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# Q4 – 2016



Interim report

January – December 2016



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In 2016, Telenor continued to grow revenues and delivered a record high EBITDA. We made significant progress on network deployment during the year, supporting our customers' increasing data usage. Based on the 2016 results, we are proposing a dividend of NOK 7.80 per share, which represents an increase of 4 per cent compared to last year.

During the fourth quarter, organic revenue growth was one per cent and EBITDA increased by two per cent on an organic basis. The revenue growth was primarily driven by the rapidly increasing data consumption in Pakistan, Bangladesh and Myanmar. We also saw positive effects from the ongoing fibre roll-out in Norway and Sweden. The intense competition in our Thai, Malaysian and Danish markets continued during the quarter. Cost efficiency is a key driver for value creation, and I'm pleased to see that effects from our efficiency initiatives are starting to come through.

Entering 2017, our priorities are clear: We will continue to digitise our core business in order to build strong and engaging customer relationships and to capture the efficiency opportunities that digitalisation brings.

– Sigve Brekke, President and CEO



## Key figures Telenor Group

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
Revenues	33 144	33 487	131 427	128 175
Organic revenue growth (%)	0.6	2.3	1.1	4.7
EBITDA before other income and other expenses	10 793	10 860	46 483	44 197
EBITDA before other income and other expenses/Revenues (%)	32.6	32.4	35.4	34.5
Profit after taxes and non-controlling interests	2 286	(2 125)	2 832	3 414
Capex excl. licences and spectrum/Revenues (%)	20.8	19.5	17.3	18.4
Capex/Revenues (%)	20.8	22.2	20.0	19.7
Mobile subscriptions – Change in quarter/Total (mill.)	3.4	6.6	214	203

## Fourth quarter 2016 summary

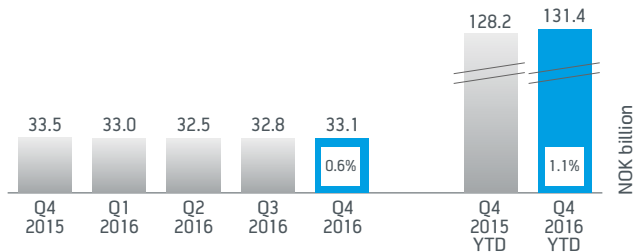
- Total revenues decreased by 1% to NOK 33.1 billion, while the organic revenue growth was 1%. Mobile subscription & traffic revenues increased by 1% on an organic basis.
- EBITDA before other items was stable at NOK 10.8 billion, corresponding to an EBITDA margin of 33%, which is a slight increase from last year.
- EBITDA before other items was negatively impacted by a provision of NOK 0.3 billion related to a decision by the Swedish Tax Agency regarding VAT treatment for 2013 and 2014. Excluding this effect, the organic EBITDA growth was 5 percent.
- Capital expenditure excluding licences and spectrum was NOK 6.9 billion, resulting in a capex to sales ratio of 21%.
- As a result of lowered growth expectations within the US media advertising segment, an impairment of NOK 1.0 billion has been recognised in Tapad, which is included in Other Units.
- Reported earnings per share (EPS) for 2016 was NOK 1.89. Adjusted for effects related to VimpelCom, impairment losses, other items and currency loss on repayment of internal loans, the EPS was NOK 9.53.
- Based on the financial results for 2016, the Board of Directors proposes a dividend of 7.80 per share for 2016, to be paid out in two instalments. The proposal is in line with Telenor's ambition to deliver a year over year growth in dividends.
- In 2017, Telenor expects an organic revenue growth in the range of 1% to 2% and an EBITDA margin of around 36%. The capex to sales ratio excluding licences is expected to be 15% to 16%.

## Group performance fourth quarter and year to date 2016<sup>1)</sup>

### REVENUES

In the fourth quarter total revenues decreased by 1% to NOK 33.1 billion, while organic revenue growth was 1%. The growth was driven by ARPU uplift in Bangladesh and continued growth in customer base in Myanmar and Pakistan. This was partly offset by lower handset sales and reduced outbound roaming revenues in the Scandinavian operations and continued intense competition in Thailand, Malaysia and Denmark. In addition, revenues were negatively impacted by the Swedish Tax Agency's decision in the amount of NOK 0.2 billion.

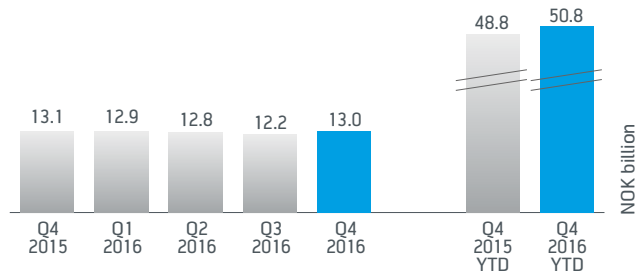
In 2016, total revenues increased by 3% or NOK 3.3 billion, while organic revenues grew by 1%. Lower handset sales of NOK 1.5 billion across the Group have been more than offset by higher subscription and traffic revenues in the emerging Asian markets. Currency impacted revenues positively by NOK 1.3 billion.



### OPERATING EXPENDITURE (OPEX)

During the quarter, opex remained stable at NOK 13 billion as efficiency measures are starting to yield results in several operations. The cost reductions were most notable in Norway and Thailand, while cost increases were attributable to Myanmar and new businesses.

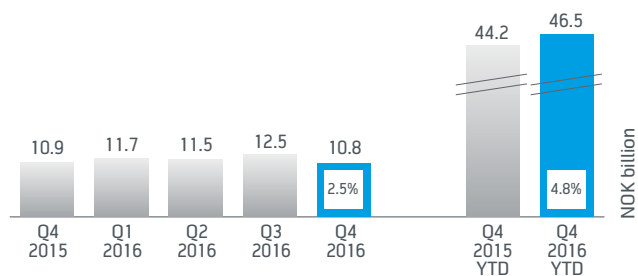
In 2016, opex grew by NOK 2.0 billion to NOK 50.8 billion, of which NOK 0.5 billion was a result of currency effects. The opex increase was to a large extent attributable to the expansion of the operation in Myanmar, increased Group activities and new businesses, primarily from the acquisition of Tapad in February.



### EBITDA BEFORE OTHER INCOME AND OTHER EXPENSES (EBITDA)

EBITDA for the fourth quarter was NOK 10.8 billion. Despite the unfavourable decision made by the Swedish Tax Agency, EBITDA improved by 2% on an organic basis. This was largely a result of increased mobile subscription and traffic revenues in Bangladesh and Myanmar and improved margin on international traffic in Malaysia. The EBITDA margin saw a slight increase to 33% as a result of reduced low margin handset sales.

For the full year, EBITDA increased by NOK 2.3 billion, of which NOK 0.4 billion was due to positive currency effects. The main contributors to the organic EBITDA growth were Myanmar, Bangladesh and India.

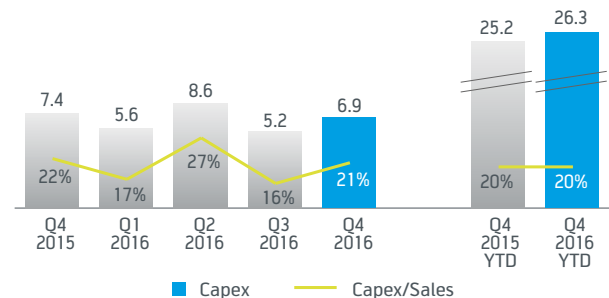


<sup>1)</sup> The comments are related to Telenor's development in the fourth quarter of 2016 compared to the fourth quarter of 2015 unless otherwise stated. Please refer to Definitions on page 24 for descriptions of alternative performance measures.

## CAPITAL EXPENDITURE (CAPEX)

Capex in the fourth quarter was NOK 6.9 billion, primarily driven by 3G and 4G network expansion in Thailand, Norway and Myanmar as well as fibre roll-out in Norway and Sweden.

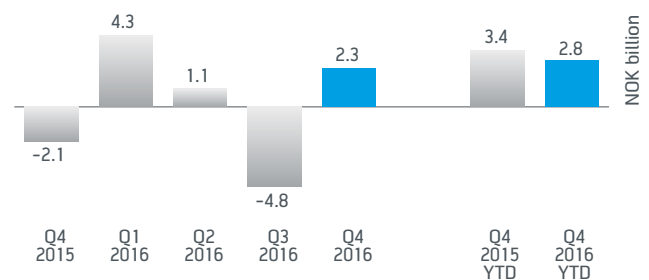
In 2016, total capex was NOK 26 billion, an increase of NOK 1.1 billion compared to 2015. Lower capex in the broadcast business, as a result of the satellite launch last year, was more than offset by the acquisition of the new spectrum licence in Pakistan and higher investments in Norway, Bangladesh and Sweden. Capex for spectrum licences amounted to NOK 3.6 billion in 2016, an increase of NOK 2.0 billion compared to 2015.



## NET INCOME

Reported net income to equity holders of Telenor ASA in the fourth quarter was NOK 2.3 billion. Adjusted for VimpelCom related effects, impairment losses, other items and the VAT dispute in Sweden, the figure was NOK 2.7 billion. On an adjusted basis, this represents an increase of NOK 0.2 billion.

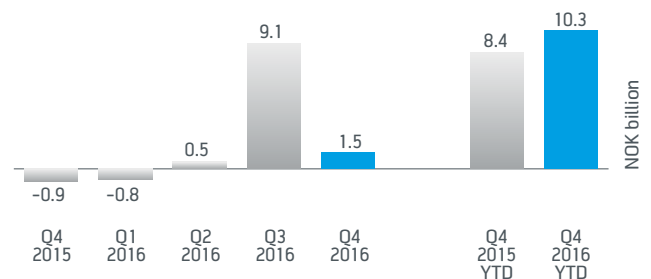
Reported net income to equity holders of Telenor ASA for the year was NOK 2.8 billion. Adjusted for VimpelCom, impairment losses, other items and currency loss on repayment of internal loan, the figure was NOK 14.3 billion. On an adjusted basis, this represents an increase of NOK 1.2 primarily explained by higher EBITDA.



## FREE CASH FLOW

Free cash flow in the fourth quarter was NOK 1.5 billion. An increase of NOK 2.5 billion, primarily as a result of higher cash inflow from operating activities and lower payments on licence obligations.

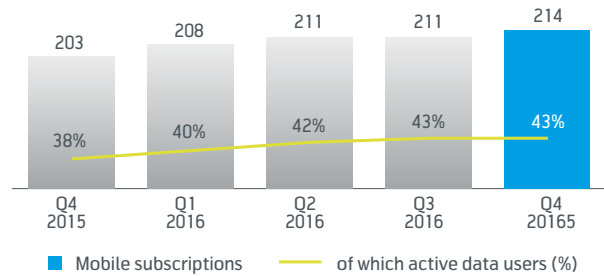
Free cash flow in 2016 was NOK 10.3 billion, an increase of NOK 1.9 billion compared to 2015. Higher cash inflow from operating activities was partially offset by higher cash outflow from investing activities and supply chain financing programmes.



## MOBILE SUBSCRIPTIONS

The number of mobile subscriptions increased by 3 million during the quarter, raising the total number of subscriptions to 214 million. The increase was primarily explained by growth of 2.9 million in Bangladesh and 1.2 million in Pakistan, partly offset by a decrease in India and Thailand.

During 2016, the total number of mobile subscriptions increased by 11 million. The share of active data users increased from 38% to 43% during the year.



## DIVIDEND

The Telenor Board of Directors proposes a dividend of NOK 7.80 per share (NOK 11.7 billion) for the fiscal year 2016, to be resolved by the general meeting in May. The dividend will be split into two instalments of NOK 4.30 and NOK 3.50 per share to be paid out in May and November 2017, respectively.

## OUTLOOK

For 2017, we expect an organic revenue growth in the range of 1% to 2% and an EBITDA margin of around 36%. The capex to sales ratio excluding licences is expected to be 15% to 16%.

