SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from   to   .

Commission file number: 0-31054

Telenor ASA

(Exact name of Registrant as specified in its charter)

Norway

(Jurisdiction of incorporation or organization)

Snarøyveien 30, N-1333 Fornebu, Norway

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

Securities registered or to be registered pursuant to Section 12(g) of the Act: Ordinary Shares, nominal value NOK 6 per share

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

The number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2001: 1,772,730,652 Ordinary Shares of NOK 6 each.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes X   No ___

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ___   Item 18 X

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Telenor publishes its financial statements in Norwegian Kroner (''NOK''). Unless otherwise indicated, all amounts in this annual report are expressed in Norwegian Kroner. In connection with Telenor's international operations, certain amounts denominated in foreign currencies have been translated into Norwegian Kroner, in accordance with Telenor's accounting principles as described in the consolidated financial statements that form part of this report under the heading ''Summary of Significant Accounting Principles — Foreign currency translation and hedge accounting for net investments'' except where otherwise noted. These translations should not be construed as representations that the amounts referred to actually represent such translated amounts or could be converted into the translated currency at the rate indicated.

Telenor's annual audited consolidated financial statements are prepared in accordance with Norwegian GAAP, which differ in certain respects from U.S. GAAP. For a reconciliation of the material differences between Norwegian and U.S. GAAP as they relate to Telenor, see Note 30 to the consolidated financial statements.

As used in this annual report, the terms ''Telenor'', ''we'' or ''us'', unless the context otherwise requires, refer to Telenor ASA and its consolidated subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains statements that constitute ''forward-looking statements'' within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. In addition, other written or oral statements, which constitute forward-looking statements have been made and may in the future be made by or on behalf of Telenor. In this annual report, such forward-looking statements include, without limitation, statements relating to (1) the implementation of strategic initiatives, (2) the development of revenues overall and within specific business areas, (3) the development of operating expenses, (4) the development of personnel expenses, (5) expenses incurred in the development of associated companies, (6) the anticipated level of capital expenditures and associated depreciation and amortization expense, and (7) other statements relating to Telenor's future business development and economic performance. The words ''anticipate'', ''believe'', ''expect'', ''estimate'', ''intend'', ''plan'' and similar expressions identify certain of these forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements because actual events and results may differ materially from the expected results described by such forward-looking statements.

Many factors may influence Telenor's actual results and cause them to differ materially from expected results as described in forward-looking statements. These factors include the following:

- the level of demand for our services, particularly with regard to mobile communications services, fixed telephony, Internet and IP-based communications services, pay television services, and other newer products and services;
- actions of our competitors;
- regulatory developments, including changes to our permitted tariffs, the terms of access to our network, the terms of interconnection and other issues; and
- the success of our international investments and expansion programs.

Telenor disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I

ITEM 1: IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2: OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3: KEY INFORMATION

SELECTED CONSOLIDATED FINANCIAL AND STATISTICAL DATA

SUMMARY

The following tables set forth summary consolidated financial and statistical data of Telenor. They should be read together with "Item 5: Operating and Financial Review and Prospects" and our consolidated financial statements, including the notes to those financial statements included in this report.

Solely for the convenience of the reader, the financial data at and for the twelve months ended December 31, 2001 have been translated into U.S. dollars at the rate of NOK 8,9724 to USD 1.00, the noon buying rate on December 31, 2001.

	Year ended December 31,					
	1997	1998	1999	2000	2001	2001
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK)	(USD)
	(in millions, except per share amounts)					
Income Statement Data						
Norwegian GAAP						
Revenues	25,763	28,751	32,784	36,530	40,604	4,525
Gain on disposal of fixed assets and Operations	177	248	783	1,042	5,436	606
Total revenues	25,940	28,999	33,567	37,572	46,040	5,131
Operating expenses	23,283	25,202	29,565	33,943	42,863	4,777
Operating profit	2,657	3,797	4,002	3,629	3,177	354
Share of profit (loss) in associated Companies	(534)	(1,097)	(1,239)	(692)	8,237	918
Net income	1,389	1,710	2,035	1,076	7,079	789
Net income per share in NOK — primary (excluding treasury shares)	1.157	1.293	1.454	0.754	3.994	0.445
Net income per share in NOK — diluted (excluding treasury shares)	1.157	1.293	1.454	0.754	3.990	0.445
Dividends per share in NOK(1)	n/a	n/a	n/a	0.30	0.35	0.039
Weighted average number of shares (in millions of shares) — primary	1,200	1,323	1,400	1,427	1,772	
Weighted average number of shares (in millions of shares) — diluted	1,200	1,323	1,400	1,427	1,774	
Net income per share in NOK from discontinued operations (Telenor Media)(2)	—	0.126	0.781	0.594	1.108	0.1235
Net income per share in NOK from continuing operations (excluding Telenor Media)(2)	—	1.168	0.673	0.160	2.886	0.3217

