwill on equity method investments will no longer be amortized; however, it will continue to be tested for impairment in accordance with Accounting Principles Board Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock. Under SFAS No. 142 intangible assets with indefinite lives will not be amortized. Instead they will be carried at the lower cost or market value and tested for impairment at least annually. All other recognised intangible assets will continue to be amortized over their estimated useful lives.

SFAS No. 142 is effective for fiscal years beginning after 15 December, 2001 although goodwill on business combinations consummated after 1 July, 2001 will not be amortized. The company adopted SFAS No. 142 on 1 January, 2002.

On adoption the company may need to record a cumulative effect adjustment to reflect the impairment of previously recognised intangible assets. In addition, goodwill on prior business combinations will cease to be amortized. Had the company adopted SFAS No. 142 at 1 January, 2000 the company would not have recorded a goodwill amortization charge of NOK 2,095 million, of which NOK 1,427 million regards amortization of goodwill in associated companies. The Company has not determined the impact that these Statements will have on intangible assets or whether a cumulative effect adjustment will be required upon adoption.

› STATEMENT OF PROFIT AND LOSS

Telenor ASA as of 31 December

(in NOK millions)	Note	01.01–31.12 2001	21.07–31.12 2000
Revenues		270	–
Gains on disposal of Telenor Media		5,158	–
Total revenues		**5,428**	**–**
Operating expenses			
Salaries and personnel costs	2, 3	148	8
Other operating expenses	4	381	24
Depreciation		6	–
Total operating expenses		**535**	**32**
Operating profit		**4,893**	**(32)**
Financial income and expenses			
Interest income from Group companies		1,301	78
Other financial income		22	–
Group Contribution from Group companies		16,336	5,487
Write-downs of shares	5	(11,705)	–
Net financial items		**5,954**	**5,565**
Profit before taxes		**10,847**	**5,533**
Taxes	6	(4,947)	1,549
Net income		**5,900**	**3,984**
Proposed dividends		621	532
Group contribution distributed, net after taxes		9,363	2,342

› BALANCE SHEET

Telenor ASA as of 31 December

(in NOK millions)	Note	2001	2000
Assets		–	–
Intangible assets		223	–
Tangible assets		41	–
Shares in subsidiaries	7	18,584	20,954
Other Financial assets		122	–
Total fixed assets		**18,970**	**20,954**
Interest bearing receivables on Telenor Communication AS		23,006	15,377
Non-interest bearing receivables on Group companies		137	78
Receivables on Group Contribution		16,336	5,487
Non-interest bearing receivables external		131	–
Cash and cash equivalents		396	–
Total current assets		**40,006**	**20,942**
Total assets		**58,976**	**41,896**
Equity and Liabilities			
Equity		**42,608**	**37,309**
Liabilities			
Provisions		**6**	**–**
Long-term non-interest bearing liabilities		**212**	**–**
Liabilities to group companies		995	242
Payable Group Contribution		13,005	3,253
Dividends payable		621	532
Accrued expenses		41	53
Current taxes	6	1,301	507
Other liabilities		187	–
Total short-term liabilities		**16,150**	**4,587**
Total equity and liabilities		**58,976**	**41,896**
Mortages		–	–
Guarantee liabilities		1,871	–