# Interim report

## Telenor's operations

The comments below are related to Telenor's development in the fourth quarter of 2016 compared to the fourth quarter of 2015 in local currency, unless otherwise stated. All comments on EBITDA are made on development in EBITDA before other income and other expenses. Please refer to page 11 for 'Specification of other income and other expenses'. Additional information is available at:

[www.telenor.com/ir](http://www.telenor.com/ir)

### Norway

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Revenues mobile operation</b>				
Subscription and traffic	2 774	2 833	11 288	11 544
Interconnect revenues	141	161	585	745
Other mobile revenues	267	255	1 064	998
Non-mobile revenues	694	595	2 084	1 795
<b>Total revenues mobile operation</b>	<b>3 876</b>	<b>3 844</b>	<b>15 021</b>	<b>15 082</b>
<b>Revenues fixed operation</b>				
Telephony	428	509	1 806	2 139
Internet and TV	1 408	1 350	5 446	5 414
Data services	127	128	503	506
Other fixed revenues	494	461	1 750	1 698
<b>Total retail revenues</b>	<b>2 457</b>	<b>2 448</b>	<b>9 505</b>	<b>9 758</b>
Wholesale revenues	368	427	1 508	1 703
<b>Total revenues fixed operation</b>	<b>2 825</b>	<b>2 875</b>	<b>11 014</b>	<b>11 460</b>
<b>Total revenues</b>	<b>6 701</b>	<b>6 719</b>	<b>26 035</b>	<b>26 542</b>
EBITDA before other items	2 650	2 617	10 967	11 088
<b>Operating profit</b>	<b>1 362</b>	<b>1 673</b>	<b>6 738</b>	<b>7 218</b>

EBITDA before other items/ Total revenues (%)	39.6	39.0	42.1	41.8
Capex	1 516	1 948	4 790	4 844
Investments in businesses	-	-	100	-

Mobile ARPU - monthly (NOK)	316	314	319	320
Fixed Telephony ARPU	257	269	259	270
Fixed Internet ARPU	361	341	352	345
TV ARPU	292	295	284	291

### No. of subscriptions - Change in quarter/Total (in thousands):

Mobile	(15)	(28)	3 066	3 163
Fixed telephony	(18)	(18)	546	620
Fixed Internet	5	1	865	854
TV	7	1	541	527

- The number of mobile subscriptions decreased by 15,000 during the quarter following a continued reduction in the number of prepaid subscriptions and data cards. At the end of the quarter, the total subscription base was 3% lower than at the end of last year.
- Mobile ARPU increased by 1% as the share of postpaid subscriptions with larger data volumes continued to increase, more than offsetting the negative effects of lower interconnect and roaming charges. Excluding handset related effects, ARPU increased by 3%.
- Total mobile revenues increased by 1% from increased ARPU and higher handset revenues, more than offsetting the effects of a lower subscription base.
- During the quarter, 15,000 high-speed fixed internet subscriptions were added, taking the total number of high-speed connections to 597,000. Revenues from high-speed internet increased by 17%.
- Fixed revenues decreased by 2%, as the growth in high-speed internet revenues was more than offset by continued decline in revenues from telephony, ADSL and wholesale products.
- Total reported revenues were stable compared to last year.
- EBITDA increased by 1%, mainly from a 5% reduction in operating expenditures. The EBITDA margin increased by 1 percentage point to 40%.
- Capital expenditure was driven by roll-out of fibre and expansion of the 4G network.

## Sweden

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Revenues mobile operation</b>				
Subscription and traffic	1 235	1 575	5 926	5 944
Interconnect revenues	126	144	557	552
Other mobile revenues	86	94	351	367
Non-mobile revenues	822	758	2 256	2 553
<b>Total revenues mobile operation</b>	<b>2 270</b>	<b>2 571</b>	<b>9 090</b>	<b>9 416</b>
<b>Revenues fixed operation</b>				
Telephony	75	100	346	422
Internet and TV	637	629	2 492	2 343
Data services	38	43	172	162
Other fixed revenues	16	17	67	55
<b>Total retail revenues</b>	<b>767</b>	<b>790</b>	<b>3 077</b>	<b>2 982</b>
Wholesale revenues	46	48	188	178
<b>Total revenues fixed operation</b>	<b>813</b>	<b>838</b>	<b>3 265</b>	<b>3 160</b>
<b>Total revenues</b>	<b>3 082</b>	<b>3 409</b>	<b>12 355</b>	<b>12 576</b>
EBITDA before other items	614	954	3 535	3 667
<b>Operating profit</b>	<b>48</b>	<b>546</b>	<b>1 764</b>	<b>2 094</b>
EBITDA before other items/ Total revenues (%)	19.9	28.0	28.6	29.2
Capex	583	392	1 550	1 302
Investments in businesses	-	-	-	3
Mobile ARPU - monthly (NOK)	177	227	210	213
<b>No. of subscriptions - Change in quarter/Total (in thousands):</b>				
Mobile	34	44	2 624	2 548
Fixed telephony	(7)	(11)	215	244
Fixed Internet	6	3	657	639
TV	(21)	3	469	487
Exchange rate (SEK)			0.9814	0.9572

- The fourth quarter results are negatively impacted by VAT items. This primarily relates to an unfavourable decision from the Swedish Tax Agency on treatment of VAT during 2013-2014. This decision is likely to be appealed. The comments below are adjusted for these effects, amounting to NOK 203 million on mobile revenues and NOK 48 million on operating expenditures.
- The number of mobile subscriptions increased by 34,000 during the quarter from positive development both in the consumer and the enterprise segment. At the end of the quarter, the subscription base was 3% higher than at the end of last year.
- Mobile ARPU decreased by 4% due to discounted offers in the consumer segment together with price pressure in the enterprise segment and lower roaming charges.
- Mobile revenues increased by 3% mainly explained by higher handset sales. Subscription and traffic revenues were impacted by roaming reductions and thus declined by 1%.
- 14,000 high-speed fixed internet subscriptions were added this quarter, taking the total number of high-speed fixed internet subscriptions to 525,000. The decline in DSL connections continued in line with the trends from previous quarters. The number of TV subscribers decreased by 21,000 due to decline in coax, partly offset by a growing IPTV customer base.
- Fixed revenues increased by 5% due to growth in high speed internet and IPTV.
- Excluding items not relating to fourth quarter of 2015, EBITDA increased by 5% as growth in high speed fixed internet subscriptions more than offset negative impact from lower roaming revenues. The EBITDA margin remained stable.
- Capital expenditure in the quarter was mainly related to fibre roll-out and enhanced mobile coverage and capacity.

## Denmark

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Revenues mobile operation</b>				
Subscription and traffic	700	752	2 907	2 939
Interconnect revenues	68	46	244	173
Other mobile revenues	44	64	175	149
Non-mobile revenues	355	411	1 167	1 300
<b>Total revenues mobile operation</b>	<b>1 168</b>	<b>1 273</b>	<b>4 493</b>	<b>4 561</b>
<b>Revenues fixed operation</b>	<b>143</b>	<b>159</b>	<b>584</b>	<b>640</b>
<b>Total revenues</b>	<b>1 311</b>	<b>1 431</b>	<b>5 076</b>	<b>5 201</b>
EBITDA before other items	152	137	597	591
<b>Operating profit (loss)</b>	<b>97</b>	<b>(2 212)</b>	<b>307</b>	<b>(2 516)</b>
EBITDA before other items/ Total revenues (%)	11.6	9.6	11.8	11.4
Capex	146	164	394	497
Mobile ARPU - monthly (NOK)	143	149	147	146
<b>No. of subscriptions - Change in quarter/Total (in thousands):</b>				
Mobile	44	(4)	1 820	1 784
Fixed telephony	(0)	(5)	74	76
Fixed Internet	(2)	(5)	149	159
Exchange rate (DKK)			1.2476	1.2004

From 31 March Telenor pay-as-you-go cards are no longer part of Telenor Denmark's product offering. Subscription and ARPU figures have been updated retrospectively.

- The number of mobile subscriptions increased by 44,000 during the quarter. The subscription base increased by 2% during 2016.
- Total revenues decreased by 6%. Mobile subscription and traffic revenues decreased by 4% as a consequence of price pressure in the market and the temporary impact caused by implementation of a new business support system.
- EBITDA increased by 16% due to lower cost related to the implementation of a new business support system, more than offsetting the impact of lower revenues.



## Hungary

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Revenues</b>				
Subscription and traffic	863	912	3 561	3 526
Interconnect revenues	67	75	269	349
Other mobile revenues	19	15	80	81
Non-mobile revenues	146	174	526	535
<b>Total revenues</b>	<b>1 094</b>	<b>1 175</b>	<b>4 436</b>	<b>4 490</b>
EBITDA before other items	294	280	1 369	1 382
<b>Operating profit</b>	<b>171</b>	<b>105</b>	<b>773</b>	<b>760</b>
EBITDA before other items/ Total revenues (%)	26.9	23.9	30.9	30.8
Capex	163	90	390	314
No. of subscriptions - Change in quarter/Total (in thousands):	(41)	(37)	3 148	3 164
ARPU - monthly (NOK)	98	102	101	100
Exchange rate (HUF)			0.0298	0.0289

- The number of mobile subscriptions decreased by 41,000 in the fourth quarter, driven by seasonal churn in the prepaid segment. At the end of the year, the subscription base was 1% lower than at the end of last year.
- ARPU decreased by 2% from the impact of reduced roaming charges and price pressure in the business segment.
- Total revenues decreased by 4% as a result of lower ARPU and a lower subscription base, in addition to reduced handset sales. Mobile subscription and traffic revenues declined by 2%.
- EBITDA increased by 10% mainly from reduced business support system cost as well as ongoing efficiency measures. The EBITDA margin increased by 3 percentage points to 27%.
- Capex in the fourth quarter was mainly related to network coverage improvement in Budapest, 4G roll-out and shop renovation.

## Bulgaria

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Revenues</b>				
Subscription and traffic	576	570	2 297	2 180
Interconnect revenues	68	55	269	195
Other mobile revenues	8	6	42	34
Non-mobile revenues	175	177	560	531
<b>Total revenues</b>	<b>827</b>	<b>809</b>	<b>3 168</b>	<b>2 940</b>
EBITDA before other items	287	295	1 191	1 134
<b>Operating profit</b>	<b>150</b>	<b>184</b>	<b>616</b>	<b>615</b>
EBITDA before other items/ Total revenues (%)	34.6	36.5	37.6	38.6
Capex	154	236	320	525
No. of subscriptions - Change in quarter/Total (in thousands):	(111)	(179)	3 429	3 583
ARPU - monthly (NOK)	62	57	61	52
Exchange rate (BGN)			4.7494	4.5777

- The number of mobile subscriptions decreased by 111,000 during the quarter, mainly from seasonal churn of prepaid subscriptions and migration from prepaid to postpaid. At the end of 2016, the subscription base was 4% lower than at the end of last year.
- ARPU increased by 12%, primarily from upselling to higher tariffs, supported by increased interconnect revenues.
- Total revenues increased by 5%, driven by an increase in both subscription and traffic and interconnect revenues. Mobile subscription and traffic revenues increased by 5%, driven by ARPU growth in the postpaid consumer segment.
- EBITDA increased by 1%, mainly supported by positive revenue development.
- Capital expenditure was mainly related to network investments including 4G coverage expansion. At the end of the fourth quarter, the 4G population coverage reached 78%.

## Montenegro &amp; Serbia

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Revenues</b>				
Subscription and traffic	595	611	2 486	2 467
Interconnect revenues	174	215	752	790
Other mobile revenues	17	20	105	100
Non-mobile revenues	153	136	551	458
<b>Total revenues</b>	<b>940</b>	<b>982</b>	<b>3 894</b>	<b>3 815</b>
EBITDA before other items	285	314	1 314	1 329
<b>Operating profit</b>	<b>142</b>	<b>197</b>	<b>786</b>	<b>902</b>
EBITDA before other items/ Total revenues (%)	30.3	32.0	33.7	34.8
Capex	151	459	512	776
No. of subscriptions - Change in quarter/Total (in thousands):	(148)	(150)	3 339	3 443
ARPU - monthly (NOK)	75	79	79	77
Exchange rate (RSD)			0.0755	0.0742
Exchange rate (EUR)			9.2889	8.9530

- The number of mobile subscriptions decreased by 148,000 during the quarter, primarily driven by seasonal churn of prepaid subscriptions. At the end of 2016, the subscription base was 3% lower than at the end of last year.
- ARPU increased by 2%, due to one-offs related to offsetting content revenues last year. Adjusted for this, ARPU decreased by 1% from declining interconnect revenues.
- EBITDA decreased by 3% due to reduced interconnect gross profit and higher operating expenses related to the mobile banking business. The EBITDA margin decreased by 1 percentage point compared to last year.
- Capital expenditure was mainly related to network investments, including 4G roll-out. At the end of the quarter, the 4G population coverage was 60% in Montenegro and 53% in Serbia.

