



Q1 - 2017

Interim report
January - March 2017



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I'm pleased to see Telenor continuing to deliver organic EBITDA growth, while revenues were stable in the first quarter. Highlights were the strong data consumption in emerging Asia and the solid fibre momentum in Norway as well as Sweden. It has been a busy quarter, as we have introduced new and improved mobile offers in several markets, with encouraging customer reception. In Thailand and Malaysia, this supported double-digit postpaid growth, and we are actively working to mitigate the continued intense competition in the prepaid market.

As previously communicated, simplification and efficiency improvements are on top of our agenda. Our announcement to exit India, the continued sell-down in VEON and the launch of our cluster organisation are all examples of these efforts. Together with the company-wide initiatives to improve profitability, we believe that we are laying a solid foundation for Telenor's future.

– Sigve Brekke, President and CEO



Key figures Telenor Group¹⁾

(NOK in millions)	First quarter		Year
	2017	2016	2016
Revenues	30 458	31 494	125 395
Organic revenue growth (%)	0.2	1.3	0.8
EBITDA before other income and other expenses	11 462	11 629	45 966
EBITDA before other income and other expenses/Revenues (%)	37.6	36.9	36.7
Profit after taxes and non-controlling interests	4 168	4 256	2 832
Capex excl. licences and spectrum/Revenues (%)	14.9	16.3	17.4
Capex/Revenues (%)	14.9	16.4	20.2
Mobile subscriptions – Change in quarter/Total (mill.)	2.1	3.8	170

¹⁾ Telenor India is presented as discontinued operation and asset held for sale and hence all key figures in the interim report are presented excluding India, except for Net Income and cash flow figures which includes India. See note 2 for further information.

First quarter 2017 summary

- Total revenues decreased by 3% to NOK 30.5 billion, while the organic revenues remained at par with last year. Mobile subscription & traffic revenues increased by 1% on an organic basis.
- EBITDA before other items decreased by 1% to NOK 11.5 billion, corresponding to an EBITDA margin of 38%, an increase of 1 percentage point from last year.
- Organic EBITDA increased by 3%. Adjusted for a one-time positive effect from Telenor Broadcast during the first quarter of 2016, the organic EBITDA growth was 5% year-on-year.
- Capital expenditure excluding licences and spectrum was NOK 4.5 billion, resulting in a capex to sales ratio of 15%.
- Free cash flow for the quarter was NOK 2.2 billion.

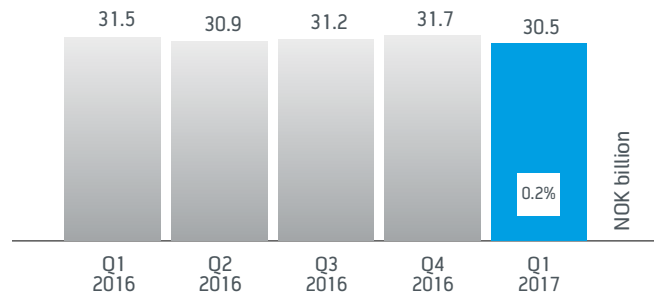
Outlook

- The financial outlook for 2017 has been adjusted to reflect the new Group structure with India presented as discontinued operation. Telenor expects an organic revenue growth in the range of 1% to 2% and an EBITDA margin of around 37%. The capex to sales ratio excluding licences is expected to be 15% to 16%.

Group performance in the first quarter 2017¹⁾

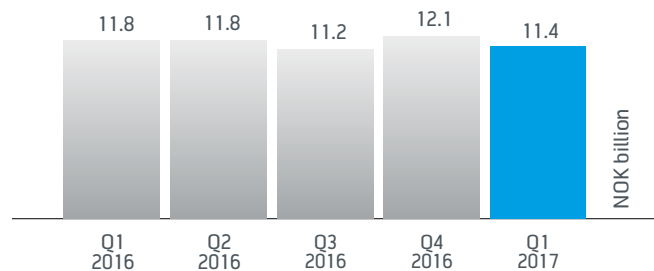
REVENUES

In the first quarter total reported revenues decreased by 3% to NOK 30.5 billion due to currency effects, while organic revenues were in line with last year. Revenues continue to be positively impacted by both ARPU uplift and a higher number of customers in Bangladesh, as well as sustained growth in the customer base in both Myanmar and Pakistan. Organic mobile subscription and traffic revenues increased by 1%. This was partly offset by lower handset sales and reduced interconnect revenues.



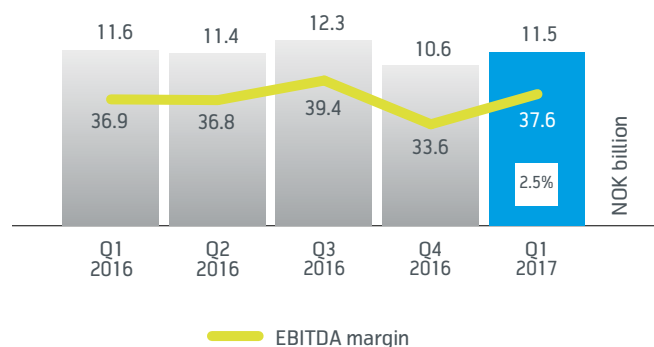
OPERATING EXPENDITURE (OPEX)

During the quarter, opex decreased by NOK 0.4 billion primarily due to currency effects. Adjusted for currency effects, opex remained stable as ongoing efficiency initiatives are beginning to yield results. The cost reductions were most notable in Thailand and Denmark, while cost increases were primarily attributable to Myanmar and new digital businesses.



EBITDA BEFORE OTHER INCOME AND OTHER EXPENSES (EBITDA)

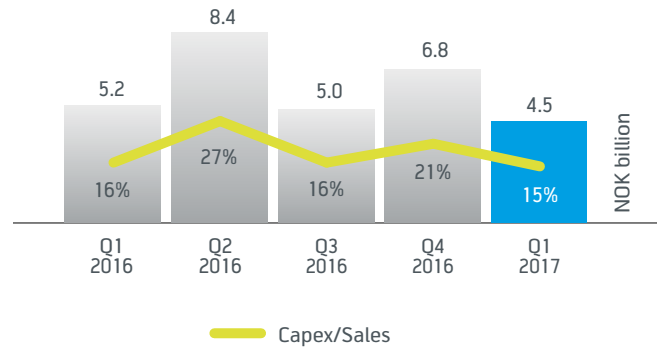
EBITDA for the first quarter was NOK 11.5 billion. This is an improvement of 3% on an organic basis, and a 5% improvement when adjusting for the positive one-time effect in Broadcast in first quarter last year. The improvement was primarily a result of increased high margin mobile subscription and traffic revenues in Bangladesh, Pakistan and Myanmar. As a result of this, and reduced low margin handset sales, the EBITDA margin saw an increase of 1 percentage point to 38%.



¹⁾ The comments are related to Telenor's development in the first quarter of 2017 compared to the first quarter of 2016 unless otherwise stated. Please refer to Definitions on page 22 for descriptions of alternative performance measures.

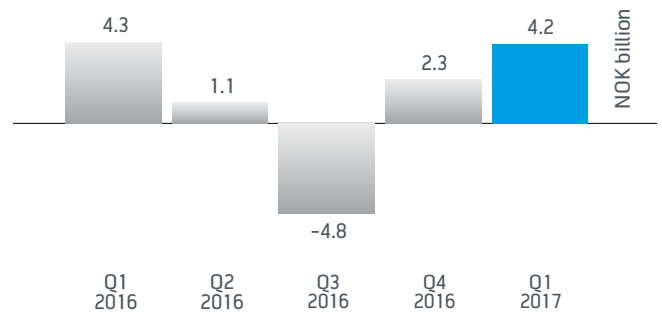
CAPITAL EXPENDITURE (CAPEX)

Capex in the first quarter was NOK 4.5 billion, primarily driven by 3G and 4G network expansion in Thailand and Norway and fibre roll-out in Norway and Sweden.