› CASH FLOW STATEMENT
Telenor ASA

(in NOK millions)	01.01–31.12 2001	21.07–31.12 2000
Proceeds from sale of goods and sevices	142	–
Payments to employees, pensions, social security tax, tax deduction	(102)	–
Payments of other operating expenses	(350)	–
Interest etc. received	1,315	–
Payments of taxes and public duties	(499)	–
Net cash flow from operating activities[*)]	**506**	**–**
Purchase of tangible and intangible assets	(39)	–
Cash receipts from sale of subsidiaries	5,326	–
Cash payments on establishing new companies	(52)	–
Cash payments on establishing receivables on Group companies	(7,550)	(15,378)
Purchase of other investments	(93)	–
Net cash flow from investment activities	**(2,408)**	**(15,378)**
Proceeds from short-term liabilities from Group companies	598	–
Paid in equity	21	15,583
Paid costs in connection with capital increase	(54)	(205)
Payments of dividend	(532)	–
Paid in Group contribution	5,485	–
Payments of Group contribution	(3,220)	–
Net cash flow from financing activities	**2,298**	**15,378**
Net change in cash and cash equivalents	**396**	**–**
Cash and cash equivalents at 1 January	–	–
Cash and cash equivalents at 31 December	**396**	**–**
Reconciliation[*)]		
Net income	5,900	3,984
Taxes	4,947	1,549
Profit before taxes	**10,847**	**5,533**
Taxes paid	(507)	–
Gain on disposal of Telenor Media	(5,158)	–
Depreciation	6	–
Financial income from Group contribution	(16,336)	(5,487)
Write-down of shares	11,705	–
Changes in accruals	(51)	(46)
Net cash flow from operating activitites	**506**	**–**

› STATEMENT OF SHAREHOLDER'S EQUITY

	Number of shares	Nom amount (NOK)	Share capital (NOK millions)	Other paid capital (NOK millions)	Other equity (NOK millions)	Treasury shares (NOK millions)	Total (NOK millions)
Equity at establishment considering contribution in kind 3 October, 2000	1,400,000,000	6	8,400	5,600	4,611	–	18,611
Shares dividend issue 10 November, 2000	30,000,000	6	180	(180)	–	–	–
Treasury shares	–	6	–	180	–	(180)	–
Share issue December 2000	372,151,899	6	2,233	(13,013)	–	–	15,246
Net income for 2000	–	–	–	–	3,984	–	3,984
Dividends	–	–	–	–	(532)	–	(532)
Balance as of 31 December, 2000	**1,802,151,899**	**6**	**10,813**	**18,613**	**8,063**	**(180)**	**37,309**
Net income for 2001					5,900		5,900
Dividends					(621)		(621)
Employee share issue	578,753	6	3	17			20
Distribution of treasury shares		6		(11)		11	
Balance as of 31 December, 2001	**1,802,730,652**	**6**	**10,816**	**18,619**	**13,342**	**(169)**	**42,608**

› NOTES TO THE FINANCIAL STATEMENTS
Telenor ASA

Telenor ASA is a holding company and contains the Group Management and corporate functions. The Group Management was transferred from Telenor Communications AS as of 1 January, 2001 and the corporate functions as of 1 July, 2001. In the first six months of 2001, Telenor ASA paid a service fee to Telenor Communications AS for the corporate functions.

› 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND GENERAL

Telenor ASA's accounting principles are similar to the Group's accounting principles, as described above. Where the notes for the parent company are substantially different from the Group's, these are shown below. Otherwise refer to the notes to the consolidated financial statements for the Group.

› 2. SALARIES AND PERSONNEL COSTS

The Group's Chief Executive Officer and the Board of Directors have the same position in Telenor ASA. We refer to note 28 to the consolidated financial statements for the Group for further information on the management compensation etc.

(in NOK millions)	2001	2000
Salaries and holiday pay	98	–
Social security tax	14	–
Pension cost including social security tax	24	–
Other personnel costs	12	8
Total salaries and personnel costs	**148**	**8**

› 3. PENSION OBLIGATIONS

(in NOK millions)	2001
Change in benefit obligation	
Benefit obligation at the beginning of the year	-
Service cost	19
Interest cost	6
Actuarial gains and losses	14
Transfer of business	131
Benefit obligations at the end of the year	**170**
Change in plan assets	
Fair value of plan assets at the beginning of the year	-
Actual return on plan assets	16
Transfer of business	91
Pension premium paid	22
Fair value of plan assets at the end of the year	**129**
Funded status	**41**
Unrecognized prior service costs	(2)
Unrecognized net actuarial loss 1)	(35)
Accrued social security tax	1
Total provisions for pensions	**5**
Assumptions as of 31 December	
Discount rate in %	6.5
Expected return on plan assets in %	7.5
Rate of compensation increase in %	3.5
Expected increase in the social security base amount in %	3.0
Annual adjustments to pensions in %	3.0
Components of net periodic benefits cost	
Service Cost	19
Interest Cost	6
Expected return on plan assets	(5)
Amortization of prior service costs	-
Amortization of actuarial gains and losses	1
Social security tax	3
Net periodic benefit costs	**24**
Contribution schemes	-
Total pension costs charged to profit for the year	**24**

[1] Most of the unrecognised net actuarial loss arose in connection with transfer of employees from other Telenor companies in 2001.