## dtac - Thailand

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Revenues</b>				
Subscription and traffic	3 756	3 890	15 237	15 375
Interconnect revenues	259	288	1 085	1 327
Other mobile revenues	37	57	174	204
Non-mobile revenues	1 035	1 298	3 151	3 781
<b>Total revenues</b>	<b>5 086</b>	<b>5 533</b>	<b>19 647</b>	<b>20 687</b>
EBITDA before other items	1 599	1 598	6 645	6 580
<b>Operating profit</b>	<b>129</b>	<b>419</b>	<b>1 160</b>	<b>2 333</b>
EBITDA before other items/ Total revenues (%)	31.4	28.9	33.8	31.8
Capex	1 413	933	4 835	4 766
No. of subscriptions - Change in quarter/Total (in thousands):	(340)	400	24 480	25 252
ARPU - monthly (NOK)	55	56	54	52
Exchange rate (THB)			0.2381	0.2355

- The number of mobile subscriptions decreased by 340,000 during the quarter. A reduction in the prepaid segment of 548,000 was partly offset by a growth of 207,000 in the postpaid segment. The subscription base was 3% lower compared to the end of last year.
- Following the passing of His Majesty the King Bhumibol Adulyadej on 13 October, Thailand entered into a 30 days period with very low marketing activities for the mobile operators. This, in combination with a Government tax break programme in December, led to aggressive handset campaigns towards the end of the year.
- ARPU decreased by 1%, driven by continued pressure on prepaid voice, nearly offset by postpaid revenue growth.
- Total revenues decreased by 8%, mainly driven by lower handset revenues from heavy subsidies in the postpaid segment, in addition to continued decline in prepaid subscription and traffic revenues. Subscription and traffic revenues declined 3% in the quarter. Prepaid revenues declined by 14%, while postpaid revenues increased by 15%.
- EBITDA increased by 1%.
- Capital expenditure was mainly related to roll-out of 4,300 base stations, reaching 19,500 new for the full year.

## Digi - Malaysia

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Revenues</b>				
Subscription and traffic	2 818	2 988	11 891	12 425
Interconnect revenues	167	138	624	596
Other mobile revenues	29	33	116	137
Non-mobile revenues	219	270	743	1 148
<b>Total revenues</b>	<b>3 233</b>	<b>3 430</b>	<b>13 374</b>	<b>14 306</b>
EBITDA before other items	1 440	1 385	6 004	6 224
<b>Operating profit</b>	<b>1 092</b>	<b>1 048</b>	<b>4 682</b>	<b>4 923</b>
EBITDA before other items/ Total revenues (%)	44.5	40.4	44.9	43.5
Capex	469	578	1 581	1 870
No. of subscriptions - Change in quarter/Total (in thousands):	50	449	12 299	12 125
ARPU - monthly (NOK)	82	88	85	93
Exchange rate (MYR)			2.0272	2.0691

- The number of subscriptions increased by 50,000 during the quarter. A reduction in the prepaid segment of 55,000 was more than offset by a growth of 105,000 in the postpaid segment as new tariffs gained strong momentum after the launch in October. The subscription base was 1% higher compared to the end of last year.
- ARPU decreased by 4% due to a decline in voice revenue and continued price pressure on data.
- Total revenues decreased by 3%, driven mainly by lower handset revenues and decline in prepaid subscription and traffic revenues. Subscription and traffic revenues declined by 3% in the quarter, declining prepaid revenues were partly offset by a 14% growth in postpaid revenues.
- EBITDA increased by 6% and EBITDA margin improved 4 percentage points to 45%. This was mainly driven by a shift in revenue mix from lower margin international revenues to higher margin data revenues and strengthened cost reduction efforts.
- Capital expenditure was related to 4G roll-out, high capacity backhaul transmission and IT development. At the end of the quarter, the 4G population coverage reached 85% and 4G+ technology covers 41% of the population.
- On 1 November, digi accepted the offer for the spectrum assignments for 2x5MHz of 900MHz and 2x20MHz of 1800MHz frequency bands. The one-time fee component of NOK 1.2 billion was paid the same day. In addition to the upfront payments, digi is required to pay an annual fee of NOK 100 million over a 15-year period, effective from 1 July 2017.

## Grameenphone - Bangladesh

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Revenues</b>				
Subscription and traffic	2 770	2 515	10 725	9 266
Interconnect revenues	231	271	992	1 101
Other mobile revenues	9	0	30	36
Non-mobile revenues	185	138	592	479
<b>Total revenues</b>	<b>3 194</b>	<b>2 924</b>	<b>12 339</b>	<b>10 881</b>
EBITDA before other items	1 752	1 595	6 829	5 806
<b>Operating profit</b>	<b>1 143</b>	<b>1 035</b>	<b>4 451</b>	<b>3 829</b>
EBITDA before other items/ Total revenues (%)	54.9	54.5	55.3	53.4
Capex	567	501	2 259	1 996
No. of subscriptions - Change in quarter/Total (in thousands):	2 939	1 169	57 954	56 679
ARPU - monthly (NOK)	18	17	17	16
Exchange rate (BDT)			0.1071	0.1036

- The number of subscriptions increased by 2.9 million during the quarter due to attractive data centric start-up offers coupled with improved churn management. At the end of the year the subscription base was 2% higher than last year.
- ARPU increased by 9%, driven by strong growth in both voice and data usage. Subscription and traffic revenues increased by 12%.
- Total revenues increased by 11% due to ARPU uplift and higher handset sales.
- The EBITDA margin remained stable at 55%, while EBITDA increased by 12% driven by growth in data revenues.
- Capital expenditure in the fourth quarter was prioritised towards expanding the 3G network coverage and new coverage sites. At the end of the quarter, the 3G population coverage was above 90%.

## Pakistan

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Revenues</b>				
Subscription and traffic	1 612	1 488	6 315	5 699
Interconnect revenues	297	264	1 162	874
Other mobile revenues	6	15	(25)	48
Non-mobile revenues	351	283	1 273	1 146
<b>Total revenues</b>	<b>2 265</b>	<b>2 049</b>	<b>8 725</b>	<b>7 766</b>
EBITDA before other items	835	878	3 540	3 152
<b>Operating profit</b>	<b>467</b>	<b>584</b>	<b>2 245</b>	<b>2 069</b>
EBITDA before other items/ Total revenues (%)	36.9	42.9	40.6	40.6
Capex	639	558	4 949	1 442
No. of subscriptions - Change in quarter/Total (in thousands):	1 195	1 319	39 428	34 563
ARPU - monthly (NOK)	16	17	17	16
Exchange rate (PKR)			0.0802	0.0785

- The number of subscriptions increased by 1.2 million during the quarter and the subscription base was 14% higher than at the end of last year.
- ARPU decreased by 3% as growth in lower ARPU segments was partly offset by continued growth in data usage.
- Total revenues increased by 12%, driven by strong subscription growth, higher incoming international traffic and continued growth in financial services. Subscription and traffic revenues increased by 10%.
- EBITDA decreased by 4% as the growth in gross profit from increased data revenues and higher international traffic was more than offset by both higher sales and commission costs and increased rent and energy costs from new network roll-out. Adjusted for reversal of accruals last year, the EBITDA margin was stable.
- Capital expenditure increased due to 3G and 4G network roll-out, following the acquisition of new 4G spectrum earlier in 2016. At the end of the quarter, the 3G population coverage was 67%.

## India

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Revenues</b>				
Subscription and traffic	1 147	1 234	5 092	4 795
Interconnect revenues	257	191	890	750
Other mobile revenues	8	8	36	33
Non-mobile revenues	5	3	15	14
<b>Total revenues</b>	<b>1 417</b>	<b>1 436</b>	<b>6 033</b>	<b>5 592</b>
EBITDA before other items	127	41	434	(47)
<b>Operating profit (loss)</b>	<b>(45)</b>	<b>(368)</b>	<b>(7 320)</b>	<b>(990)</b>
Capex	120	489	917	1 046
No. of subscriptions - Change in quarter/Total (in thousands):*	(689)	1 764	44 033	42 619
ARPU - monthly (NOK)	11	11	11	12
Exchange rate (INR)			0.1250	0.1258

\*1) Please note that the definition for active subscriptions in the Indian operation is more conservative than the Group definition on page 24, due to high churn in the Indian market. Subscriptions are counted as active if there has been activity during the last 30 days.

- The mobile subscription base decreased by 0.7 million. At the end of the quarter, the subscription base was 3% higher than the same quarter last year.
- ARPU fell by 3%, primarily driven by the Indian bank note demonetisation in November, as well as the increased competitive intensity following the entrance of a new operator into the market.
- Revenues increased by 3% primarily due to higher interconnect revenues.
- EBITDA improved mainly as result of the positive effects from the modernisation of the network and other operational excellence initiatives, in addition to the improved gross margin.
- Operating profit was negatively impacted by NOK 155 million in impairments and write downs. See note 4 for more information.
- Capex in the fourth quarter was mainly related to committed purchase orders from previous quarters.

## Myanmar

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Revenues</b>				
Subscription and traffic	1 451	1 220	5 791	3 973
Interconnect revenues	269	262	1 104	781
Other mobile revenues	18	7	44	19
Non-mobile revenues	16	8	77	66
<b>Total revenues</b>	<b>1 754</b>	<b>1 496</b>	<b>7 016</b>	<b>4 839</b>
EBITDA before other items	718	640	3 038	1 962
<b>Operating profit</b>	<b>474</b>	<b>423</b>	<b>2 156</b>	<b>1 383</b>
EBITDA before other items/ Total revenues (%)	40.9	42.7	43.3	40.5
Capex	783	741	2 729	3 380
No. of subscriptions - Change in quarter/Total (in thousands):	439	1 891	18 255	13 683
ARPU - monthly (NOK)	32	40	35	44
Exchange rate (MMK)			0.0067	0.0068

- Telenor Myanmar added 0.4 million new subscriptions during the fourth quarter. By the end of 2016 the subscription base was 33% higher than at the end of 2015.
- ARPU decreased by 16%, driven by increased penetration in low ARPU segments and promotional activities. Compared to third quarter, ARPU increased by 6%.
- Revenues increased by 20%, driven by continued subscription growth and growth in data usage.
- EBITDA increased by 16% and was driven by higher revenues, partly offset by increased costs, primarily related to the larger number of network sites on air.
- Capital expenditure remained high in the quarter from the continued network expansion.
- At the end of the fourth quarter, a total of 7,264 sites were on air, having added a total of 740 sites during the quarter.