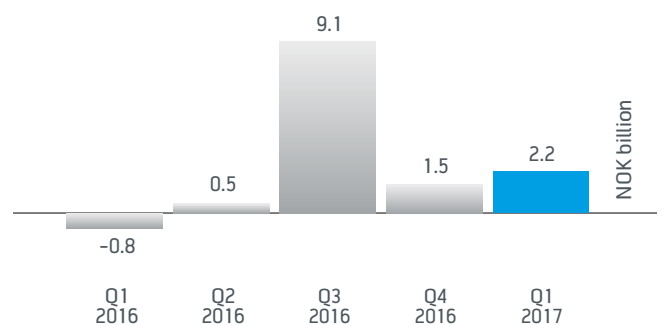
NET INCOME

Reported net income to equity holders of Telenor ASA in the first quarter was NOK 4.2 billion. This is on par with the same quarter last year as reduced net income from associated companies was offset by improved net income from the discontinued operation.



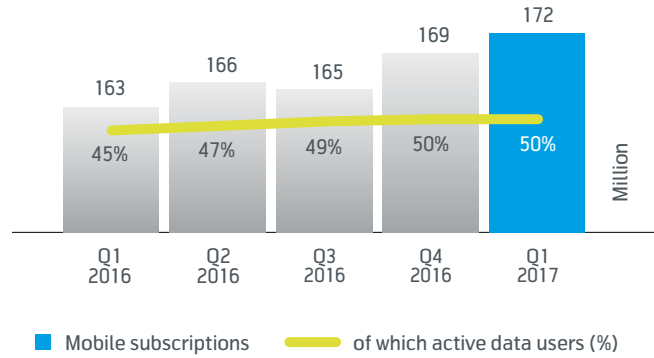
FREE CASH FLOW

Free cash flow in the first quarter was NOK 2.2 billion. This is an increase of NOK 2.9 billion, primarily as a result of the acquisition of Tapad in the first quarter last year.



MOBILE SUBSCRIPTIONS

The number of mobile subscriptions increased by 2 million during the quarter, raising the total number of subscriptions to 172 million. The increase was primarily explained by growth of 1.9 million in Bangladesh and 0.6 million in Pakistan, partly offset by a decrease in Malaysia and Thailand. The share of active data users increased by 1 percentage point to 50% during the quarter.



OUTLOOK

The financial outlook for 2017 has been adjusted to reflect the new Group structure with India presented as discontinued operation. For 2017, we expect an organic revenue growth in the range of 1% to 2% and an EBITDA margin of around 37%. 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 first quarter of 2017 compared to the first quarter of 2016 in local currency, unless otherwise stated. Telenor India is classified as a discontinued operation, see note 2 for further information. Financial figures for several segments have been restated. See note 8 for further information. All comments on EBITDA are made on development in EBITDA before other income and other expenses. Please refer to page 10 for 'Specification of other income and other expenses'. Additional information is available at: www.telenor.com/ir

Norway

	First quarter		Year
	2017	2016 Restated	2016 Restated
(NOK in millions)			
Revenues mobile operation			
Subscription and traffic	2 655	2 831	11 288
Interconnect revenues	129	144	585
Other mobile revenues	264	251	1 064
Non-mobile revenues	454	363	2 114
Total revenues mobile operation	3 503	3 589	15 052
Revenues fixed operation			
Telephony	409	478	1 806
Internet and TV	1 421	1 335	5 446
Data services	123	127	503
Other fixed revenues	408	414	1 715
Total retail revenues	2 361	2 353	9 470
Wholesale revenues	366	389	1 508
Total revenues fixed operation	2 727	2 742	10 978
Total revenues	6 230	6 331	26 030

EBITDA before other items	2 575	2 766	10 946
Operating profit	1 473	1 767	6 726

EBITDA before other items/Total revenues (%)	41.3	43.7	42.1
Capex	1 148	908	4 780
Investments in businesses	7	-	100

Statistics (monthly in NOK):

Mobile ARPU	305	315	319
Fixed Telephony ARPU	254	261	259
Fixed Internet ARPU	360	344	352
TV ARPU	299	283	284

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

Mobile	(40)	(34)	3 066
Fixed telephony	(21)	(20)	546
Fixed Internet	-	(1)	865
TV	4	3	541

- The number of mobile subscriptions decreased by 40,000 during the quarter, mainly from fewer prepaid subscriptions and data cards but also impacted by strong competition in the consumer market. At the end of the quarter, the total subscription base was 3% lower than first quarter last year.
- Mobile ARPU decreased by 3%, primarily related to deferred revenue as a consequence of the introduction of data rollover. Excluding this and handset related effects, ARPU increased by 3%.
- Total mobile revenues decreased by 2% from the above-mentioned effect from introduction of data rollover. Mobile subscription and traffic revenues decreased by 6%.
- During the quarter, 12,000 high-speed fixed internet subscriptions were added, taking the total number of high-speed connections to 609,000. Revenues from high-speed internet increased by 15%. Total fixed revenues remained stable as reduced demand for traditional telephony and wholesale products was offset by growth in TV and high speed broadband.
- Total revenues decreased by 2%.
- EBITDA decreased by 7% from the launch of data rollover and reduction in sale of high margin fixed legacy products. The EBITDA margin decreased by 2 percentage points to 41%.
- Capital expenditure was driven by expansion of the 4G network and fibre rollout.

Sweden

	First quarter		Year
	2017	2016 Restated	2016 Restated
(NOK in millions)			
Revenues mobile operation			
Subscription and traffic	1 482	1 578	5 926
Interconnect revenues	187	144	557
Other mobile revenues	86	80	351
Non-mobile revenues	496	491	2 256
Total revenues mobile operation	2 251	2 293	9 090
Revenues fixed operation			
Telephony	75	98	346
Internet and TV	619	621	2 492
Data services	40	46	171
Other fixed revenues	20	17	97
Total retail revenues	754	781	3 106
Wholesale revenues	51	48	188
Total revenues fixed operation	805	829	3 294
Total revenues	3 056	3 122	12 384
EBITDA before other items	920	894	3 538
Operating profit	562	478	1 759
EBITDA before other items/ Total revenues (%)	30.1	28.6	28.6
Capex	307	336	1 560

Statistics (monthly in NOK):

Mobile ARPU	211	225	210
Fixed Telephony ARPU	69	84	75
Fixed Internet ARPU	210	224	216
TV ARPU	131	119	122

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

Mobile	24	3	2 624
Fixed telephony	(7)	(9)	215
Fixed Internet	11	1	657
TV	(5)	(3)	469

Exchange rate (SEK)	0.9456	1.0213	0.9814
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- The number of mobile subscriptions increased by 24,000 during the quarter and the subscription base ended 4% higher than at the end of first quarter last year.
- Reported mobile ARPU increased by 1%. Adjusted for interconnect revenues of NOK 55 million following a settlement related to mobile termination rates, ARPU declined by 2%.
- Mobile revenues increased by 6%, or 3% adjusted for the above mentioned settlement. Subscription and traffic revenues increased by 1%.
- 19,000 fibre connections were added this quarter, taking the total number of high-speed fixed internet subscriptions to 545,000. The number of TV subscribers decreased by 5,000 due to decline in coax analogue TV.
- Fixed revenues increased by 5% due to growth in high speed internet and IPTV.
- EBITDA increased by 11% as a result of higher subscription and traffic revenues, improved handset margins and growth in high speed fixed internet subscriptions more than offsetting negative impact from lower roaming revenues.
- Capital expenditure in the quarter was mainly related to fibre roll-out and enhanced 4G mobile coverage and capacity.