› 4. OTHER OPERATING EXPENSES

(in NOK millions)	2001	2000
Cost of premises, vehicles, office equipment etc.	13	-
Operation and maintenance	14	-
Travel and travel allowances	24	-
Marketing and advertising	17	-
Consultancy fees and rent of personnel	276	-
Other	37	24
Total other operating expenses	**381**	**24**
Of which internal within Group companies	152	-

› 5. WRITE-DOWN OF SHARES

Group contribution distributed (net after taxes) has initially increased the book values of subsidiaries. The book values have been written down as the group contributions in 2001 and 2000 are distributed to cover losses in the relevant subsidiaries.

› 6. TAXES

(in NOK millions)	2001	2000
Profit before taxes in Norway	10,847	5,533
Current taxes in Norway	4,941	1,549
Deferred taxes in Norway	6	-
Total income tax expense	**4,947**	**1,549**

The effective tax rate is 28%. In 2001 NOK 4,885 million of the profit before taxes was not taxable, mainly related to the gain on the sale of Telenor Media. No tax has been calculated on the write-downs of shares in 2001. The company had deferred tax of NOK 1 million in the balance sheet as of 31 December, 2001 and none as of 31 December, 2000. The current taxes in the balance sheet is reduced with taxes on group contributions distributed.

› 7. SHARES IN SUBSIDIARIES

(in NOK thousand)	Office	Share owned in %	Book value
Telenor Communications AS	Norway	100.00	15,488,552
Telenor Networks Holding AS	Norway	100.00	100
Telenor International Centre AS	Norway	100.00	100
Nye Telenor Communications I AS	Norway	100.00	1,764,146
Telenor Intercom Holding AS	Norway	100.00	1,278,992
Telenor Key Partner AS	Norway	100.00	1,000
Telenor Communications II AS	Norway	100.00	100
Telenor Satellite Mobile Holding AS	Norway	100.00	100
Telenor Mobile Holding AS	Norway	100.00	100
Telenor Satellite Networks Holding AS	Norway	100.00	100
Itworks Holding AS	Norway	100.00	100
Bravida Holding AS	Norway	100.00	100
Telenor Business Holding AS	Norway	100.00	100
Telenor Plus Holding AS	Norway	100.00	100
Dansk Mobil Holding II AS	Norway	100.00	50,100
Telenor Teleservice Holding AS	Norway	100.00	100
Total			**18,583,890**