## Broadcast

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Revenues</b>				
Canal Digital DTH	1 098	1 172	4 555	4 572
Satellite Broadcasting	234	256	955	1 012
Norkring	280	286	1 333	1 120
Other/Eliminations	(116)	(117)	(477)	(468)
<b>Total revenues</b>	<b>1 495</b>	<b>1 597</b>	<b>6 366</b>	<b>6 236</b>

## EBITDA before other items

Canal Digital DTH	153	196	782	781
Satellite Broadcasting	158	170	650	670
Norkring	142	147	822	607
Other/Eliminations	(7)	(6)	(23)	(26)
<b>Total EBITDA before other items</b>	<b>446</b>	<b>507</b>	<b>2 231</b>	<b>2 032</b>

## Operating profit

Canal Digital DTH	122	182	709	735
Satellite Broadcasting	71	86	313	388
Norkring	59	74	377	325
Other/Eliminations	(11)	(6)	(29)	(26)
<b>Total operating profit</b>	<b>241</b>	<b>336</b>	<b>1 370</b>	<b>1 422</b>

EBITDA before other items/ Total revenues (%)	29.9	31.7	35.0	32.6
Capex	135	90	412	1 785

## No. of subscriptions - Change in quarter/Total (in thousands):

DTH TV	(3)	(3)	862	897
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- Total revenues in Broadcast decreased by 6% from the fourth quarter last year, while the EBITDA was down 12%.
- Revenues in Canal Digital DTH decreased by 6% due to currency effects and changes in product offerings related to sport in Norway. The effects of lower DTH subscriber volume were mainly compensated by price.
- EBITDA in Canal Digital DTH decreased by 22 % mainly due to currency, end-user equipment cost and marketing activities.
- Revenues in Telenor Satellite decreased by 9% primarily due to price pressure in the data communication market and the termination of a satellite uplink contract in Q4 2015. EBITDA declined by 7% as the revenue reduction was partly compensated by lower capacity lease and operating costs.
- Revenues in Norkring decreased by 2%, primarily due to lower sale of broadcasting services in Belgium, while EBITDA decreased by 4%.
- Capital expenditure increased by NOK 45 million from the fourth quarter last year, and was mainly attributable to Norkring investments related to roll-out of sites, maintenance and expansion of the Digital Audio Broadcasting network in Norway.

## Other units

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Revenues</b>				
Global wholesale	777	610	3 117	2 676
Corporate functions	691	770	3 007	2 734
Digital Businesses	349	149	1 147	543
Other / eliminations	142	183	714	711
<b>Total revenues</b>	<b>1 959</b>	<b>1 712</b>	<b>7 985</b>	<b>6 665</b>

## EBITDA before other items

Global wholesale	14	23	120	243
Corporate functions	(345)	(409)	(1 187)	(1 143)
Digital Businesses	(39)	14	(111)	128
Other / eliminations	(31)	(9)	(27)	71
<b>Total EBITDA before other items</b>	<b>(401)</b>	<b>(381)</b>	<b>(1 205)</b>	<b>(701)</b>

## Operating profit (loss)

Global wholesale	2	19	72	211
Corporate functions	(121)	(554)	(1 394)	(1 621)
Digital Businesses	(1 110)	8	(1 254)	120
Other / eliminations	(54)	(28)	(80)	5
<b>Total operating profit (loss)</b>	<b>(1 283)</b>	<b>(555)</b>	<b>(2 656)</b>	<b>(1 285)</b>

Capex	58	245	628	649
Investments in businesses	21	65	3 488	500

- In Global Wholesale, revenues increased by NOK 167 million, driven by growth in the international voice business. EBITDA decreased by NOK 9 million.
- EBITDA in Corporate Functions was positively impacted by lower costs related to corporate activities and shared service centres. This was partly offset by reclassifications and one-time provision.
- In Digital Businesses, revenues increased mainly from the inclusion of Tapad in February 2016 in addition to higher revenues in Telenor Connexion. EBITDA decreased mainly due to negative EBITDA contribution from Tapad, partly offset by increased EBITDA in Connexion.
- Operating profit decreased by NOK 0.7 billion mainly as a result of the impairment loss recognised in Tapad. The improvement in corporate functions was primarily due to gain on disposal of real estate. See other income and other expenses for details

## Group performance 2016

The comments below are related to Telenor's development in 2016 compared to 2015 unless otherwise stated.

### Specification of other income and other expenses

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
EBITDA before other income and other expenses	10 793	10 860	46 483	44 197
EBITDA before other income and other expenses (%)	32.6	32.4	35.4	34.5
Gains on disposals of fixed assets and operations	486	(18)	547	113
Write down of receivables in India	-	-	(611)	-
Losses on disposals of fixed assets and operations	(457)	(160)	(618)	(525)
Workforce reductions, onerous (loss) contracts and one-time pension costs	(355)	(79)	(698)	(460)
<b>EBITDA</b>	<b>10 467</b>	<b>10 603</b>	<b>45 103</b>	<b>43 325</b>
EBITDA margin (%)	31.6	31.7	34.3	33.8

In the fourth quarter of 2016 'Other income and other expenses' consisted mainly of:

- Gain on disposal of real estate in Telenor Eiendom (NOK 458 million).
- Losses on disposal of fixed assets mainly in Norway (NOK 252 million), Corporate Functions (NOK 110 million) and Grameenphone (NOK 33 million).
- Workforce reductions mainly in Sweden (NOK 154 million), Norway (NOK 120 million), dtac (NOK 35 million) and Broadcast (NOK 25 million).

For the year 2016 'Other income and other expenses' consisted mainly of:

- Gain on disposal of real estate in Telenor Eiendom (NOK 458 million).
- Write down of receivables in India (NOK 611 million). See note 4 for further information.
- Losses on disposals of fixed assets mainly in Norway (NOK 252 million), Corporate Functions (NOK 124 million), dtac (NOK 52 million), Grameenphone (NOK 33 million) and India (NOK 24 million).
- Workforce reductions in Norway (NOK 263 million), Sweden (NOK 154 million), dtac (NOK 129 million), Grameenphone (NOK 102 million), Corporate Functions (NOK 69 million), Broadcast (NOK 25 million) and Denmark (NOK 21 million), offset by positive impact of settlement with vendors in exited circles in India (NOK 152 million).

For the year 2015 'Other income and other expenses' consisted mainly of:

- Losses on disposal of fixed assets mainly in Denmark, India, Myanmar, dtac, Sweden, Corporate Functions and Norway.
- Workforce reductions mainly in Norway, Sweden, Corporate Functions, Denmark and dtac.

### Impairment

- In the fourth quarter, an impairment of goodwill related to Tapad of NOK 1.0 billion was recognised as a consequence of lower growth expectations in the US media advertising segment. See note 4 for more information.
- During the year 2016, an impairment amounting to NOK 6.8 billion related to tangible and intangible assets in Telenor India have been recognised. In addition, NOK 0.6 billion in non-interest-bearing receivables were written down during the first quarter. See note 4 for more information.

### Operating profit

- Reported operating profit decreased by NOK 5.7 billion to NOK 17.1 billion, as growth in EBITDA was more than offset by higher impairment losses and increased depreciations.

## Associated companies and joint ventures

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Telenor's share of</b>				
Profit after taxes	888	(2 656)	1 892	(1 455)
Amortisation of Telenor's net excess values	(6)	(6)	(23)	(50)
Impairment losses	561	(166)	(351)	(5 565)
Gains (losses) on disposal of ownership interests	(5)	(7)	(3 313)	251
<b>Profit (loss) from associated companies</b>	<b>1 439</b>	<b>(2 835)</b>	<b>(1 796)</b>	<b>(6 819)</b>

- Profit after tax from associated companies and joint ventures in the fourth quarter of 2016 includes positive contribution from VimpelCom of NOK 905 million for Telenor's share of VimpelCom's result for the third quarter of 2016. During 2016, profit after tax from associates companies and joint ventures includes positive contribution from VimpelCom of NOK 2.1 billion.
- The result from online classifieds joint ventures was negative NOK 24 million in the fourth quarter of 2016 compared to negative NOK 65 million in the fourth quarter of 2015. During 2016, profit after tax from associated companies and joint ventures includes negative contribution from online classifieds joint ventures of NOK 167 million.
- During the third quarter of 2016 Telenor disposed of a portion of its ownership in VimpelCom corresponding to approximately 163.9 million VimpelCom American Depository Shares (ADSs) for a price of USD 3.50 per share before transaction costs, resulting in net proceeds to Telenor of NOK 4.6 billion. The disposal resulted in proportionate reclassification to income statement of previously recognised translation differences in other comprehensive income (OCI) resulting in a loss on disposal of NOK 3.2 billion.
- As of 31 December 2016, the carrying amount of the remaining 416.7 million VimpelCom ADSs, corresponding to Telenor's economic share of 23.7%, was NOK 13.8 billion at a share price of USD 3.85, resulting in a reversal of impairment loss of NOK 630 million recognised during the fourth quarter of 2016. After the reversal of impairment of NOK 1.8 billion in the first two quarters, and impairment of NOK 2.4 billion in the third quarter, total impact for the year 2016 resulted in a reversal of impairment of NOK 66 million.
- Pursuant to Telenor's agreement to sell its 48% ownership in Amedia for NOK 190 million to Sparebankstiftelsen DNB, an impairment loss of NOK 363 million was recognised in the first quarter of 2016. The transaction was closed in the second quarter of 2016, and a loss of NOK 71 million was recognised which represents reclassification of accumulated loss in OCI to income statement upon disposal of the investment.

## Financial items

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
Financial income	110	103	427	491
Financial expenses	(870)	(718)	(3 205)	(2 727)
Net currency gains (losses)	(819)	(427)	(208)	(961)
Net change in fair value of financial instruments	(230)	62	(558)	277
Net gains (losses and impairment) of financial assets and liabilities	7	-	1	-
<b>Net financial income (expenses)</b>	<b>(1 803)</b>	<b>(980)</b>	<b>(3 543)</b>	<b>(2 921)</b>
Gross interest expenses	(738)	(615)	(2 640)	(2 327)
Net interest expenses	(683)	(567)	(2 446)	(2 070)

- Net currency losses in the fourth quarter and the whole year are mainly caused by debt in foreign currency that is not part of net investment hedge relationships.
- Net change in fair value of financial instruments was negative both for the quarter and the full year. This was mainly due to market valuation of option features of the bond exchangeable into VimpelCom ADSs resulting in a loss of NOK 478 million and NOK 918 million respectively, partly offset by positive changes in fair value of other financial instruments.

## Taxes

- The underlying tax rate remains stable around 29%. The effective tax rate for the fourth quarter and for the year is 24% and 51%, respectively. The effective tax rate for the year is high mainly due to the loss on disposal of VimpelCom ADS's in the third quarter and impairment of India and Tapad. The low effective tax rate for the fourth quarter is explained by a reversal of valuation allowances.
- The effective tax rate for the year 2017 is estimated to be around 28%.

### Cash flow

- Net cash inflow from operating activities during 2016 was NOK 39.8 billion, an increase of NOK 2.7 billion compared to 2015. Profit before taxes adjusted for items without cash effect or not related to operating activities<sup>1)</sup> was NOK 2.1 billion higher during 2016, partly offset by higher taxes paid of NOK 0.6 billion. Positive impact from changes in working capital and other was NOK 1.3 billion higher compared to 2015, which consists of two elements; positive impact from financial instruments of NOK 0.8 billion and operating working capital of NOK 0.5 billion.
- Net cash outflow to investing activities during 2016 was NOK 21.1 billion, an increase of NOK 0.8 billion compared to 2015. Cash outflow related to capex and licence investments was NOK 2.6 billion higher during 2016. Acquisition of Tapad Inc. in the first quarter of 2016 of NOK 2.7 billion mainly explains higher cash outflow related to investments in businesses of NOK 2.5 billion. Higher proceeds from sale of PPE and businesses of NOK 3.9 billion are mainly due to proceeds from partial disposal of Telenor's stake in VimpelCom Ltd. of NOK 4.6 billion and disposal of real estate of NOK 0.5 billion during 2016 as compared to sale of shares in Evry ASA of NOK 1.3 billion in 2015.
- Net cash outflow to financing activities during 2016 was NOK 9.0 billion. This is mainly explained by dividends paid to shareholders in Telenor ASA of NOK 11.2 billion, dividends paid to non-controlling interest of NOK 3.1 billion offset by net proceeds from borrowings of NOK 5.3 billion.
- Cash and cash equivalents increased by NOK 9.2 billion during 2016 to NOK 23.0 billion as of 31 December 2016.