Denmark

	First quarter		Year
	2017	2016 Restated	2016 Restated
(NOK in millions)			
Revenues mobile operation			
Subscription and traffic	695	771	2 907
Interconnect revenues	60	43	244
Other mobile revenues	43	32	169
Non-mobile revenues	313	250	1 164
Total revenues mobile operation	1 111	1 096	4 484
Revenues fixed operation			
	138	159	584
Total revenues	1 249	1 254	5 068
EBITDA before other items	222	157	609
Operating profit	127	45	152
EBITDA before other items/ Total revenues (%)	17.8	12.5	12.0
Capex	108	233	531
Mobile ARPU - monthly (NOK)	138	152	147
No. of subscriptions - Change in quarter/Total (in thousands):			
Mobile	9	13	1 820
Fixed telephony	(2)	(1)	74
Fixed Internet	(1)	(2)	149
Exchange rate (DKK)	1.2090	1.2769	1.2476

- The number of mobile subscriptions increased by 9,000 during the quarter and the subscription base was 2% higher than at the end of first quarter 2016.
- Mobile ARPU declined by 4% impacted by reduced roaming charges and domestic price pressure.
- Total revenues increased by 5% as higher handset sales more than offset reduced mobile and fixed revenues. Mobile subscription and traffic revenues decreased by 5% due to declining roaming revenues and continued domestic price pressure.
- The EBITDA margin increased by 5 percentage points to 18% primarily due to lower cost related to the implementation of a new business support system.
- Capex was primarily related to development of the mobile network.

Hungary

	First quarter		Year
	2017	2016	2016
(NOK in millions)			
Revenues			
Subscription and traffic	860	908	3 561
Interconnect revenues	65	68	269
Other mobile revenues	17	18	80
Non-mobile revenues	111	124	526
Total revenues	1 053	1 117	4 436
EBITDA before other items	348	354	1 369
Operating profit	207	190	773
EBITDA before other items/ Total revenues (%)	33.1	31.7	30.9
Capex	40	46	390
No. of subscriptions - Change in quarter/ Total (in thousands):			
	(44)	(13)	3 148
ARPU - monthly (NOK)	99	103	101
Exchange rate (HUF)	0.0291	0.0305	0.0298

- The number of mobile subscriptions decreased by 44,000 during the quarter due to prepaid seasonality effect. The subscription base was 2% lower than at the end of first quarter 2016.
- ARPU increased by 1% from upselling within the consumer postpaid segment, partly offset by reduced roaming charges and price pressure within the business segment.
- Total revenues decreased by 1% as a result of reduced handset revenues. Mobile subscription and traffic revenues remained on level with first quarter last year.
- EBITDA increased by 3% from reduced cost related to the development of a new business support system last year in addition to ongoing efficiency measures. The EBITDA margin increased by 1 percentage point to 33%.

Bulgaria

(NOK in millions)	First quarter		Year
	2017	2016	2016
Revenues			
Subscription and traffic	542	568	2 297
Interconnect revenues	57	60	269
Other mobile revenues	8	6	42
Non-mobile revenues	125	124	560
Total revenues	732	758	3 168
EBITDA before other items	278	286	1 191
Operating profit (loss)	126	137	616
EBITDA before other items/ Total revenues (%)	38.0	37.8	37.6
Capex	24	33	320
No. of subscriptions - Change in quarter/ Total (in thousands):	(111)	(60)	3 429
ARPU - monthly (NOK)	59	59	61
Exchange rate (BGN)	4.5962	4.8708	4.7494

- The number of mobile subscriptions decreased by 111,000 during the quarter, mainly due to churn within prepaid. At the end of first quarter, the subscription base was 6% lower than at the same period last year.
- ARPU increased by 6%, primarily from upselling within consumer postpaid.
- Total revenues increased by 2%. Mobile subscription and traffic revenues increased by 1%.
- EBITDA increased by 3% driven by increased postpaid revenues.

Montenegro & Serbia

(NOK in millions)	First quarter		Year
	2017	2016 Restated	2016 Restated
Revenues			
Subscription and traffic	568	607	2 486
Interconnect revenues	142	203	752
Other mobile revenues	16	14	106
Non-mobile revenues	128	115	491
Total revenues	854	940	3 835
EBITDA before other items	300	317	1 395
Operating profit	173	193	883
EBITDA before other items/ Total revenues (%)	35.2	33.7	36.4
Capex	67	71	490
No. of subscriptions - Change in quarter/ Total (in thousands):	(88)	(59)	3 339
ARPU - monthly (NOK)	72	79	79
Exchange rate (RSD)	0.0726	0.0777	0.0755
Exchange rate (EUR)	8.9892	9.5264	9.2889

Telenor Banka, previously reported as part of Telenor Montenegro and Serbia, is from 1 January 2017 reported as part of Other Units. Historical figures are restated to reflect this change.

- The number of mobile subscriptions decreased by 88,000 during the quarter, driven by decline in prepaid subscriptions. At the end of first quarter, the subscription base was 4% lower than at the same period last year.
- ARPU decreased by 3%, as a result of declining interconnect revenues.
- Total revenues decreased by 3% from the above mentioned interconnect decline. Subscription and traffic revenues however remained stable.
- EBITDA remained at par with first quarter last year.

dtac - Thailand

(NOK in millions)	First quarter		Year
	2017	2016	2016
Revenues			
Subscription and traffic	3 840	3 923	15 237
Interconnect revenues	218	287	1 085
Other mobile revenues	62	71	174
Non-mobile revenues	630	979	3 151
Total revenues	4 751	5 260	19 647
EBITDA before other items	1 656	1 778	6 645
Operating profit	193	515	1 160
EBITDA before other items/ Total revenues (%)	34.9	33.8	33.8
Capex	1 076	1 139	4 835
No. of subscriptions - Change in quarter/ Total (in thousands):	(170)	225	24 480
ARPU - monthly (NOK)	55	55	54
Exchange rate (THB)	0.2404	0.2425	0.2381

- In February, dtac launched new speed-based price plans. Combined with strengthened network performance this has improved the subscriber acquisition trend.
- The number of subscriptions decreased by 170,000 during the quarter. A reduction in the prepaid segment of 365,000 was partly offset by growth of 195,000 in the contract segment. The subscription base was 5% lower than at the same period last year.
- Total revenues declined by 9%, primarily driven by lower handset revenues. Subscription and traffic revenues decreased by 1% as a result of prepaid revenue decline from both lower subscription base and ARPU. This was partly offset by high postpaid revenue growth from a larger subscription base.
- EBITDA decreased by 6% as a result of higher handset subsidy levels and prepaid revenue decline. This was partly offset by reduced regulatory cost and market spend.
- Operating profit decreased by NOK 235 million mainly from higher depreciations following network expansion, particularly from roll-out on the concession network with short depreciation period.
- Capital expenditure was prioritised toward 3G and 4G network roll-out.
- Late in the first quarter, dtac's fully owned subsidiary, dtac Trinet, submitted its proposal for the 2300 MHz spectrum partner selection by TOT Public Company Limited.