› Shares in subsidiaries owned through Telenor Communications AS

	Office	Share owned in %
Telenor Bedrift AS	Norway	100.00
Telenor Link Holding AS	Norway	100.00
Itworks AS	Norway	43.90
Nye Telenor Satellite Mobile I AS	Norway	100.00
Nye Telenor Satellite Networks I AS	Norway	100.00
Nye Telenor Networks Services I AS	Norway	100.00
Telenordia AB	Sweden	100.00
Nye Telenor Residential I AS	Norway	100.00
Telenor Satellite Networks AS	Norway	100.00
Nye Telenor East Invest AS	Norway	100.00
Telenor Satellite Services AB	Sweden	100.00
Nye Telenor Mobile Communications III AS	Norway	100.00
Telenor Ireland Ltd.	Ireland	100.00
Telenor Mobile Communications AS	Norway	100.00
Telenor East Invest AS	Norway	100.00
Telenor Russia AS	Norway	100.00
Telenor Hellas SA	Greece	99.00
Telenor Broadband Services AS	Norway	100.00
Telenor Internett AS	Norway	100.00
TTYL AS	Norway	100.00
Telenor Greece AS	Norway	100.00
Nye Telenor Mobile Communications II AS	Norway	100.00
Telenor Mobil AS	Norway	100.00
Norkring AS	Norway	100.00
Telenor Vision International AB	Sweden	100.00
Kalix Tele 24 AB	Sweden	100.00
Telenor Innovasjon AS	Norway	100.00
Telenor Forsikring AS	Norway	100.00
Telenor Instrument AS	Norway	100.00
Telenor Venture II ASA	Norway	50.10
Telenor Svalbard AS	Norway	100.00
Telenor Venture AS	Norway	63.70
Telenor Telecom Solutions AS	Norway	100.00
Telenor Kapitalforvaltning ASA	Norway	100.00
Telenoraksjen AS	Norway	100.00
EDB Business Partner ASA	Norway	52.60
Authorization Centre Slovakia j.s.c	Slovakia	59.32
Telenor Magyarorszag KFT	Hungary	99.30
Argos Maroc S.A	Morocco	99.90
CIMECOM S.A.	Morocco	99.70
Telenor Bruxelles SA	Belgium	98.40
Telenor Eiendom Fornebu Kvartal 2 AS	Norway	100.00
Telenor Eiendom Fornebu Kvartal 3 AS	Norway	100.00
Telenor Eiendom Fornebu Kvartal 4 AS	Norway	100.00
Telenor Eiendom Drift AS	Norway	100.00
Telenor Eiendom Fornebu AS	Norway	100.00
Telenor Eiendom Midt-Norge AS	Norway	100.00
Telenor Eiendom Harеløkken AS	Norway	100.00
Telenor Eiendom Sør AS	Norway	100.00
Telenor Eiendom Vest AS	Norway	100.00
Octaga AS	Norway	55.00
GinTel AS	Norway	60.00

Several of the companies above own shares in other companies as described in their respective annual reports.

› AUDITOR'S REPORT FOR 2001

AUDITOR'S REPORT FOR 2001

To the Annual Shareholders' Meeting of
Telenor ASA

We have audited the annual financial statements of Telenor ASA as of 31 December 2001, showing a profit of NOK 5,900 million for the parent company and a profit of NOK 6,358 million for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,
- the financial statements, included on pages 62–106, have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2001, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the directors' report, included on pages 12–18, concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with law and regulations.

ARTHUR ANDERSEN & CO.

Olve Gravråk (sig)
State Authorised Public Accountant (Norway)

Oslo,
March 12, 2002

› STATEMENT FROM THE CORPORATE ASSEMBLY OF TELENOR

The Corporate Assembly of Telenor ASA decided 20 March, 2002 the following:

The Corporate Assembly recommends that the General Meeting approves the Board of Directors proposed profit and loss statement and balance sheet for Telenor ASA and for the Group for 2001, and recommended that the General Meeting approves the suggested appropriation of the net income for the year 2001.

Telenor seeks to build a close and trusting relationship with its **shareholders.** Accurate information at the right time is the basis of such a relationship.

Shareholders' information

Telenor seeks to build a close and trusting relationship with its shareholders. By supplying adequate information through a number of channels, the stock market will be kept informed of important developments in the group.