- <sup>1)</sup> Items without cash effect or not related to operating activities adjusted for include:
- Depreciation, amortisation and impairment losses
  - Net (gains) losses from disposals, impairment and change in fair value of financial assets and liabilities
  - Loss (profit) from associated companies and joint ventures
  - Currency (gains) losses not related to operating activities

### Financial position

- During 2016, total assets increased by NOK 1.3 billion to NOK 206.2 billion. The main factors were cash proceeds from issuance of exchangeable bonds into VimpelCom Ltd. ADS of NOK 8.2 billion (see note 5 for further information), offset by impairment loss recognised in Telenor India, and impairment of goodwill in Tapad Inc. (see note 4 for more information).
- Net interest bearing debt increased by NOK 0.3 billion to NOK 54.4 billion. This was mainly due to increase in cash and cash equivalents due to proceeds from divestment of VimpelCom Ltd. shares of NOK 4.6 billion (see note 3 for further information), partly offset by payment for acquisition of the ownership interests in Tapad Inc. of NOK 2.7 billion (see note 2 for further information).
- Total equity decreased by NOK 7.7 billion to NOK 55.4 billion mainly due to dividends to non-controlling interests and shareholders of Telenor ASA of NOK 14.1 billion, partly offset by positive net income from operations of NOK 5.8 billion.

### Transactions with related parties

For detailed information on related party transactions refer to Note 32 in Telenor's Annual Report 2015.

### Risk and uncertainties

The existing risks and uncertainties described below are expected to remain for the next three months.

A growing share of Telenor's revenues and profits is derived from operations outside Norway. Currency fluctuations may influence the reported figures in Norwegian Kroner to an increasing extent. Political risk, including regulatory conditions, may also influence the results.

Telenor ASA seeks to allocate debt on the basis of equity market values in local currencies, predominantly EUR, USD and SEK. Foreign currency debt in Telenor ASA that exceeds the booked equity of investments in the same currency will not be part of an effective net investment hedge relationship. Currency fluctuations related to this part of the debt will be recorded in the income statement.

For additional explanations regarding risks and uncertainties, please refer to the Report of the Board of Directors for 2015, section Risk Factors and Risk Management, and Telenor's Annual Report 2015 Note 28 Managing Capital and Financial Risk Management and Note 33 Legal Disputes and Contingencies. Readers are also referred to the disclaimer at the end of this section.

New developments of risks and uncertainties since the publication of Telenor's Annual Report for 2015 are:

#### Legal disputes

See note 7 for details.

#### Financial aspects

In relation to the licence issuance in Myanmar, a performance bond of USD 150 million has been issued to Myanmar authorities as a guarantee towards coverage and quality of service commitments during the next three years of the licence.

### Disclaimer

This report contains statements regarding the future in connection with Telenor's growth initiatives, profit figures, outlook, strategies and objectives. In particular, the section 'Outlook for 2017' contains forward-looking statements regarding the Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profits and developments deviating substantially from what has been expressed or implied in such statements.

Fornebu, 1 February 2017

The Board of Directors of Telenor ASA

# Interim condensed financial information

## Consolidated income statement

Telenor Group

(NOK in millions except earnings per share)	Fourth quarter		Year	
	2016	2015	2016	2015
Revenues	33 144	33 487	131 427	128 175
Costs of materials and traffic charges	(9 328)	(9 557)	(34 095)	(35 147)
Salaries and personnel costs	(3 208)	(3 292)	(13 152)	(12 406)
Other operating expenses	(9 814)	(9 777)	(37 698)	(36 425)
Other income	486	(18)	547	113
Other expenses	(813)	(239)	(1 927)	(985)
<b>EBITDA</b>	<b>10 467</b>	<b>10 603</b>	<b>45 103</b>	<b>43 325</b>
Depreciation and amortisation	(5 094)	(5 083)	(20 050)	(18 384)
Impairment losses	(1 187)	(2 103)	(7 983)	(2 181)
<b>Operating profit</b>	<b>4 186</b>	<b>3 417</b>	<b>17 070</b>	<b>22 761</b>
Share of net income from associated companies and joint ventures	1 443	(2 828)	1 517	(7 070)
Gain (loss) on disposal of associated companies	(5)	(7)	(3 313)	251
Net financial income (expenses)	(1 803)	(980)	(3 543)	(2 921)
<b>Profit before taxes</b>	<b>3 822</b>	<b>(398)</b>	<b>11 731</b>	<b>13 020</b>
Income taxes	(910)	(995)	(5 924)	(6 317)
<b>Net income (loss)</b>	<b>2 911</b>	<b>(1 393)</b>	<b>5 806</b>	<b>6 704</b>
<b>Net income (loss) attributable to:</b>				
Non-controlling interests	625	732	2 974	3 289
Equity holders of Telenor ASA	2 286	(2 125)	2 832	3 414
<b>Earnings per share in NOK</b>				
Basic from total operations	1.52	(1.42)	1.89	2.27
Diluted from total operations	1.52	(1.42)	1.89	2.27

The interim financial information has not been subject to audit or review.



## Consolidated statement of comprehensive income

Telenor Group

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Net income</b>	<b>2 911</b>	<b>(1 393)</b>	<b>5 806</b>	<b>6 703</b>
Translation differences on net investment in foreign operations	1 697	1 864	(4 646)	7 774
Income taxes	(12)	7	(15)	(3)
Amount reclassified from other comprehensive income to income statement on partial disposal	-	-	(3 609)	(15)
Net gain (loss) on hedge of net investment	(1 406)	(1 385)	2 734	(5 491)
Income taxes	351	124	(684)	1 232
Amount reclassified from other comprehensive income to income statement on partial disposal	-	-	2 153	-
Net gain (loss) on available-for-sale-investment	(15)	(21)	(43)	(17)
Share of other comprehensive income (loss) of associated companies and joint ventures	(30)	(1 220)	631	(3 357)
Amount reclassified from other comprehensive income to income statement on disposal	-	-	4 783	(23)
<b>Items that may be reclassified subsequently to income statement</b>	<b>586</b>	<b>(632)</b>	<b>1 305</b>	<b>99</b>
Remeasurement of defined benefit pension plans	448	648	(304)	1 111
Income taxes	(113)	(123)	55	(249)
<b>Items that will not be reclassified to income statement</b>	<b>335</b>	<b>525</b>	<b>(248)</b>	<b>862</b>
<b>Other comprehensive income (loss), net of taxes</b>	<b>921</b>	<b>(107)</b>	<b>1 056</b>	<b>961</b>
<b>Total comprehensive income</b>	<b>3 832</b>	<b>(1 500)</b>	<b>6 862</b>	<b>7 665</b>
<b>Total comprehensive income attributable to:</b>				
Non-controlling interests	789	901	2 824	3 762
Equity holders of Telenor ASA	3 043	(2 402)	4 038	3 903

The interim financial information has not been subject to audit or review.

## Consolidated statement of financial position

Telenor Group

(NOK in millions)	31 December 2016	31 December 2015
Deferred tax assets	2 012	3 366
Goodwill	24 519	23 968
Intangible assets	33 057	40 495
Property, plant and equipment	72 016	69 211
Associated companies and joint ventures	15 773	19 400
Other non-current assets	5 800	6 155
<b>Total non-current assets</b>	<b>153 177</b>	<b>162 596</b>
Prepaid taxes	737	770
Inventories	1 802	2 271
Trade and other receivables	24 876	23 877
Other current financial assets	2 489	1 436
Assets classified as held for sale	2	3
Cash and cash equivalents	23 085	13 956
<b>Total current assets</b>	<b>52 991</b>	<b>42 313</b>
<b>Total assets</b>	<b>206 168</b>	<b>204 909</b>
Equity attributable to equity holders of Telenor ASA	50 879	58 467
Non-controlling interests	4 517	4 660
<b>Total equity</b>	<b>55 396</b>	<b>63 126</b>
Non-current interest-bearing liabilities	60 391	63 802
Non-current non-interest-bearing liabilities	3 816	4 010
Deferred tax liabilities	2 972	3 023
Pension obligations	2 585	2 424
Provisions and obligations	3 542	3 545
<b>Total non-current liabilities</b>	<b>73 305</b>	<b>76 805</b>
Current interest-bearing liabilities	25 970	12 626
Trade and other payables	42 890	44 030
Current tax payables	3 288	3 392
Current non-interest-bearing liabilities	3 642	3 339
Provisions and obligations	1 677	1 591
<b>Total current liabilities</b>	<b>77 468</b>	<b>64 978</b>
<b>Total equity and liabilities</b>	<b>206 168</b>	<b>204 909</b>

The interim financial information has not been subject to audit or review.

## Consolidated statement of cash flows

Telenor Group

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
Profit before taxes from total operation	3 822	(398)	11 731	13 020
Income taxes paid	(1 467)	(1 483)	(5 760)	(5 141)
Net (gains) losses from disposals, impairments and change in fair value of financial assets and liabilities	148	98	574	81
Depreciation, amortisation and impairment losses	6 281	7 186	28 033	20 565
Loss (profit) from associated companies and joint ventures	(1 439)	2 835	1 796	6 819
Dividends received from associated companies	122	175	130	189
Currency (gains) losses not related to operating activities	2 116	369	1 087	667
Changes in working capital and other	(394)	(838)	2 187	906
<b>Net cash flow from operating activities</b>	<b>9 190</b>	<b>7 944</b>	<b>39 778</b>	<b>37 107</b>
Purchases of property, plant and equipment (PPE) and intangible assets	(6 762)	(6 666)	(23 727)	(21 168)
Purchases of subsidiaries, associated companies and joint ventures, net of cash acquired	(23)	(60)	(2 971)	(497)
Proceeds from disposal of PPE, intangible assets, associated companies and businesses, net of cash disposed	573	35	5 412	1 462
Proceeds from sale and purchases of other investments	107	260	182	(79)
<b>Net cash flow from investing activities</b>	<b>(6 106)</b>	<b>(6 431)</b>	<b>(21 105)</b>	<b>(20 281)</b>
Proceeds from and repayments of borrowings	(1 229)	(299)	10 582	4 134
Payments on licence obligations	(218)	(1 077)	(1 562)	(2 136)
Payments on supply chain financing	(944)	(876)	(3 672)	(2 538)
Dividends paid to and purchases of shares from non-controlling interests	(413)	(509)	(3 139)	(3 777)
Dividends paid to equity holders of Telenor ASA	(5 005)	(5 020)	(11 246)	(10 724)
<b>Net cash flow from financing activities</b>	<b>(7 809)</b>	<b>(7 782)</b>	<b>(9 037)</b>	<b>(15 041)</b>
Effects of exchange rate changes on cash and cash equivalents	185	149	(446)	81
<b>Net change in cash and cash equivalents</b>	<b>(4 540)</b>	<b>(6 120)</b>	<b>9 190</b>	<b>1 866</b>
Cash and cash equivalents at the beginning of the period	27 490	19 881	13 760	11 893
<b>Cash and cash equivalents at the end of the period<sup>1)</sup></b>	<b>22 951</b>	<b>13 760</b>	<b>22 951</b>	<b>13 760</b>

<sup>1)</sup> As of 31 December 2016, restricted cash was NOK 654 million, while as of 31 December 2015, restricted cash was NOK 489 million.

The interim financial information has not been subject to audit or review.

## Consolidated statement of changes in equity

Telenor Group

(NOK in millions)	Attributable to equity holders of the parent				Total	Non-controlling interests	Total equity
	Total paid in capital	Other reserves	Retained earnings	Cumulative translation differences			
<b>Equity as of 1 January 2015</b>	<b>9 078</b>	<b>(20 377)</b>	<b>73 974</b>	<b>1 080</b>	<b>63 755</b>	<b>4 750</b>	<b>68 505</b>
Net income for the period	-	-	3 414	-	3 414	3 289	6 704
Other comprehensive income for the period	-	(2 534)	-	3 022	488	473	961
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(2 534)</b>	<b>3 414</b>	<b>3 022</b>	<b>3 903</b>	<b>3 762</b>	<b>7 665</b>
Transactions with non-controlling interests	-	(2)	-	-	(2)	24	22
Equity adjustments in associated companies and joint ventures	-	1 732	-	-	1 732	-	1 732
Dividends	-	-	(10 959)	-	(10 959)	(3 876)	(14 835)
Share - based payment, exercise of share options and distribution of shares	-	37	-	-	37	-	37
<b>Equity as of 31 December 2015</b>	<b>9 078</b>	<b>(21 143)</b>	<b>66 429</b>	<b>4 102</b>	<b>58 467</b>	<b>4 660</b>	<b>63 126</b>
Net income for the period	-	-	2 832	-	2 832	2 974	5 806
Other comprehensive income for the period	-	5 164	-	(3 958)	1 206	(150)	1 056
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>5 164</b>	<b>2 832</b>	<b>(3 958)</b>	<b>4 038</b>	<b>2 824</b>	<b>6 862</b>
Transactions with non-controlling interests	-	(152)	-	-	(152)	(106)	(258)
Equity adjustments in associated companies and joint ventures	-	(239)	-	-	(239)	-	(239)
Dividends	-	-	(11 261)	-	(11 261)	(2 861)	(14 122)
Share - based payment, exercise of share options and distribution of shares	-	28	-	-	28	-	28
<b>Equity as of 31 December 2016</b>	<b>9 078</b>	<b>(16 343)</b>	<b>58 000</b>	<b>144</b>	<b>50 879</b>	<b>4 517</b>	<b>55 396</b>

The interim financial information has not been subject to audit or review.