Digi - Malaysia

(NOK in millions)	First quarter		Year
	2017	2016	2016
Revenues			
Subscription and traffic	2 624	3 045	11 891
Interconnect revenues	146	144	624
Other mobile revenues	36	26	116
Non-mobile revenues	183	189	743
Total revenues	2 989	3 405	13 374
EBITDA before other items			
Operating profit	1 019	1 110	4 682
EBITDA before other items/ Total revenues (%)			
Capex	368	351	1 581
No. of subscriptions - Change in quarter/ Total (in thousands):			
ARPU - monthly (NOK)	(524)	211	12 299
Exchange rate (MYR)	1.8988	2.0602	2.0272

- The number of subscriptions decreased by 524,000 during the quarter. A reduction in the prepaid segment of 614,000 was partly offset by the continued strong growth of 90,000 postpaid subscriptions. The decline in prepaid was caused by lower acquisition momentum and higher churn in low-margin segments. The subscription base was 5% lower than at the same period last year.
- ARPU decreased by 3% driven by price pressure on international voice and domestic data offerings.
- Subscription and traffic revenues declined 7% in the quarter primarily driven by a lower prepaid base mainly within the migrant segment. Postpaid subscription revenues increased by 13% supported by a 15% growth in the customer base. Total revenues decreased by 5%.
- EBITDA increased by 3% mainly driven by shift in revenue mix to high-margin data and decline in the lower margin migrants base. This was partly offset by increased operating expenditures related to 4G network expansion.
- Capital expenditure was prioritised toward 4G roll-out on the 900MHz frequency band which will be available mid-year. In addition there were investments in IT development of customer-interfaces and applications supporting the digitalisation strategy.

Grameenphone - Bangladesh

(NOK in millions)	First quarter		Year
	2017	2016	2016
Revenues			
Subscription and traffic	2 896	2 633	10 725
Interconnect revenues	225	266	992
Other mobile revenues	6	14	30
Non-mobile revenues	150	131	592
Total revenues	3 277	3 045	12 339
EBITDA before other items			
Operating profit	1 284	1 124	4 451
EBITDA before other items/ Total revenues (%)			
Capex	480	1 004	2 259
No. of subscriptions - Change in quarter/ Total (in thousands):			
ARPU - monthly (NOK)	1 914	(395)	57 954
Exchange rate (BDT)	18	17	17
	0.1068	0.1102	0.1071

- The number of subscriptions increased by 1.9 million during the quarter. The subscription base was 6% higher than at the end of first quarter last year.
- ARPU increased by 6%, driven by strong growth in both voice and data usage. Subscription and traffic revenues increased by 14%.
- Total revenues increased by 11% due to continued subscription growth coupled with ARPU uplift and higher handset sales.
- EBITDA increased by 17% as a result of revenue growth and disciplined cost control, offsetting the increase in commissions and network-related costs.
- Capital expenditure declined by NOK 0.5 billion as a result of higher 3G roll-out during first quarter last year. Investments this quarter was prioritised towards further network coverage expansion.

Pakistan

(NOK in millions)	First quarter		Year
	2017	2016 Restated	2016 Restated
Revenues			
Subscription and traffic	1 640	1 536	6 315
Interconnect revenues	295	285	1 162
Other mobile revenues	6	9	(25)
Non-mobile revenues	87	64	247
Total revenues	2 029	1 893	7 698
EBITDA before other items			
Operating profit	989	809	3 441
EBITDA before other items/ Total revenues (%)			
Capex	615	514	2 166
No. of subscriptions - Change in quarter/ Total (in thousands):			
ARPU - monthly (NOK)	48.7	42.8	44.7
Exchange rate (PKR)	402	307	4 898
	623	2 167	39 428
	16	17	17
	0.0806	0.0826	0.0802

Telenor Microfinance Bank including Easypaisa, previously reported as part of Telenor Pakistan, is from 1 January 2017 reported as part of Other Units. Historical figures are restated to reflect this change.

- Telenor Pakistan crossed the 40 million subscription mark as the number of subscriptions increased by 623,000 during the quarter. The subscription base was 9% higher than at the end of first quarter last year.
- ARPU decreased by 2%. Subscription and traffic revenues increased by 10%.
- Total revenues increased by 10%, driven by continued subscription growth, increased incoming international traffic and higher handset sales.
- EBITDA increased by 25% driven by increased revenues from data and international traffic and cost efficiency measures.
- The increased capital expenditure was driven by 4G network roll-out.

Myanmar

(NOK in millions)	First quarter		Year
	2017	2016	2016
Revenues			
Subscription and traffic	1 451	1 412	5 791
Interconnect revenues	260	288	1 104
Other mobile revenues	21	6	44
Non-mobile revenues	18	17	77
Total revenues	1 749	1 722	7 016
EBITDA before other items			
Operating profit (loss)	502	528	2 156
EBITDA before other items/ Total revenues (%)			
	42.7	41.7	43.3
Capex	270	565	2 729
No. of subscriptions - Change in quarter/ Total (in thousands):			
	543	1 786	18 255
ARPU - monthly (NOK)	31	39	35
Exchange rate (MMK)	0.0062	0.0069	0.0067

- Telenor Myanmar added 0.5 million new subscriptions during the first quarter. By the end of first quarter the subscription base was 18.8 million, up 22% compared to the same period last year.
- ARPU decreased by 12%, driven by increased penetration in low ARPU segments and promotional activities. Compared to the previous quarter, ARPU remained stable.
- Revenues grew by 13%, driven by continued subscription growth and increased data usage.
- EBITDA increased by 16%, driven by higher subscription and traffic revenues and improved traffic balance.
- Capital expenditure continues to be driven by network expansion.
- At the end of the quarter, a total of 7,569 sites were on air, having added a total of 305 sites during the quarter.

Broadcast

(NOK in millions)	First quarter		Year
	2017	2016	2016
Revenues			
Canal Digital DTH	1 099	1 147	4 555
Satellite Broadcasting	227	237	955
Norkring	280	500	1 333
Other/Eliminations	(118)	(119)	(477)
Total revenues	1 488	1 765	6 366
EBITDA before other items			
Canal Digital DTH	173	210	782
Satellite Broadcasting	152	154	650
Norkring	141	375	822
Other/Eliminations	(5)	(6)	(23)
Total EBITDA before other items	461	732	2 231
Operating profit			
Canal Digital DTH	151	198	709
Satellite Broadcasting	60	71	313
Norkring	62	179	377
Other/Eliminations	0	(6)	(29)
Total operating profit	274	442	1 370
EBITDA before other items/ Total revenues (%)			
	31.0	41.5	35.0
Capex	94	95	412
No. of subscriptions - Change in quarter/Total (in thousands):			
DTH TV	(7)	(20)	862

- Total revenues in Broadcast decreased by 16% primarily as a result of a positive one-time effect of NOK 0.2 billion related to a settlement in Norkring in first quarter last year. Excluding this one-time item, revenues declined by 3%.
- EBITDA decreased by NOK 0.3 billion impacted by the above mentioned effect. Excluding this one-time item, EBITDA declined by 9% as a result of currency effects, removal cost related to FM broadcasting equipment and investment in new TV content.
- Capital expenditure was mainly attributable to Norkring investments related to roll-out of sites and expansion of the Digital Audio Broadcasting network in Norway.
- Telenor Satellite has entered into a financial lease arrangement for transponders. The arrangement commenced on 1 April 2017, and Telenor will recognise a one-time gain of approximately NOK 0.3 billion in the second quarter of 2017.

Other units

(NOK in millions)	First quarter		Year
	2017	2016 Restated	2016 Restated
Revenues			
Global wholesale	811	703	3 117
Corporate functions	802	720	2 933
Digital Businesses	544	485	2 263
Other / eliminations	94	139	557
Total revenues	2 251	2 047	8 870
EBITDA before other items			
Global wholesale	24	29	120
Corporate functions	(203)	(311)	(1 125)
Digital Businesses	(115)	(18)	(295)
Other / eliminations	7	2	34
Total EBITDA before other items	(287)	(298)	(1 266)
Operating profit (loss)			
Global wholesale	10	17	72
Corporate functions	(286)	(412)	(1 162)
Digital Businesses	(158)	(39)	(1 476)
Other / eliminations	58	(11)	(18)
Total operating profit (loss)	(376)	(446)	(2 585)
Capex	147	80	564
Investments in businesses	78	3 138	3 488

Financial services entities in Serbia and Pakistan, which were previously reported as part of the mobile business units, are from 1 January 2017 reported as part of Other Units. Historical figures are restated to reflect this change.