› SHAREHOLDER POLICY

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

› OWNERS STRUCTURE

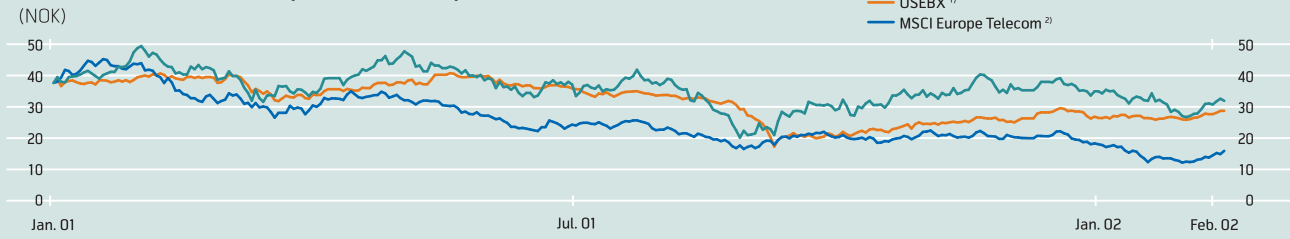
Telenor had 56,405 shareholders at the end of 2001. Of these, 54,748 were private individuals. Foreign investors controlled around 10.7% of the total number of shares. The Norwegian State, represented by the Ministry of Trade and Industry, was the largest individual owner with 77.7% of the shares.

Breakdown of shares per shareholder as of 31 December, 2001

Interval	Number of shareholders	Percentage of all shareholders	Number of shares	Percentage of share capital
1-1,000	51,135	90.7 %	20,004,043	1.1 %
1,001-100,000	4,972	8.8 %	27,269,842	1.5 %
100,001-1,000,000	223	0.4 %	77,518,983	4.3 %
1,000,001-10,000,000	70	0.1 %	190,624,575	10.6 %
10,000,001-1,400,000,000	5	0.0 %	1,487,313,209	82.5 %
Total	**56,405**	**100.00 %**	**1,802,730,652***	**100.00 %**

* Including internally owned shares.

Share price performance in NOK Telenor, compared with the development in selected indexes (January 2001–February 2002)



1) Oslo Børs Benchmark Index
2) Morgan Stanley Capital International European Telecom Index

› AUTHORIZATION TO ISSUE NEW SHARES

Until the Shareholders' meeting in 2002, the Board of Directors has the authority to increase the share capital by up to NOK 1,063,291,134, divided between a maximum of 177,215,189 shares. The Board can determine whether the shareholders' priority for the share subscriptions may be deviated from. From these shares, 578,753 new shares were issued in connection with the implementation of the Share Program for employees in December 2001.

› SHAREPROGRAM FOR EMPLOYEES

In order to encourage long-term shareholding among Telenor employees, all permanent employees in Telenor ASA, and Norwegian subsidiaries where Telenor ASA's ownership share directly or indirectly is greater than 90%, were given the opportunity in 2001 to buy shares for up to NOK 7,500, with a 20% cash discount. Where the average exchange rate in the last 30 days of trading, up to and including 3 December, 2002 (exchange rate NOK 39.98), is at least 12% higher than the corresponding average exchange rate up to and including 3 December, 2001 (exchange rate NOK 35.70), those who subscribed for shares in this offer will be allocated "profit bonus shares" for NOK 2,500, provided that they continue to hold the allocated shares and are still employees of Telenor.

Around 25% of those who were offered shares, accepted the offer. They were allocated 203 shares each at a value of NOK 36.86, which was the average quoting price during the last five days of trading up to and including 3 December, 2001. After taking account of the discount, this gives a value of NOK 29.49.

› SHARE CAPITAL AND OWN SHARES

As of 31 December, 2001 Telenor ASA had a share capital of NOK 10.8 billion, divided into 1,802,730,652 shares, each with a nominal value of NOK 6. The company holds 28,103,172 shares. In connection with the stock dividend issue decided at the Shareholders' meeting of 10 November, 2000, the company received 30 million shares to be used for allocating bonus shares to private individuals who bought shares in connection with the stock exchange introduction on 4 December, 2000. 1,896,828 bonus shares were allocated on 4 December, 2001 to those private individuals who still held the shares they were allocated at the time of the stock exchange introduction, with one bonus share for every tenth share held. At the Shareholders' meeting in May 2001, the company was authorized to dispose of any excess shares in a manner to be decided by the Board.

› DIVIDENDS

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

The Board of Directors proposes that a dividend of NOK 0.35 per share be paid out in 2002. The dividend approved at the Shareholders' meeting will be paid on 29 May, 2002 to the shareholders on the date of the Shareholders' meeting.