## Notes to the interim consolidated financial statements

### Note 1 – General accounting principles

Telenor (the Group) consists of Telenor ASA (the Company) and its subsidiaries. Telenor ASA is a limited liability company, incorporated in Norway. The condensed consolidated interim financial statements consist of the Group and the Group's interests in associated companies and joint arrangements. As a result of rounding differences, numbers or percentages may not add up to the total.

These interim condensed consolidated financial statements for the year ending 31 December 2016, have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's Annual financial statements 2015. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2015.

For information about the standards and interpretations effective from 1 January 2016, please refer to Note 1 in the Group's Annual Report 2015. The standards and interpretations effective from 1 January 2016 do not have a significant impact on the Group's consolidated interim financial statements.

### Note 2 – Business combination

On 18 February 2016, the Group acquired approximately 95% of the interests in Tapad Inc., a leading marketing technology firm based in New York, for a cash consideration of NOK 2.7 billion. For the remaining 5% of the interests, Telenor has entered into a put and call arrangement with the non-controlling shareholders. Effectively, the acquisition is recognised as the Group has acquired 100% of the interests in Tapad Inc. A liability of NOK 133 million was recognised on the acquisition date, reflecting the put option's redemption amount. Any subsequent change to the redemption amount will be recognised in the income statement. The Group currently holds approximately 95% of the voting rights in Tapad Inc. The acquisition related transaction costs were approximately NOK 64 million, recognised as other operating expenses.

Tapad Inc. delivers unified cross-device marketing technology solutions that give publishers, marketers and technology providers a holistic view of consumers across devices and screens, including smartphones, tablets, home computers and smart TVs. As of the acquisition date Tapad Inc. had more than 160 of the top U.S. brands among its customers and benefited from over 50 data technology licencing partnerships. The acquisition enables Telenor to take a position within the growing market for advertising technology and secures important competence within digital marketing and analytics. Tapad Inc. had approximately 160 employees, with offices in 13 key cities in the U.S. and Europe.

The purchase price allocation was performed with assistance from third-party valuation experts. The fair values of the identifiable assets and liabilities of the business as at the date of acquisition were:

NOK in millions	Fair values as of acquisition date
<b>Technology</b>	<b>350</b>
<b>Other intangible assets</b>	<b>58</b>
<b>Property, plant &amp; equipment</b>	<b>65</b>
<b>Other assets</b>	<b>179</b>
<b>Total assets</b>	<b>651</b>
<b>Deferred tax liability</b>	<b>129</b>
<b>Non-current liabilities</b>	<b>82</b>
<b>Current liabilities</b>	<b>310</b>
<b>Total liabilities</b>	<b>520</b>
<b>Net identifiable assets</b>	<b>132</b>
<b>Goodwill</b>	<b>2 759</b>
<b>Total consideration for the shares</b>	<b>2 890</b>
of which cash	2 740
of which liability	151

In June 2016, the purchase price allocation was completed, resulting in NOK 2 759 million of total goodwill arising from the acquisition. The goodwill comprises of the value of expected synergies arising from the acquisition, database of search-based and customer related information, assembled workforce and deferred tax on excess values. None of the goodwill is expected to be deductible for income tax purposes. During 2016, the Group has paid NOK 17 million of the liability and NOK 133 million related to the redemption amount remains as a liability as of 31 December 2016.

For the period between the date of acquisition and 31 December 2016, Tapad Inc. contributed NOK 529 million to the Group's revenue and NOK 288 million negative to the Group's profit before taxes. If the business combination had taken place at the beginning of the year, revenue and profit before taxes for the Group would have been NOK 131,474 million and NOK 11,698 million, respectively.

### Other business combinations

During the year 2016 the Group acquired three additional businesses in Norway (fixed business), Sweden (maritime communications) and Malaysia (financial services), for the total amount of NOK 210 million. NOK 65 million is recognised as a liability, as it is contingent upon future performance. The remaining amount has been paid in cash.

### Note 3 – Associated companies and joint ventures

#### VimpelCom Ltd.

On 5 October 2015, Telenor Group announced its intention to divest all its VimpelCom American Depository Shares (ADSs). Accordingly, the carrying amount of VimpelCom is measured at the lower of carrying amount based on the equity method before impairment and market value.

During the third quarter of 2016, Telenor disposed of a portion of its ownership in VimpelCom corresponding to approximately 163.9 million VimpelCom ADSs or 9.3% of the total share capital of VimpelCom for a price of USD 3.50 per share before transaction costs, resulting in net proceeds to Telenor of NOK 4.6 billion. After the disposal, Group's ownership of VimpelCom reduced from 33% to 23.7%. Loss of NOK 3.2 billion was recognised in income statement upon disposal of 163.9 million VimpelCom ADSs relating to reclassification of translation differences previously recognised in other comprehensive income. During 2016, an impairment reversal of NOK 66 million was recognised.

After the disposal of 163.9 million VimpelCom ADSs, the carrying amount of the remaining 416.7 million VimpelCom ADSs, corresponding to Telenor's economic share of 23.7%, is NOK 13.8 billion, equivalent to USD 3.85 per share. Concurrently with the disposal of 163.9 million VimpelCom ADSs, Telenor issued bonds of USD 1 billion exchangeable into VimpelCom ADSs and having a maturity of 3 years, see note 5 for further details relating to the bonds.

VimpelCom will continue to be classified as an associated company until it is highly probable that a sale within 12 months will occur for the remaining VimpelCom ADSs. The remaining balance of income and expenses recognised in other comprehensive income amounting to a net loss of NOK 7.1 billion will be proportionately reclassified to the income statement upon disposal of remaining 23.7% ownership share of VimpelCom. Total equity for the Group will not be impacted by the reclassification effects.

### Note 4 – Impairment

The recoverable amount of Telenor's investment in Tapad has been estimated based on discounted cash flows from current revenue streams. As a consequence of lower growth expectations in the US media advertising segment, an impairment of goodwill of NOK 1.0 billion was recognised in the fourth quarter. The estimated value in use after the impairment amounts to NOK 1.7 billion adjusted for net debt. The carrying amount of goodwill after impairment amounts to NOK 1.7 billion. Initiatives to exploit Telenor Group internal synergies through the use of Tapad's technology are at an early stage, and have not been included when estimating the value in use.

Key assumptions in determining the value in use:

	Per cent
Discount rate after tax	11
Discount rate before tax	14
Revenue growth <sup>1)</sup>	15
EBITDA growth <sup>2)</sup>	17
Nominal growth rate in terminal value	3

<sup>1)</sup> Represents the compound annual growth rate during 2017-2025 (until the terminal year) in the base case scenario

<sup>2)</sup> Represents the compound annual growth rate during 2020-2025 (until the terminal year) in the base case scenario

The Group applies fair value less cost of disposal when determining recoverable amount of Telenor India. Key assumptions in determining

the fair value less cost of disposal (level 3) are spectrum prices and contractual obligations in India. As a consequence of the development in spectrum trading prices and updated assumptions of the contractual obligations, the Group reassessed the fair value less cost of disposal of Telenor India in the first quarter 2016 and an impairment loss of NOK 2.3 billion was recognised, of which NOK 1.4 billion mainly related to switches and radio installations and the remaining NOK 0.9 billion mainly related to licences. In the third quarter 2016, the Group reassessed the fair value of the licences based on recent observations in the Indian market. The assessment resulted in an additional impairment of the licences in the third quarter 2016 of NOK 4.0 billion. During the last three quarters of 2016 recognised assets of NOK 0.5 billion related to switches and radio installations has been impaired, keeping the carrying amount of tangible assets at zero. The recoverable amount of intangible assets is NOK 0.3 billion. In addition, NOK 0.6 billion in non-interest-bearing receivables were written down during the first quarter. During the year 2016, total impairment loss and write downs related to Telenor India of NOK 7.4 billion were recognised.

### Note 5 – Interest-bearing liabilities

Concurrently with the equity offering of the VimpelCom ADSs on 15 September, see note 3, Telenor East Holding II AS, an indirectly wholly owned subsidiary of Telenor ASA ("Telenor"), placed USD 1,000 million aggregate principal amount of senior, unsecured bonds (the "Bonds") exchangeable into VimpelCom ADSs. The Bonds have an expected maturity of 3 years and will pay a fixed coupon of 0.25% per annum, payable semi-annually. The exchangeable bond is in the statement of financial position split into an interest-bearing liability recognised at amortised cost and a financial derivative recognised at fair value. As of the placement date the carrying amount of the interest-bearing liability was NOK 7.9 billion (USD 956 million).

Each USD 200,000 bond is exchangeable for 41,191 VimpelCom ADSs (adjusted for VimpelCom dividend and subject to further adjustments), which represents an exchange price of approximately USD 4.89 per ADS. The initial exchange price represented a 40% premium to the reference equity offering price of USD 3.50 per ADS. Underlying the exchangeable bonds are approximately 206 million VimpelCom ADSs (subject to certain adjustments), corresponding to approximately 11.7% of VimpelCom's total share capital.

Upon the maturity of the Bonds, the Issuer may redeem each USD 200,000 bond that has not been previously exchanged by paying cash, by transferring up to 61,787 ADSs (150% of 41,191 ADS underlying each bond) or by paying and transferring a mix of cash and ADSs, in each case with a market value of USD 200,000.

Additionally, Telenor may redeem the bonds at their USD 200,000 principal amount, together with accrued interest, for cash at any time on or after 12 October 2018 provided that the market value of the 40,816 VimpelCom ADSs underlying each Bond is at least USD 260,000, effectively encouraging bondholders to exercise their exchange right and accelerating Telenor's divestment of its VimpelCom ADSs.

Following these transactions and assuming that 100% of the VimpelCom ADSs underlying the Bonds are delivered to bondholders at or before the Bond's maturity in September 2019, Telenor's residual stake in VimpelCom would be 12.0% of VimpelCom's total share capital, equal to 210.7 million ADSs. The Bonds are traded on the Open Market (Freiverkehr) segment of Frankfurt stock exchange.

Fair value of interest-bearing liabilities recognised at amortised cost:

NOK in millions	31 December 2016	
	Carrying amount	Fair value
Interest-bearing liabilities	(86 361)	(90 160)
of which fair value level 1		(61 320)
of which fair value level 2		(28 840)

NOK in millions	31 December 2015	
	Carrying amount	Fair value
Interest-bearing liabilities	(76 428)	(80 422)
of which fair value level 1		(54 423)
of which fair value level 2		(25 999)

### Note 6 – Fair value of financial instruments

Financial derivatives are recognised at fair value based on observable market data (level 2). See note 29 in the Annual Report 2015 for valuation methodologies. The financial derivatives are classified in the statement of financial position as disclosed in the table:

NOK in millions	31 December 2016	31 December 2015
Other non-current assets	2 951	3 547
Other current financial assets	725	391
Non-current non-interest-bearing financial liabilities	(3 224)	(3 615)
Non-current interest-bearing financial liabilities	(26)	-
Current non-interest-bearing liabilities	(1 843)	(960)
<b>Total</b>	<b>(1 417)</b>	<b>(637)</b>

### Note 7 – Legal disputes

#### Telenor India

After the cancellation of the 2G licences awarded in 2008, Unitech Wireless (now Telenor India) secured spectrum licences in 6 circles in an auction. The Supreme Court cancellation order dated 15 February 2013 opened up for possible retroactive spectrum fee payments applicable to the licencees who continued businesses until new licences were issued. Department of Telecommunications in India (DoT) issued a notice dated 17 November 2014 to Unitech Wireless seeking an explanation as to why retrospective spectrum fee payment of NOK 0.9 billion plus interest should not be paid by Unitech Wireless. The company disputed the calculation of the amount. However, on 25 September 2016 DoT issued demand notice of NOK 1.0 billion (including interest of NOK 0.2 billion). A stay order has been obtained in the case held in the Telecom disputes settlement & appellate tribunal (TDSAT) on 7 October 2016. Next date of hearing is set to 3 February 2017.