- In Global Wholesale, revenues increased by NOK 108 million, mainly from low margin voice traffic. EBITDA decreased by NOK 5 million.
- EBITDA in Corporate Functions was positively impacted by higher internal trade related to services and systems and by lower costs related to corporate activities and shared service centres.
- In Digital Businesses including financial services, revenues increased due to the inclusion of Tapad in February 2016 and increased revenues in Telenor Microfinance Bank. EBITDA decreased mainly due to negative contribution from Tapad and reduced contribution from Telenor Microfinance Bank.
- Operating profit in other / eliminations was positively impacted by NOK 65 million from the sale of ABC Startsiden.

Group performance 2017

The comments below are related to Telenor's development in the first quarter of 2017 compared to the first quarter 2016 unless otherwise stated. Telenor India is classified as discontinued operation. Consequently, historical Group income statement has been re-presented accordingly. Please refer to note 2 for further information.

Specification of other income and other expenses

(NOK in millions)	First quarter		Year
	2017	2016	2016
EBITDA before other income and other expenses	11 462	11 629	45 966
EBITDA before other income and other expenses (%)	37.6	36.9	36.7
Gains on disposals of fixed assets and operations	75	9	528
Losses on disposals of fixed assets and operations	(41)	(51)	(593)
Workforce reductions, onerous (loss) contracts and one-time pension costs	(213)	(98)	(853)
EBITDA	11 283	11 490	45 049
EBITDA margin (%)	37.0	36.5	35.9

In the first quarter of 2017 'Other income and other expenses' consisted mainly of:

- Gain related to divestment of ABC Startside (NOK 65 million).
- Workforce reductions mainly in Telenor Norway (NOK 165 million), Telenor Hungary (NOK 26 million) and Broadcast (NOK 22 million).

In the first quarter of 2016 'Other income and other expenses' consisted mainly of losses on disposals of fixed assets in Dtac and workforce reduction in Telenor Norway.

Operating profit

- Reported operating profit decreased by NOK 0.4 billion to NOK 6.2 billion, from lower EBITDA and higher depreciations, primarily in Thailand.

Associated companies and joint ventures

(NOK in millions)	First quarter		Year
	2017	2016	2016
Telenor's share of			
Profit after taxes	286	146	4 786
Amortisation of Telenor's net excess values	(6)	(6)	(23)
Impairment losses	837	4 035	(3 246)
Gains (losses) on disposal of ownership interests	-	-	(3 313)
Profit (loss) from associated companies	1 117	4 175	(1 796)

- Profit after tax from associated companies and joint ventures in the first quarter of 2017 includes positive contribution from VEON (formerly known as VimpelCom Ltd.) of NOK 299 million for Telenor's share of VEON's result for the fourth quarter of 2016.
- The result from online classifieds joint ventures was negative NOK 17 million in the first quarter of 2017 compared to negative NOK 46 million in the first quarter of 2016.
- As of 31 March 2017, the carrying amount of 416.7 million VEON American Depository Shares (ADS), corresponding to Telenor's economic share of 23.7%, was NOK 14.6 billion at a share price of USD 4.08, resulting in a reversal of impairment loss of NOK 837 million recognised during the first quarter of 2017.
- On 7 April 2017, Telenor disposed of 70 million VEON ADSs, corresponding to approximately 4% of the total share capital of VEON, for a net cash consideration of NOK 2.2 billion. See note 3 and note 10 for further information.

Financial items

(NOK in millions)	First quarter		Year
	2017	2016	2016
Financial income	151	115	420
Financial expenses	(779)	(602)	(2 929)
Net currency gains (losses)	(61)	(533)	(143)
Net change in fair value of financial instruments	(193)	81	(558)
Net gains (losses and impairment) of financial assets and liabilities	2	2	1
Net financial income (expenses)	(879)	(937)	(3 209)
Gross interest expenses	(655)	(493)	(2 417)
Net interest expenses	(587)	(439)	(2 229)

- Net change in fair value of financial instruments was negative by NOK 193 million in the first quarter. This was mainly due to market valuation of option features of the bond exchangeable into VEON ADSs resulting in a loss of NOK 111 million.

Taxes

- For the first quarter of 2017, the effective tax rate is 26%. The effective tax rate is low mainly due to reversal of write-down of the VEON investment.
- The effective tax rate for 2017 is estimated to be around 36% due to loss on the VEON public share offering in April, which is recognised on an after tax basis, partly offset by accumulated tax effects on hedging instruments recycled from other comprehensive income to profit and loss. The estimated underlying tax rate for the year remains stable at 29%.

Cash flow

- Net cash inflow from operating activities during the first quarter of 2017 was NOK 9.2 billion, a decrease of NOK 2.1 billion compared to the first quarter of 2016 mainly explained by lower profit in Broadcast and Norway, effects from changes in working capital in dtac and Digi as well as negative currency effects.
- Net cash outflow to investing activities during the first quarter of 2017 was NOK 5.4 billion, a decrease of NOK 4.0 billion compared to the first quarter of 2016 mainly explained by lower cash outflow related to purchases of PPE, intangible assets and licence investments of NOK 0.8 billion during 2017 and acquisition of Tapad Inc. in 2016 of NOK 2.7 billion.
- Net cash outflow to financing activities during the first quarter of 2017 was NOK 1.0 billion. This is mainly explained by payments related to supply chain financing of NOK 1.1 billion and dividends paid to minority interest of NOK 0.4 billion offset by net proceeds from borrowings of NOK 0.9 billion.
- Cash and cash equivalents increased by NOK 3.0 billion during 2017 to NOK 25.9 billion as of 31 March 2017.

Financial position

- During the first quarter of 2017, total assets increased by NOK 3.2 billion to NOK 209.5 billion. This was mainly due to increase in cash and cash equivalents by NOK 3.1 billion.
- Net debt decreased by NOK 0.7 billion to NOK 53.7 billion. The increase in cash and cash equivalents by NOK 3.1 billion was partially offset by NOK 2.4 billion mainly due to increase in interest bearing liabilities excluding licence obligations.
- Total equity increased by NOK 4.3 billion to NOK 59.7 billion mainly due to positive net income from operations of NOK 4.9 billion partially offset by dividends to non-controlling interests of NOK 0.3 billion and other equity adjustments of NOK 0.3 billion.

Transactions with related parties

For detailed information on related party transactions refer to Note 32 in Telenor's Annual Report 2016.

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 2016, section Risk Factors and Risk Management, and Telenor's Annual Report 2016 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 2016 are:

Legal disputes

See note 6 for details.

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, 3 May 2017
The Board of Directors of Telenor ASA

Interim condensed financial information

Consolidated income statement

Telenor Group

(NOK in millions except earnings per share)	First quarter		Year
	2017	2016	2016
Revenues	30 458	31 494	125 395
Costs of materials and traffic charges	(7 570)	(8 042)	(32 547)
Salaries and personnel costs	(3 304)	(3 268)	(12 690)
Other operating expenses	(8 122)	(8 554)	(34 192)
Other income	75	9	528
Other expenses	(254)	(149)	(1 446)
EBITDA	11 283	11 490	45 049
Depreciation and amortisation	(5 109)	(4 762)	(19 583)
Impairment losses	-	(128)	(1 159)
Operating profit	6 175	6 599	24 307
Share of net income from associated companies and joint ventures	1 117	4 175	1 517
Gain (loss) on disposal of associated companies	-	-	(3 313)
Net financial income (expenses)	(879)	(937)	(3 209)
Profit before taxes	6 412	9 837	19 302
Income taxes	(1 670)	(1 601)	(5 924)
Profit from continuing operations	4 742	8 236	13 378
Profit (loss) from discontinued operations	120	(3 149)	(7 572)
Net income	4 862	5 086	5 806
Net income attributable to:			
Non-controlling interests	694	830	2 974
Equity holders of Telenor ASA	4 168	4 256	2 832
Earnings per share in NOK			
Basic from continuing operations	2.70	4.93	6.93
Diluted from continuing operations	2.70	4.93	6.93
Earnings per share in NOK			
Basic from discontinued operations	0.08	(2.10)	(5.04)
Diluted from discontinued operations	0.08	(2.10)	(5.04)
Earnings per share in NOK			
Basic from total operations	2.78	2.83	1.89
Diluted from total operations	2.78	2.83	1.89