	Year ended December 31,					
	1997	1998	1999	2000	2001	2001
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK)	(USD)
	(in millions, except per share amounts)					
U.S. GAAP						
Revenues	—	28,670	32,716	36,481	40,581	4,523
Net income from continuing operations (excluding Telenor Media)(2)	—	1,411	1,246	854	1,889	215
Net income	—	1,578	2,188	1,082	7,004	781
Net income per share from continuing operations (excluding Telenor Media)(2)	—	1.068	0.89	0.599	1.066	0.119
Net income per share cumulative effect on prior years (prior to December 31, 2001) of change in accounting principles	—	—	—	—	0.033	0.004
Net income per share in NOK — primary (excluding treasury shares)	—	1.194	1.563	0.759	3.952	0.440
Net income per share in NOK — diluted (excluding treasury shares)	—	1.194	1.563	0.759	3.948	0.440

	At December 31,					
	1997	1998	1999	2000	2001	2001
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK)	(USD)
	(in millions)					
Balance Sheet Data						
Norwegian GAAP						
Total fixed assets	26,631	31,783	37,617	80,881	66,095	7,367
Total current assets	7,533	8,967	10,409	12,804	16,528	1,842
Total assets	34,164	40,750	48,026	93,685	82,623	9,209
Long-term liabilities and provisions	9,985	12,288	15,962	42,908	19,646	2,190
Short-term liabilities	8,459	9,708	10,799	12,597	17,294	1,928
Total liabilities	18,444	21,996	26,761	55,505	36,940	4,118
Shareholders' equity	15,478	18,515	20,033	35,474	42,144	4,697
Minority interests	242	239	1,232	2,706	3,539	394
Total equity and liabilities	34,164	40,750	48,026	93,685	82,623	9,209
U.S. GAAP						
Total assets	—	43,728	53,787	99,776	90,129	10,045
Long-term interest-bearing liabilities	—	12,403	19,252	46,972	24,758	2,759
Shareholders' equity	—	19,512	21,035	36,304	42,944	4,786

	Year ended December 31,					
	1997	1998	1999	2000	2001	2001
	(NOK)	(NOK)	(NOK) (in millions)	(NOK)	(NOK)	(USD)
Cash Flow and Operating Data						
Norwegian GAAP						
Net cash flow from operating Activities	5,191	6,827	7,052	5,915	6,993	779
Net cash flow from investment Activities	(7,939)	(9,804)	(8,887)	(47,308)	20,891	2,328
Net cash flow from financing Activities	2,570	3,628	2,914	41,558	(24,366)	(2,716)
Investments, including capital expenditures(3)	8,970	9,428	13,170	50,672	18,846	2,100
EBITDA(4)	6,705	8,258	9,049	9,563	14,250	1,588
EBITDA, excluding gains and losses on disposal of fixed assets and operations(4)	6,568	8,019	8,568	8,579	8,877	989

(1) Dividends in respect of 2001 will be paid in May 2002. Per share dividend amounts in respect of years prior to 2000 are not considered meaningful because such dividends reflected our status as wholly owned by the Kingdom of Norway and occurred prior to the recapitalization effected in connection with our initial public offering in December 2000. See "Dividends and Dividend Policy" below.

(2) Discontinued operations consist of the business area Telenor Media. No separate financial information exists for Telenor Media for fiscal years prior to the year ended December 31, 1998 and, consequently, the data for 1997 cannot be provided.

(3) Consists of investments in tangible and intangible fixed assets, long-term investments in shares and capital contributions to satellite organizations.