20 major external shareholders as of 31 December, 2001

	Number of shares	Percentages ownership in %
Ministry of Trade and Industry	1,400,000,000	77.7
National Insurance Scheme Fund	29,000,000	1.6
Telenor ASA	28,103,172	1.6
State Street Bank (NOM)	17,837,100	1.0
Danske Bank AS (NOM)	12,372,937	0.7
JPMorgan Chase Bank (NOM)	9,932,427	0.6
Vital Forsikring ASA	8,494,000	0.5
Gjensidige Nor Spareforsikring	6,691,520	0.4
Bank of New York	6,329,495	0.4
KLP Forsikring Aksje	6,265,200	0.3
Storebrand Livsforsikring AS	5,844,200	0.3
Goldman Sachs International	5,338,000	0.3
JPMorgan Chase Bank (NOM)	4,960,830	0.3
Citibank N.A. (NOM)	4,731,459	0.3
Danske Bank AS (NOM)	4,593,745	0.3
Verdipapirfondet Avanse Norge	4,304,562	0.2
UBS (Luxembourg) S.A.	4,193,000	0.2
JPMorgan Chase Bank (NOM)	4,018,388	0.2
Bank of New York (NOM)	4,010,000	0.2
State Street Bank (NOM)	3,947,666	0.2
Sum	**1,570,967,703**	**87.1**
Total	**1,802,730,652***	**100.0**

* Including internally owned shares.

› SHARE PRICE PERFORMANCE

At the start of 2001, the price of the Telenor share was quoted at NOK 38.40. The highest price during the year was NOK 45.40, and the lowest was NOK 28.00. At the end of the year, the price was NOK 38.60. The price on the Nasdaq Stock Exchange at the end of the year was USD 12,50. The market value as of 31 December, 2001 was NOK 69.6 billion, making Telenor ASA the third largest company on the Oslo Stock Exchange.

› TRADING

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

In 2001, 654.1 million Telenor shares at a total value of NOK 24,7 billion were traded on the Oslo Stock Exchange. The average trading volume for Telenor shares on the Oslo Stock Exchange for the year was 2.6 million per day of trading. A round lot for the Telenor share on the Oslo Stock Exchange is 200 shares.

› VOTING RIGHTS AND OWNERSHIP

Telenor has one class of shares and each share carries one vote. The company does not have any ownership restrictions beyond those that are stipulated in the Norwegian concession laws. The exercising of shareholder rights is regulated by the Norwegian Public Limited Companies Act. Pursuant to Norwegian law, only shares that are registered in the owner's name can be used for voting. Voting rights can be exercised no earlier than two weeks after shareholding has been reported to the Norwegian Central Securities Depository (VPS).

› INFORMATION TO THE STOCK MARKET

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

› RISK ADJUSTMENT

In accordance with Norwegian tax regulations, shareholders that are subject to taxation in Norway must make a downward or upward adjustment of the cost price of the shares with a RISK amount (adjustment of original cost of shares by taxed profits), when calculating the sales gains. The RISK amount is calculated annually based on the change in Telenor's retained, assessed capital, divided into the number of outstanding Telenor shares. The RISK amount for 2000 was NOK 1.74, and the preliminary corresponding figure for 2001 has been calculated at NOK 2.33 per share. The final RISK amount for 2001 will be available after 1 January, 2003. Shareholders that are not subject to taxation in Norway, are not affected by the Norwegian RISK regulations.

› RATING

Telenor was in January 2001 rated by Moodys at A2/P1 for long and short-term financing respectively. In October 2001, Telenor was rated by Standard & Poors at A-/A2 for long and short term financing respectively.