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

Consolidated statement of comprehensive income

Telenor Group

(NOK in millions)	First quarter		Year
	2017	2016	2016
Net income	4 862	5 086	5 806
Translation differences on net investment in foreign operations	296	(2 744)	(4 646)
Income taxes	(4)	82	(15)
Amount reclassified from other comprehensive income to income statement on partial disposal	-	(914)	(3 865)
Income taxes reclassified	-	256	256
Net gain (loss) on hedge of net investment	(199)	2 224	2 734
Income taxes	48	(556)	(684)
Amount reclassified from other comprehensive income to income statement on partial disposal	-	1 491	2 969
Income taxes reclassified	-	(409)	(816)
Net gain (loss) on available-for-sale-investment	1	(6)	(43)
Share of other comprehensive income (loss) of associated companies and joint ventures	(331)	352	631
Amount reclassified from other comprehensive income to income statement on disposal	-	-	4 783
Items that may be reclassified subsequently to income statement	(190)	(224)	1 305
Remeasurement of defined benefit pension plans	(50)	(447)	(304)
Income taxes	14	91	55
Items that will not be reclassified to income statement	(36)	(355)	(248)
Other comprehensive income (loss), net of taxes	(226)	(579)	1 056
Total comprehensive income	4 636	4 509	6 862
Total comprehensive income attributable to:			
Non-controlling interests	756	616	2 824
Equity holders of Telenor ASA	3 880	3 892	4 038

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

Consolidated statement of financial position

Telenor Group

(NOK in millions)	31 March 2017	31 December 2016	31 March 2016
Deferred tax assets	1 825	2 163	2 271
Goodwill	24 786	24 519	25 829
Intangible assets	31 682	33 057	37 956
Property, plant and equipment	73 216	72 016	68 156
Associated companies and joint ventures	14 100	15 773	22 476
Other non-current assets	5 069	5 800	5 668
Total non-current assets	150 678	153 328	162 356
Prepaid taxes	868	737	1 002
Inventories	1 710	1 802	2 069
Trade and other receivables	24 156	24 876	23 717
Other current financial assets	2 416	2 489	1 670
Assets classified as held for sale	3 553	2	199
Cash and cash equivalents	26 135	23 085	13 996
Total current assets	58 837	52 991	42 652
Total assets	209 515	206 319	205 009
Equity attributable to equity holders of Telenor ASA	54 813	50 879	61 975
Non-controlling interests	4 933	4 517	4 636
Total equity	59 746	55 396	66 611
Non-current interest-bearing liabilities	53 041	60 391	66 372
Non-current non-interest-bearing liabilities	3 176	3 816	3 278
Deferred tax liabilities	2 926	2 972	3 024
Pension obligations	2 438	2 585	2 932
Provisions and obligations	3 462	3 542	3 500
Total non-current liabilities	65 042	73 305	79 106
Current interest-bearing liabilities	32 452	25 970	8 644
Trade and other payables	39 635	42 890	43 061
Current tax payables	3 699	3 439	3 484
Current non-interest-bearing liabilities	3 397	3 642	2 623
Provisions and obligations	1 668	1 677	1 481
Liabilities classified as held for sale	3 876	-	-
Total current liabilities	84 727	77 618	59 292
Total equity and liabilities	209 515	206 319	205 009

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

Consolidated statement of cash flows

Telenor Group

(NOK in millions)	First quarter		Year
	2017	2016	2016
Profit before taxes from total operations ¹⁾	6 532	6 688	11 731
Income taxes paid	(1 125)	(1 269)	(5 760)
Net (gains) losses from disposals, impairments and change in fair value of financial assets and liabilities	156	(35)	574
Depreciation, amortisation and impairment losses	5 117	7 474	28 033
Loss (profit) from associated companies and joint ventures	(1 117)	(4 175)	1 796
Dividends received from associated companies	-	-	130
Currency (gains) losses not related to operating activities	2	646	1 087
Changes in working capital and other	(400)	1 888	2 187
Net cash flow from operating activities	9 163	11 216	39 778
Purchases of property, plant and equipment (PPE) and intangible assets	(5 377)	(6 223)	(23 727)
Purchases of subsidiaries, associated companies and joint ventures, net of cash acquired	(5)	(2 732)	(2 971)
Proceeds from disposal of PPE, intangible assets, associated companies and businesses, net of cash disposed	92	14	5 412
Proceeds from sale and purchases of other investments	(82)	(430)	182
Net cash flow from investing activities	(5 372)	(9 372)	(21 105)
Proceeds from and repayments of borrowings	901	1 318	10 582
Payments on licence obligations	(149)	(956)	(1 562)
Payments on supply chain financing	(1 133)	(963)	(3 672)
Dividends paid to and purchases of shares from non-controlling interests	(343)	(694)	(3 139)
Dividends paid to equity holders of Telenor ASA	(250)	(235)	(11 246)
Net cash flow from financing activities	(974)	(1 530)	(9 037)
Effects of exchange rate changes on cash and cash equivalents	213	(102)	(446)
Net change in cash and cash equivalents	3 031	213	9 190
Cash and cash equivalents at the beginning of the period	22 951	13 760	13 760
Cash and cash equivalents at the end of the period²⁾	25 982	13 973	22 951
Of which cash and cash equivalents in discontinued operations at the end of the period	37	-	-
Cash and cash equivalents in continuing operations at the end of the period	25 945	13 973	22 951
¹⁾ Profit before taxes from total operations consists of:			
Profit before taxes from continuing operations	6 412	9 837	19 302
Profit before taxes from discontinued operations	120	(3 149)	(7 572)
Profit before taxes from total operations	6 532	6 688	11 731

²⁾ As of 31 March 2017, restricted cash was NOK 596 million, while as of 31 March 2016, restricted cash was NOK 415 million.

Cash flow from discontinued operations

(NOK in millions)	First quarter		Year
	2017	2016	2016
Net cash flow from operating activities	(169)	(333)	158
Net cash flow from investing activities	(83)	(229)	(1 306)
Net cash flow from financing activities	(134)	-	(251)

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			
Equity as of 1 January 2016	9 078	(21 143)	66 429	4 102	58 467	4 660	63 126
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
Total comprehensive income for the period	-	5 164	2 832	(3 958)	4 038	2 824	6 862
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
Equity as of 31 December 2016	9 078	(16 343)	58 000	144	50 879	4 517	55 396
Net income for the period	-	-	4 168	-	4 168	694	4 862
Other comprehensive income for the period	-	(366)	-	77	(288)	62	(226)
Total comprehensive income for the period	-	(366)	4 168	77	3 880	756	4 636
Transactions with non-controlling interests	-	-	-	-	-	20	20
Equity adjustments in associated companies and joint ventures	-	47	-	-	47	-	47
Dividends	-	-	-	-	-	(360)	(360)
Share - based payment, exercise of share options and distribution of shares	-	8	-	-	8	-	8
Equity as of 31 March 2017	9 078	(16 654)	62 169	221	54 813	4 933	59 746

(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			
Equity as of 1 January 2016	9 078	(21 143)	66 429	4 102	58 467	4 660	63 126
Net income for the period	-	-	4 256	-	4 256	830	5 086
Other comprehensive income for the period	-	31	-	(395)	(365)	(214)	(579)
Total comprehensive income for the period	-	31	4 256	(395)	3 892	616	4 509
Transactions with non-controlling interests	-	(156)	-	-	(156)	(139)	(296)
Equity adjustments in associated companies	-	(229)	-	-	(229)	-	(229)
Dividends	-	-	-	-	-	(501)	(501)
Share - based payment, exercise of share options and distribution of shares	-	2	-	-	2	-	2
Equity as of 31 March 2016	9 078	(21 495)	70 685	3 706	61 976	4 636	66 611

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 three months ending 31 March 2017, 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 2016. 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 2016.