#### Telenor Norway

The Norwegian Competition Authority (NCA) and EFTA Surveillance Authority (ESA) carried out an inspection of Telenor Norge AS on 4–13 December 2012 based on suspected abuse of dominant position and/or anti-competitive collaboration concerning Telenor Norway's mobile operation.

1 February 2016 the ESA sent a Statement of Objections to Telenor, setting out its preliminary views of possible breach of Telenor's dominant position on the Norwegian mobile market. This related to two different issues: 1) margin squeeze in the segment mobile broadband standalone to consumers and 2) lock-in agreement on subscription level to business customers. ESA is considering imposing a fine, but has not suggested a fine amount. An oral hearing was held in October 2016.

On 23 November 2016, NCA sent a Statement of Objection setting out its preliminary assessment of Telenor's behavior in the mobile market. The preliminary allegations from the NCA are that it is considering imposing a fine of NOK 906 million against Telenor for a historical breach of competition law. The NCA's preliminary view is that the wholesale agreements entered into by Telenor Norge AS constitute abuse of a dominant position related to pricing model and double roaming. Both issues relate to NCA's concern for the roll-out of the third mobile network in Norway.

Telenor's position in both cases is that we have not breached competition law. It will still take time before final conclusions are reached.

### Note 8 – Dividend

On 25 October 2016, the Board of Directors of Telenor ASA resolved a second semi-annual dividend for the financial year 2015 of NOK 3.50 per share. Including the NOK 4.00 per share paid in May 2016 this brings the total dividends for the year to NOK 7.50 per share.

### Note 9 – Income taxes

In the third quarter, Telenor Pakistan received reassessment orders with demand notes of NOK 3.3 billion from Tax Authority concerning the deductibility of certain expenses claimed in tax returns from previous years. Telenor Pakistan disagrees with the reassessment and has appealed it. Telenor Pakistan has obtained stay orders from High Court against the payment of the demanded amount of NOK 3.3 billion.

### Note 10 – Events after the reporting period

On 23 January 2017, the Board of Directors of Digi declared the fourth interim dividend for 2016 of MYR 0.048 per share, which corresponds to approximately NOK 0.7 billion total dividend and approximately NOK 0.35 billion for Telenor ownership share.

On 31 January 2017, the Board of Directors of Grameenphone Ltd. proposed final dividend for 2016 of BDT 9.00 per share which corresponds to approximately NOK 1.3 billion total dividend and approximately NOK 0.74 billion for Telenor ownership share.

### Note 11 – Segment table and reconciliation of EBITDA before other income and other expenses

Financial information related to the financial services operation in Myanmar is now reported as part of Other units. The financial information for 2015 has been restated to reflect this.

## The operations

### Fourth quarter

(NOK in millions)	Total revenues			of which internal		EBITDA before other income and other expenses <sup>1)</sup>			
	2016	2015	Growth	2016	2015	2016	Margin	2015	Margin
Norway	6 701	6 719	(0.3%)	83	81	2 650	39.6%	2 617	39.0%
Sweden	3 082	3 409	(9.6%)	7	9	614	19.9%	954	28.0%
Denmark	1 311	1 431	(8.4%)	25	23	152	11.6%	137	9.6%
Hungary	1 094	1 175	(6.9%)	18	12	294	26.9%	280	23.9%
Bulgaria	827	809	2.3%	14	5	287	34.6%	295	36.5%
Montenegro & Serbia	940	982	(4.3%)	36	33	285	30.3%	314	32.0%
dtac - Thailand	5 086	5 533	(8.1%)	34	37	1 599	31.4%	1 598	28.9%
Digi - Malaysia	3 233	3 430	(5.7%)	9	1	1 440	44.5%	1 385	40.4%
Grameenphone - Bangladesh	3 194	2 924	9.2%	-	-	1 752	54.9%	1 595	54.5%
Pakistan	2 265	2 049	10.5%	16	20	835	36.9%	878	42.9%
India	1 417	1 436	(1.3%)	-	1	127	8.9%	41	2.9%
Myanmar	1 754	1 496	17.2%	68	58	718	40.9%	640	42.7%
Broadcast	1 495	1 597	(6.4%)	51	44	446	29.9%	507	31.7%
Other units	1 959	1 712	14.4%	854	892	(401)	nm	(381)	nm
Eliminations	(1 215)	(1 215)	-	(1 215)	(1 215)	(5)	-	-	-
<b>Group</b>	<b>33 144</b>	<b>33 487</b>	<b>(1.0%)</b>	<b>-</b>	<b>-</b>	<b>10 793</b>	<b>32.6%</b>	<b>10 860</b>	<b>32.4%</b>

### Full year

(NOK in millions)	Total revenues			of which internal		EBITDA before other income and other expenses <sup>1)</sup>			
	2016	2015	Growth	2016	2015	2016	Margin	2015	Margin
Norway	26 035	26 542	(1.9%)	315	302	10 967	42.1%	11 088	41.8%
Sweden	12 355	12 576	(1.8%)	55	64	3 535	28.6%	3 667	29.2%
Denmark	5 076	5 201	(2.4%)	123	75	597	11.8%	591	11.4%
Hungary	4 436	4 490	(1.2%)	61	35	1 369	30.9%	1 382	30.8%
Bulgaria	3 168	2 940	7.7%	44	14	1 191	37.6%	1 134	38.6%
Montenegro & Serbia	3 894	3 815	2.1%	165	148	1 314	33.7%	1 329	34.8%
dtac - Thailand	19 647	20 687	(5.0%)	103	108	6 645	33.8%	6 580	31.8%
Digi - Malaysia	13 374	14 306	(6.5%)	22	4	6 004	44.9%	6 224	43.5%
Grameenphone - Bangladesh	12 339	10 881	13.4%	1	1	6 829	55.3%	5 806	53.4%
Pakistan	8 725	7 766	12.3%	75	113	3 540	40.6%	3 152	40.6%
India	6 033	5 592	7.9%	1	3	434	7.2%	(47)	nm
Myanmar	7 016	4 839	45.0%	255	150	3 038	43.3%	1 962	40.5%
Broadcast	6 366	6 236	2.1%	180	160	2 231	35.0%	2 032	32.6%
Other units	7 985	6 665	19.8%	3 623	3 185	(1 205)	nm	(701)	nm
Eliminations	(5 022)	(4 362)	-	(5 022)	(4 362)	(5)	-	-	-
<b>Group</b>	<b>131 427</b>	<b>128 175</b>	<b>2.5%</b>	<b>-</b>	<b>-</b>	<b>46 483</b>	<b>35.4%</b>	<b>44 197</b>	<b>34.5%</b>

<sup>1)</sup> The segment profit is EBITDA before other income and other expenses.

<sup>2)</sup> Investments consist of capex and investments in businesses, licences and spectrum.

## Reconciliation

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
<b>Net income</b>	<b>2 911</b>	<b>(1 393)</b>	<b>5 806</b>	<b>6 704</b>
Income taxes	(910)	(995)	(5 924)	(6 317)
<b>Profit before taxes</b>	<b>3 822</b>	<b>(398)</b>	<b>11 731</b>	<b>13 020</b>
Net financial income (expenses)	(1 803)	(980)	(3 543)	(2 921)
Profit (loss) from associated companies and joint ventures	1 439	(2 835)	(1 796)	(6 819)
Depreciation and amortisation	(5 094)	(5 083)	(20 050)	(18 384)
Impairment losses	(1 187)	(2 103)	(7 983)	(2 181)
<b>EBITDA</b>	<b>10 467</b>	<b>10 603</b>	<b>45 103</b>	<b>43 325</b>
Other income	486	(18)	547	113
Other expenses	(813)	(239)	(1 927)	(985)
<b>EBITDA before other income and other expenses</b>	<b>10 793</b>	<b>10 860</b>	<b>46 483</b>	<b>44 197</b>



EBITDA				Operating profit (loss)				Investments <sup>2)</sup>	
2016	Margin	2015	Margin	2016	Margin	2015	Margin	2016	2015
2 275	33.9%	2 576	38.3%	1 362	20.3%	1 673	24.9%	1 516	1 948
435	14.1%	963	28.3%	48	1.6%	546	16.0%	583	392
146	11.1%	111	7.7%	97	7.4%	(2 212)	nm	146	164
281	25.6%	271	23.1%	171	15.7%	105	9.0%	163	90
287	34.6%	299	36.9%	150	18.1%	184	22.7%	154	236
276	29.4%	316	32.1%	142	15.1%	197	20.1%	151	459
1 548	30.4%	1 582	28.6%	129	2.5%	419	7.6%	1 413	933
1 438	44.5%	1 385	40.4%	1 092	33.8%	1 048	30.6%	469	578
1 723	54.0%	1 587	54.3%	1 143	35.8%	1 035	35.4%	567	501
835	36.9%	874	42.6%	467	20.6%	584	28.5%	639	558
174	12.3%	(75)	nm	(45)	nm	(368)	nm	120	489
714	40.7%	615	41.1%	474	27.0%	423	28.3%	783	741
419	28.0%	501	31.4%	241	16.1%	336	21.0%	135	90
(79)	nm	(402)	nm	(1 283)	nm	(555)	nm	80	309
(5)	-	-	-	(5)	-	1	-	(5)	-
<b>10 467</b>	<b>31.6%</b>	<b>10 603</b>	<b>31.7%</b>	<b>4 186</b>	<b>12.6%</b>	<b>3 417</b>	<b>10.2%</b>	<b>6 913</b>	<b>7 488</b>

EBITDA				Operating profit (loss)				Investments <sup>2)</sup>	
2016	Margin	2015	Margin	2016	Margin	2015	Margin	2016	2015
10 441	40.1%	10 796	40.7%	6 738	25.9%	7 218	27.2%	4 890	4 844
3 353	27.1%	3 617	28.8%	1 764	14.3%	2 094	16.7%	1 550	1 305
537	10.6%	370	7.1%	307	6.1%	(2 516)	nm	394	497
1 346	30.3%	1 356	30.2%	773	17.4%	760	16.9%	390	314
1 190	37.6%	1 133	38.5%	616	19.5%	615	20.9%	320	525
1 305	33.5%	1 332	34.9%	786	20.2%	902	23.6%	512	776
6 437	32.8%	6 526	31.5%	1 160	5.9%	2 333	11.3%	4 835	4 766
6 002	44.9%	6 225	43.5%	4 682	35.0%	4 923	34.4%	1 581	1 870
6 700	54.3%	5 799	53.3%	4 451	36.1%	3 829	35.2%	2 259	1 996
3 538	40.6%	3 154	40.6%	2 245	25.7%	2 069	26.6%	4 949	1 442
(28)	nm	(181)	nm	(7 320)	nm	(990)	nm	917	1 046
3 034	43.2%	1 924	39.8%	2 156	30.7%	1 383	28.6%	2 729	3 380
2 182	34.3%	2 018	32.4%	1 370	21.5%	1 422	22.8%	412	1 785
(928)	nm	(744)	nm	(2 656)	nm	(1 285)	nm	4 116	1 150
(5)	-	-	-	(3)	-	5	-	(5)	-
<b>45 103</b>	<b>34.3%</b>	<b>43 325</b>	<b>33.8%</b>	<b>17 070</b>	<b>13.0%</b>	<b>22 761</b>	<b>17.8%</b>	<b>29 848</b>	<b>25 697</b>

# Definitions

## Alternative performance measures

Telenor Group's financial information is prepared in accordance with international financial reporting standards (IFRS). In addition it is management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of Telenor's performance, but not instead of, the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies.