ELECTED OFFICERS AND MANAGEMENT

CORPORATE ASSEMBLY

› **Members elected by the shareholders**
Chairman: Mona Røkke,
Vice-chairman: Gisle Handeland
Bjørg Simonsen
Brit Seim Jahre
Eystein Gjelsvik
Hilde Kinserdal
Jan Erik Korssjøen
Kristian Zachariassen
Randi Braathe
Ragnar Klevaas

› **Alternates elected by the shareholders**
Ove Andersen
Inger-Grethe Solstad

› **Members elected by employees**
Berit Kopren
Jan Riddervold,
Grethe Elin Henriksen
Karstein Rystad
Stein Erik Olsen

› **Alternates elected by the employees**
Helge Enger
Ragnhild Holm
Anny Solvik

› **Observers for the employees**
Arne Jenssen
Astrid H. Isaksen

› **BOARD OF DIRECTORS**

› **Members elected by the shareholders**
Board Chairman: Tom Vidar Rygh
Vice-chairman: Åshild M. Bendiktsen
Bente Halvorsen
Torleif Enger
Einar Førde
Jørgen Lindegaard
Bjørg Ven

› **Members elected by the employees**
Harald Stavn
Per Gunnar Salomonsen
Irma Tystad

› **Alternates elected by the employees**
Morten Fallstein
Hjørdis Henriksen
Ragnhild Laura Hundere
Andre Vogt

› **GROUP MANAGEMENT**
Presient and Chief Executive Officer:
Tormod Hermansen
Senior Executive Vice President in charge of Telenor's operations in Norway:
Jon Fredrik Baksaas
Senior Executive Vice President and Chief Financial Officer:
Torstein Moland
Senior Executive Vice President in charge of Telenor Mobile:
Arve Johansen
Senior Executive Vice President in charge of Telenor Networks:
Jan Edvard Thygesen
Senior Executive Vice President in charge of Telenor Plus:
Stig Eide Sivertsen
Senior Executive Vice President in charge of Telenor Business Solutions:
Morten Lundal
Senior Executive Vice President and Technology Officer:
Berit Svendsen
Executive Vice President:
Gun Bente Johansen
Executive Vice President in charge of Telenor International Centre:
Henrik Torgersen
Executive Vice President in charge of Group Staff functions
Bjørn Formo

GLOSSARY AND DEFINITION OF TERMS

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

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

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

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

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

› **ASP:** Application Service Provider; service provider that delivers applications.

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

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

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

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

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

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

› **ICT:** Information and Communication Technology.

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

› **ISDN:** Integrated Services Digital Network; term for digital networks that integrate a number of different services – voice, text, data and images.

› **ISP:** Internet Service Provider; service provider that provides Internet access and basic services such as e-mail and web management.

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

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

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

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

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

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

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

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

› **WAN:** Wide Area Network; a number of LANs (Local Area Network) linked together.

› **WAP:**Wireless Application Protocol; standard that links GSM and the Internet.

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

› **xDSL:** References to DSL technology (Digital Subscriber Line) are often found written as xDSL. The "x" appears because there is an entire family of DSL varieties with different characteristics. The most widely known one is ADSL.

› **2G:** Second generation mobile network. This is a general reference to a category of mobile networks, which include digital technology such as GSM.

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N-1331 Fornebu, Norway
Switchboard: + 47 81 07 70 00

Shareholder Services:
Tel: + 47 67 89 26 55
e-mail: ir@telenor.com

This report contains statements regarding the future prospects of Telenor, involving growth initiatives, profit figures, strategies and objectives. The risks and uncertainties inherent in all statements regarding the future can lead to actual profits and developments deviating substantially from what has been expressed or implied.

The risk factors associated with Telenor's business activities are also described in form 20-F, which has been submitted to the Securities and Exchange Commission. (Available on: www.telenor.com/IR/annual_reports)

FINANCIAL CALENDAR FOR 2002

30 April,	Presentation of 1 st quarter
8 May	Annual Shareholders' meeting
26 July	Presentation of 2nd quarter
30 October	Presentation of 3rd quarter
February 2003	Preliminary result 2002

Annual reports on the Web
Telenor's annual reports since 1 995 have been published on the company's website: www.telenor.com/IR/annual_reports/

Environmental report on the Web
Telenor's social report for 2001 is available on the Internet along with previous environmental reports: www.telenor.com/socialreport

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