For information about the standards and interpretations effective from 1 January 2017, please refer to Note 1 in the Group's Annual Report 2016. The standards and interpretations effective from 1 January 2017 do not have a significant impact on the Group's consolidated interim financial statements.

Note 2 – Discontinued operations and held for sale

Telenor India

On 23 February 2017, the Group entered into a definitive agreement with Bharti Airtel Limited (Airtel), whereby Airtel will take full ownership of Telenor India. According to the agreement, Airtel and Telenor India will merge and Airtel will take over Telenor India as soon as all necessary approvals are received. As part of the agreement, Airtel will take over outstanding spectrum payments and other operational contracts, including tower lease.

The transaction is subject to requisite regulatory approvals, including approvals from the Department of Telecommunications in India (DoT) and the Competition Commission of India. The exposure to claims related to the period Telenor owned the business, will remain with Telenor.

The transaction is expected to close within 12 months. With effect from the first quarter of 2017, Telenor India is presented as discontinued operation in the consolidated income statement and comparative periods are represented. In the consolidated statement of financial position 31 March 2017 Telenor India is classified as held for sale.

The results of Telenor India for the first quarters of 2016 and 2017, and the year 2016 are presented below:

(NOK in millions)	First quarter		Year
	2017	2016	2016
Revenue	1 308	1 519	6 032
EBITDA	76	(496)	54
Operating profit	68	(3 079)	(7 237)
Profit before tax	120	(3 149)	(7 572)
Income tax	-	-	-

Assets and liabilities held for sale

In the statement of financial position as of 31 March 2017, Telenor India and part of our investment in VEON Ltd, which was sold in April, are classified as held for sale.

The major classes of assets and liabilities of Telenor India classified as held for sale as of 31 March 2017:

(NOK in millions)	2017
Assets	
Intangible assets	269
Other non-current assets	316
Inventory	1
Trade and other receivables	478
Cash and cash equivalents	39
Total assets classified as held for sale	1 104

Liabilities

Non-current liabilities	2 273
Current liabilities	1 603
Total liabilities held for sale	3 876

(NOK in millions)	Assets held for sale	Liabilities held for sale
Telenor India	1 104	3 876
VEON Ltd. (see note 3)	2 449	
Total	3 553	3 876

Note 3 – Associated companies and joint ventures

VEON Ltd.

During the first quarter of 2017, Telenor recognized its share of net income amounting to NOK 0.3 billion for VEON's net income for the fourth quarter of 2016, excluding significant transactions and events recognized in the annual report of 2016. The share of other comprehensive income and equity adjustment was negative NOK 0.3 billion mainly related to VEON's translation differences reclassified to income statement upon completion of WIND Italy joint venture transaction.

As of 31 March 2017, the carrying amount of 416.7 million VEON ADSs, corresponding to Telenor's economic share of 23.7%, was NOK 14.6 billion at a share price of USD 4.08, resulting in a reversal of impairment loss of NOK 837 million recognised during the first quarter of 2017.

The accumulated balance of other comprehensive income amounting to a net loss of NOK 7.5 billion will be reclassified to income statement upon disposal. Total equity of the Group will not be impacted by the reclassification effect.

In March 2017, upon establishing a firm plan for disposal of 70 million VEON ADSs, corresponding to approximately 4% of the total share capital of VEON, carrying amount of NOK 2.4 billion is reclassified as "asset held for sale". On 7 April 2017, those 70 million VEON ADSs were disposed of for a net cash consideration of NOK 2.2 billion. See note 7 for further information.

Note 4 – Interest-bearing liabilities

Concurrently with the equity offering of the VEON ADSs on 15 September 2016, 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 VEON 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 43,205 VEON ADSs (adjusted for VEON dividend and subject to further adjustments), which represents an exchange price of approximately USD 4.63. 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 216 million VEON ADSs (subject to certain adjustments), corresponding to approximately 12.3% of VEON'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 64,808 ADSs (150% of 43,205 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 43,205 VEON 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 VEON ADSs.

Following these transactions and assuming that 100% of the VEON ADSs underlying the Bonds are delivered to bondholders at or before the Bond's maturity in September 2019, Telenor's residual stake in VEON would be 11.4% of VEON's total share capital, equal to 200.7 million ADSs as of 31 March 2017 and 7.4% of VEON's total share capital, equal to 130.7 million ADSs after the disposal of 70 million ADSs on 7 April 2017. 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 March 2017	
	Carrying amount	Fair value
Interest-bearing liabilities	(85 493)	(89 023)
of which fair value level 1		(61 505)
of which fair value level 2		(27 518)

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 March 2016	
	Carrying amount	Fair value
Interest-bearing liabilities	(75 015)	(79 620)
of which fair value level 1		(53 831)
of which fair value level 2		(25 789)

Note 5 – 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 2016 for valuation methodologies. The financial derivatives are classified in the consolidated statement of financial position as disclosed in the table:

(NOK in millions)	31 March 2017	31 December 2016	31 March 2016
Other non-current assets	2 229	2 951	3 858
Other current financial assets	1 075	725	390
Non-current non-interest-bearing liabilities	(2 891)	(3 224)	(2 770)
Non-current interest-bearing liabilities	(20)	(26)	-
Current non-interest-bearing liabilities	(2 124)	(1 843)	(627)
Total	(1 731)	(1 417)	851

Note 6 – Legal disputes

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. On 23 November 2016, Norwegian Competition Authority sent a Statement of Objection setting out its preliminary assessment of Telenor's behavior in the mobile market; NCA is considering imposing a fine of NOK 906 million against Telenor for an alleged breach of competition law. Telenor submitted its response to the NCA on 7 April 2017 in which it contests the allegations of having breached the competition law.

Telenor Sweden

On 25 April, the European Commission has initiated an investigation on the premises of Telenor Sverige in Stockholm regarding possible abuse of a collective dominant market position and/or possible anti-competitive practices between mobile network operators in Sweden. Similar investigations were simultaneously initiated towards other Swedish mobile network operators.

Note 7 – Events after the reporting period

VEON Ltd.

In March 2017, the Group established a firm plan for a partial disposal of its shareholding in VEON Ltd. and has as of 31 March 2017 reclassified a portion of its shareholding in VEON to assets held for sale (see note 2). On 7 April 2017, the Group disposed of a portion of its ownership in VEON corresponding to 70 million VEON American Depositary Shares (ADSs) or approximately 4% of the total share capital of VEON for a price of USD 3.75 per share before transaction costs, resulting in net proceeds to Telenor of NOK 2.2 billion. After the disposal, Group's ownership of VEON reduced from 23.7% to 19.7%.

Following the transaction, the Group has lost its significant influence in VEON and will discontinue recognising VEON as an associated company. As a consequence of loss of significant influence all translation differences previously recognized in other comprehensive income will be reclassified to the income statement, amounting to a net loss after tax of NOK 7.5 billion.

In addition to the reclassification effect of NOK 7.5 billion, the partial disposal of the shares in VEON and the discontinuing of the equity method for the remaining shareholding will affect our financial statements in the second quarter of 2017 as follows.