### Organic revenue growth

Organic revenue is defined as revenue adjusted for the effects of acquisition and disposal of operations and currency effects. We believe that the measure provides useful and necessary information to investors and other related parties for the following reasons:

- it provides additional information on underlying growth of the business without the effect of certain factors unrelated to its operating performance;
- it is used for internal performance analysis; and
- it facilitates comparability of underlying growth with other companies (although the term "organic" is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies).

(NOK in millions)	Change fourth quarter	Change YoY	Change whole year	Change YoY
Reported revenue growth	(343)	(1.0%)	3 253	2.5%
Impact using exchange rates for 2016	732	2.2%	(1 275)	(1.0%)
Mergers and acquisition	(181)	(0.5%)	(547)	(0.4%)
<b>Organic revenue growth</b>	<b>207</b>	<b>0.6%</b>	<b>1 430</b>	<b>1.1%</b>

### Operating expenditure (opex)

Operating expenditure (opex) is a key financial parameter for Telenor and is derived directly from the income statement, consisting of salaries and personnel cost and other operating expenses. Telenor's continuously effort to improve efficiencies makes opex a key financial parameter to follow. It is also used for internal performance analysis.

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
Salaries and personnel cost	(3 208)	(3 292)	(13 152)	(12 406)
Other operating expenditure	(9 814)	(9 777)	(37 697)	(36 425)
<b>Operating expenditure</b>	<b>(13 023)</b>	<b>(13 070)</b>	<b>(50 849)</b>	<b>(48 830)</b>

### EBITDA before other income and other expenses

Earnings before interest, tax, depreciations and amortizations (EBITDA) is a key financial parameter for Telenor. EBITDA before other income and other expenses is defined as EBITDA less gains and losses on disposals of fixed assets and operations, workforce reductions, onerous contracts and one-time pension costs, and is reconciled in the section Group overview. This measure is useful to users of Telenor's financial information in evaluating operating profitability on a more variable cost basis as it excludes depreciations and amortisation expense related primarily to capital expenditures and acquisitions that occurred in the past, non recurring items, as well as evaluating operating performance in relation to Telenor's competitors.

The EBITDA margin presented is defined as EBITDA before other income and other expenses divided by total revenues.

### Organic EBITDA growth

Organic EBITDA growth is defined as EBITDA (before other income and other expenses) adjusted for the effects of acquisition and disposal of operations and currency effects. We believe that the measure provides useful and necessary information to investors, and other related parties for the following reasons:

- it provides additional information on underlying growth of the business without the effect of certain factors unrelated to its operating performance;
- it is used for internal performance analysis.

(NOK in millions)	Change fourth quarter	Change YoY	Change whole year	Change YoY
Reported EBITDA growth	(66)	(0.6%)	2 285	5.2%
Impact using exchange rates for 2016	245	2.3%	(419)	(0.9%)
Mergers and acquisition	89	0.8%	259	0.6%
<b>Organic EBITDA growth</b>	<b>268</b>	<b>2.5%</b>	<b>2 125</b>	<b>4.8%</b>

### Capital expenditure

Capital expenditure (capex) is investments in tangible and intangible assets, excluding business combinations and asset retirement obligations. Capex is a measure of investments made in the operations in the relevant period and is useful to users of Telenor's financial information in evaluating the capital intensity of the operations. Capex is deemed to better gauge the actual investments committed in the period than in the purchases of property, plant and equipment (PPE) and intangible assets in the cash flow statement.

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
Purchases of PPE and intangible assets (cash flow statement)	6 762	6 666	23 727	21 168
Working capital movement in respect of capital expenditure	35	828	2 500	4 060
Less:				
Asset retirement obligations	94	(70)	32	(35)
<b>Capex</b>	<b>6 891</b>	<b>7 424</b>	<b>26 259</b>	<b>25 193</b>
Licence and spectrum fee – capitalized	(4)	(893)	(3 557)	(1 581)
<b>Capex excl. licence and spectrum fee</b>	<b>6 887</b>	<b>6 530</b>	<b>22 702</b>	<b>23 612</b>
Revenue	33 144	33 487	131 427	128 175
<b>Capex excl. licences and spectrum/Revenues (%)</b>	<b>20.8%</b>	<b>19.5%</b>	<b>17.3%</b>	<b>18.4%</b>
<b>Total Capex/Revenues (%)</b>	<b>20.8%</b>	<b>22.2%</b>	<b>20.0%</b>	<b>19.7%</b>

### Investments in business (business combinations)

Investments in businesses comprise acquisitions of shares and participations, including acquisitions of subsidiaries and businesses not organised as separate companies.

### Adjusted net income

Adjusted net income is a key financial parameter, as Telenor's dividend policy is partly based on a normalised net income figure. In the provided adjusted net income, the main effects related to normalised net income are adjusted for, and hence provide a basis for one of the parameters in our dividend policy.

NOK in millions	Fourth quarter			Year		
	2016	2015	Change	2016	2015	Change
<b>Reported net income attributable to equity holders of Telenor ASA</b>	<b>2 286</b>	<b>(2 125)</b>	<b>4 412</b>	<b>2 832</b>	<b>3 413</b>	<b>(580)</b>
EBITDA before other income and other expenses items						
Revenue	203	-		(8)	-	
Other operating expenses	48	(183)		48	-	
Other income and other expenses	326	257		1 380	872	
Impairment losses						
Impairment Tapad	1 034	-		1 034	-	
Impairment India	155	-		6 824	-	
Impairment Denmark	-	2 143		-	2 143	
Impairment Others	(2)	(40)		125	38	
Share of net income from associated companies and joint ventures						
Amedia impairment	-	-		363	-	
VimpelCom	(1 528)	2 815		1 148	7 180	
SnT Classifieds - Gain on transaction with Naspers	-	-		-	(264)	
Net financial income (expenses)						
Net investment hedge currency loss due to repayment of internal loans	-	-		577	-	
Convertible bond VimpelCom incl. transaction costs	478	-		996	-	
Net tax effect	(274)	(383)		(924)	(262)	
Non-controlling interests share of adjustments	(23)	(6)		(88)	(17)	
<b>Adjusted net income attributable to equity holders of Telenor ASA</b>	<b>2 703</b>	<b>2 477</b>	<b>226</b>	<b>14 308</b>	<b>13 103</b>	<b>1 205</b>
<b>Adjusted earnings per share in NOK</b>	<b>1.80</b>	<b>1.65</b>	<b>0.15</b>	<b>9.53</b>	<b>8.73</b>	<b>0.80</b>

**Net interest-bearing debt excluding licence obligations (Net debt)**

Net debt consists of both current and non-current interest-bearing liabilities, excluding licence obligations, less related current and non-current hedging instruments, financial instruments, such as debt instruments and derivatives, and cash and cash equivalents.

Net debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net debt is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate interest-bearing liabilities (both current and non-current) and cash and cash equivalents. A reconciliation from these to net debt is provided below.

(NOK in millions)	31 December 2016	31 December 2015
Non-current interest-bearing liabilities	60 391	63 802
Current interest-bearing liabilities	25 970	12 626
Less:		
Cash and cash equivalents	(23 085)	(13 956)
Adjustments:		
Licence obligations	(4 884)	(4 879)
Hedging instruments	(2 329)	(2 519)
Financial instruments	(1 683)	(969)
<b>Net interest-bearing debt excluding licence obligations</b>	<b>54 381</b>	<b>54 106</b>

**Free cash flow**

Free Cash Flow is defined as net cash flow from operating activities plus net cash flow from investing activities, less dividends paid to and purchases of shares from non-controlling interest, payments in Supply Chain Financing programmes (classified as repayments of borrowings) and payments on interest-bearing licence obligations.

Free Cash Flow is a useful measure of Telenor's liquidity and ability to generate cash through operations.

**Reconciliation**

(NOK in millions)	Fourth quarter		Year	
	2016	2015	2016	2015
Net cash flows from operating activities	9 190	7 944	39 778	37 107
Net cash flows from investing activities	(6 106)	(6 431)	(21 105)	(20 281)
Repayments of borrowings - Licence obligations	(218)	(1 077)	(1 562)	(2 136)
Repayments of borrowings - Supply Chain Financing	(944)	(876)	(3 672)	(2 538)
Dividends paid to and purchase of shares from non-controlling interest	(413)	(509)	(3 139)	(3 777)
<b>Free cash flow</b>	<b>1 509</b>	<b>(950)</b>	<b>10 300</b>	<b>8 374</b>

## Mobile operations

### Revenues

#### Subscription and traffic

Consist of subscription and connection fees, revenues from voice (outgoing traffic) and non-voice traffic, outbound roaming and other mobile service revenues. Subscription and traffic includes only revenues from the company's own subscriptions.

#### Interconnect

Consist of revenues from incoming traffic related to the company's own subscriptions. Revenues from incoming traffic related to service provider or MVNO subscriptions are not included.

#### Other mobile

Consist of inbound roaming, national roaming, telemetric and revenues related to service providers and MVNOs (Mobile Virtual Network Operators). Telemetric is defined as machine-to-machine SIM cards (M2M), for example vending machines and meter readings.

#### Non-mobile

Consist of revenues from customer equipment and businesses that are not directly related to mobile operations.

#### Mobile revenues from company's own subscriptions

Consist of 'Subscription and traffic' and 'Interconnect' and do not include revenues from inbound roaming, national roaming, service providers, MVNOs, sale of customer equipment and incoming traffic related to service provider subscriptions.

### Key Figures

#### Subscriptions

Contract subscriptions are counted until the subscription is terminated or until there has been no revenues or outgoing/incoming traffic during the last three months. Prepaid subscriptions are counted as active if there has been outgoing or incoming traffic or if the SIM card has been reloaded during the last three months. Service provider and MVNO subscriptions are not included. Data only SIM cards are included, but SIM cards used for telemetric applications and twin/multi SIM cards are excluded. Total subscriptions are voice SIM cards plus data only SIM cards used for mobile broadband.

#### Active mobile internet users

Active mobile internet users are subscriptions with at least 150 KB of data during the last three months.

#### Average traffic minutes per subscription per month (AMPU)

Traffic minutes per subscription per month are calculated based on total outgoing and incoming rated minutes from the company's own subscriptions less data only subscriptions. This includes zero rated minutes and outgoing minutes from own subscriptions while roaming. Outgoing and incoming minutes related to inbound roaming, national roaming, service providers and MVNOs are not included.

#### Average revenue per subscription per month (ARPU)

ARPU is calculated based on mobile revenues from the company's own subscriptions, divided by the average number of subscriptions for the relevant period.

## Fixed operations

### Revenues

#### Telephony

Consist of subscription and connection fees, traffic (fixed to fixed, fixed to mobile, to other countries, value added services, other traffic) for PSTN/ISDN and Voice over Internet Protocol (VoIP).

#### Internet and TV

Consist of subscription, traffic charges and connection fees for xDSL, cable and fibre, in addition to revenues from TV services. High speed fixed internet include fibre, cable and VDSL.

#### Data services

Consist of Nordic Connect/IP-VPN and security.

#### Other

Consist of leased lines, managed services and other retail products.

#### Wholesale

Consist of sale to service providers of telephony (PSTN/ISDN), Bitstream, LLUB, national and international interconnect, transit traffic, leased lines and other wholesale products.

### Key Figures

#### Subscriptions

Telephony consist of PSTN, ISDN and VoIP subscriptions. Internet consists of broadband access over xDSL, fibre and cable. TV consists of TV services over fibre and cable. Subscriptions are counted until the subscription is terminated.

#### Average revenue per subscription per month (ARPU)

ARPU is calculated based on revenues from the company's own subscriptions, divided by the average number of subscriptions for the relevant period. Internet ARPU is calculated based on Internet revenues as defined above except TV service revenues. TV ARPU is calculated based on revenues from TV services.

## Broadcast

### Revenues

#### Canal Digital DTH

Consist of revenues from Nordic DTH subscribers, households in SMATV networks and DTT subscribers in Finland.

#### Satellite

Consist of revenues from satellite services from the satellite position 1 -degree west.

#### Norkring

Consist of revenues from terrestrial radio and TV transmission in Norway and Belgium.





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