(NOK in millions)	
Opening balance as of 1 April 2017	14 580
Impairment partial disposal	(226)
Impairment remaining part	(327)
Partial disposal 7 April 2017	(2 225)
Transferred to other non-current assets 7 April 2017	11 801

From 7 April 2017, VEON will be classified as a financial investment, under the heading Other non-current assets in the statement of financial position. VEON will be categorized as an available for sale investment at fair value. Gains and losses arising from future changes in fair value will be recognized as other comprehensive income.

Digi – Malaysia

On 28 April 2017, the Board of Directors of Digi declared the first interim dividend for 2017 of MYR 0.047 per share, which corresponds to approximately NOK 0.7 billion total dividend and approximately NOK 0.35 billion for Telenor ownership share.

Note 8 – Segment table and reconciliation of EBITDA before other income and other expenses

Financial information related to the financial services operations in Serbia, Pakistan and Myanmar is from first quarter 2017 reported as part of Other units. The segment information for 2016 has been restated to reflect this.

Daxcom AB, previously reported as part of Telenor Norway is now reported as part of Telenor Sweden. Daxcom AB delivers customer specific solutions in Sweden. The segment information for 2016 has been restated to reflect this.

Telenor Cloud Services AS, previously reported as part of Other units is now reported as part of Telenor Norway. Telenor Cloud Services AS delivers internet-based services like webhosting, office tools (Office 365), messaging and communication solutions. The segment information for 2016 has been restated to reflect this.

Telenor IT Partner A/S (TIP), previously reported as part of other units is now reported as part of Telenor Denmark. TIP developed the new business support system, now used by Telenor Denmark. The segment information for 2016 has been restated to reflect this.

The operations

First quarter

(NOK in millions)	Total revenues			of which internal		EBITDA before other income and other expenses ¹⁾			
	2017	2016	Growth	2017	2016	2017	Margin	2016	Margin
Norway	6 230	6 331	(1.6%)	78	78	2 575	41.3%	2 766	43.7%
Sweden	3 056	3 122	(2.1%)	11	15	920	30.1%	894	28.6%
Denmark	1 249	1 254	(0.4%)	20	27	222	17.8%	157	12.5%
Hungary	1 053	1 117	(5.8%)	10	15	348	33.1%	354	31.7%
Bulgaria	732	758	(3.4%)	11	4	278	38.0%	286	37.8%
Montenegro & Serbia	854	940	(9.2%)	38	42	300	35.2%	317	33.7%
dtac - Thailand	4 751	5 260	(9.7%)	29	27	1 656	34.9%	1 778	33.8%
Digi - Malaysia	2 989	3 405	(12.2%)	5	2	1 353	45.3%	1 431	42.0%
Grameenphone - Bangladesh	3 277	3 045	7.6%	-	-	1 903	58.1%	1 684	55.3%
Pakistan	2 029	1 893	7.2%	29	20	989	48.7%	809	42.8%
Myanmar	1 749	1 722	1.6%	68	63	746	42.7%	718	41.7%
Broadcast	1 488	1 765	(15.7%)	51	41	461	31.0%	732	41.5%
Other units	2 251	2 047	10.0%	894	835	(287)	nm	(298)	nm
Eliminations	(1 250)	(1 167)	-	(1 244)	(1 167)	(4)	-	-	-
Group	30 458	31 494	(3.3%)	-	-	11 462	37.6%	11 629	36.9%

¹⁾ The segment profit is EBITDA before other income and other expenses.

²⁾ Investments consist of capex and investments in businesses, licences and spectrum.

Reconciliation

(NOK in millions)	First quarter		Year
	2017	2016	2016
EBITDA	11 283	11 490	45 049
Other income	75	9	528
Other expenses	(254)	(149)	(1 446)
EBITDA before other income and other expenses	11 462	11 629	45 966

EBITDA				Operating profit (loss)				Investments ²⁾	
2017	Margin	2016	Margin	2017	Margin	2016	Margin	2017	2016
2 435	39.1%	2 689	42.5%	1 473	23.6%	1 767	27.9%	1 155	908
908	29.7%	893	28.6%	562	18.4%	478	15.3%	307	336
212	17.0%	148	11.8%	127	10.2%	45	3.6%	108	233
322	30.6%	351	31.4%	207	19.6%	190	17.0%	40	46
261	35.6%	287	37.8%	126	17.2%	137	18.1%	24	33
299	35.1%	317	33.8%	173	20.2%	193	20.6%	67	71
1 653	34.8%	1 741	33.1%	193	4.1%	515	9.8%	1 076	1 139
1 354	45.3%	1 431	42.0%	1 019	34.1%	1 110	32.6%	368	351
1 886	57.5%	1 683	55.3%	1 284	39.2%	1 124	36.9%	480	1 004
985	48.6%	805	42.5%	615	30.3%	514	27.1%	402	307
748	42.8%	718	41.7%	502	28.7%	528	30.6%	270	565
444	29.8%	731	41.4%	274	18.4%	442	25.0%	94	95
(220)	nm	(306)	nm	(376)	nm	(446)	nm	224	3 218
(3)	-	-	-	(3)	-	1	-	-	-
11 283	37.0%	11 490	36.5%	6 175	20.3%	6 599	21.0%	4 617	8 307

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 first quarter 2017	Change YoY	Change first quarter 2016	Change YoY
Reported revenue growth	(1 036)	(3.3%)	1 431	4.8%
Impact using similar exchange rates	1 130		(955)	
M&A	(34)		(67)	
Organic revenue growth	60	0.2%	410	1.3%

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)	First quarter		Year
	2017	2016	2016
Salaries and personnel cost	(3 304)	(3 268)	(12 690)
Other operating expenditure	(8 122)	(8 554)	(34 192)
Operating expenditure	(11 426)	(11 822)	(46 881)

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 first quarter 2017	Change YoY	Change first quarter 2016	Change YoY
Reported EBITDA growth	(167)	(1.4%)	852	7.9%
Impact using similar exchange rates	410		(343)	
M&A	39		14	
Organic EBITDA growth	281	2.5%	524	4.7%

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. Telenor India is classified as discontinued operation and asset held for sale and hence capex is presented excluding India.

(NOK in millions)	First quarter		Year
	2017	2016	2016
Purchases of PPE and intangible assets (cash flow statement)	5 377	6 223	23 727
Working capital movement in respect of capital expenditure	(894)	(616)	2 500
Less:			
Asset retirement obligations	37	(29)	32
Discontinued operations	13	(409)	(917)
Capital expenditures	4 533	5 169	25 342
Licence and spectrum fee - capitalised	-	(32)	(3 502)
Capital expenditures excluding licence and spectrum fee	4 533	5 138	21 840
Revenue	30 458	31 494	125 395
Capex excl. Licences and spectrum/Revenues (%)	14,9 %	16,3 %	17,4 %

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.

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 March 2017	31 December 2016	31 March 2016
Non-current interest-bearing liabilities	53 041	60 391	66 372
Current interest-bearing liabilities	32 452	25 970	8 644
Less:			
Cash and cash equivalents	(26 135)	(23 085)	(13 996)
Adjustments:			
Licence obligations	(2 582)	(4 884)	(3 622)
Hedging instruments	(2 086)	(2 329)	(2 898)
Financial instruments	(1 004)	(1 683)	(936)
Net interest-bearing debt excluding licence obligations	53 686	54 381	53 564

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)	First quarter		Year
	2017	2016	2016
Net cash flows from operating activities	9 163	11 216	39 778
Net cash flows from investing activities	(5 372)	(9 372)	(21 105)
Repayments of borrowings - licence obligations	(149)	(956)	(1 562)
Repayments of borrowings - supply chain financing	(1 133)	(963)	(3 672)
Dividends paid to and purchase of shares from non-controlling interest	(343)	(694)	(3 139)
Free cash flow	2 166	(769)	10 300

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.



First quarter 2017

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