(4) EBITDA is operating profit before depreciation, amortization and write-downs. EBITDA is a measure commonly used in the telecommunications industry and we present EBITDA to enhance your understanding of our operating results. EBITDA is not a measurement of financial performance under generally accepted accounting principles and may not be comparable to other similarly titled measures of other companies. We believe that EBITDA provides investors and analysts with a measure of operating results that is unaffected by the financing and accounting effects of acquisitions and differences in capital structures among otherwise comparable companies. You should not consider EBITDA as an alternative to operating income or net income as an indicator of our performance, or as an alternative to cash flows from operating activities as a measure of liquidity. We have also presented EBITDA, excluding gains and losses on disposal of fixed assets and operations, in order to provide a further operating measure unaffected by one-time gains and losses from dispositions.

The following shows the calculation of EBITDA:

	Year ended December 31,					
	1997	1998	1999	2000	2001	2001
	(NOK)	(NOK)	(NOK) (in millions)	(NOK)	(NOK)	(USD)
Operating profit	2,657	3,797	4,002	3,629	3,177	354
Depreciation, amortization and write-downs	4,048	4,461	5,047	5,934	11,073	1,234
EBITDA	6,705	8,258	9,049	9,563	14,250	1,588
Gains on disposal of fixed assets and Operations	177	248	783	1,042	5,436	606
Losses on disposal of fixed assets and Operations	40	9	302	58	63	7
EBITDA, excluding gains and losses on disposal of fixed assets and operations	6,568	8,019	8,568	8,579	8,877	989

	Year ended December 31,				
	1997	1998	1999	2000	2001
Other Operating Data					
Mobile telephony (digital) subscriptions in Norway, period end (000s):					
Contract	803	944	1,003	1,145	1,210
Prepaid	68	316	732	911	1,027
Mobile telephony churn rates for contract subscriptions	13.9%	13.1%	14.2%	12.7%	12.5%
Total mobile telephony outgoing minutes in Norway (in millions of minutes):					
Digital	711	1,279	1,801	2,298	2,969
Analog	331	271	174	108	64
Average monthly revenue per mobile subscription (digital) in Norway (in NOK)(1):					
Total	401	366	341	338(2)	340
Contract	401	400	440	473	494
Prepaid	—	169	157	165(2)	154
Fixed telephony access channels in Norway, period end (000s):					
Analog (PSTN)	2,324	2,167	1,908	1,680	1,527
Digital (ISDN)	410	755	1,228	1,590	1,735
Fixed telephony traffic in Norway (in millions of minutes):					
National calls, excluding Internet traffic	11,923	12,911	12,371	11,612	10,567
Internet traffic	1,079	2,059	4,225	5,667	4,974
International	379	386	415	387	383
Calls to mobile	727	967	1,246	1,295	1,412
Value-added services and directory calls, etc	191	287	447	599	624
Pay television subscribers in the Nordic region, period end (000s):					
Cable TV	244	270	282	357	561
Small antenna networks (SMATV)	—	686	937	1,086	1,105
Home satellite dish (DTH)(3)	251	352	405	506	657
Total	495	1,308	1,624	1,949	2,323
Internet, period end (000s):					
Internet access subscriptions and registered users, Norway	165	260	400	625	831
Internet access subscription churn rates, Norway	—	11.7%	14.0%	25.5%	20.0%
Nextra business subscriptions, Norway	2	4	8	13	16
Nextra subscriptions, outside Norway	—	—	57	104	106
Number of full-time equivalent employees	19,598	20,226	21,968	20,150	21,000

(1) Average monthly revenue per mobile subscription is calculated based on our total revenues from digital mobile telephony subscriptions in Norway, including subscription fees, incoming and outgoing traffic fees, roaming and revenues from value-added services, divided by the average number of digital subscriptions in Norway for the relevant period.

(2) Due to a one-time adjustment to reflect a change in the methodology used to estimate traffic revenues, our revenues for 2000 increased by NOK 66 million. As a result, average monthly revenues per digital subscription for this period are not directly comparable with prior periods. Eliminating this one-time adjustment, the average monthly revenue per digital mobile subscription 2000 would have been NOK 6 lower for prepaid subscriptions and NOK 3 lower for total digital subscriptions.

(3) Includes all subscribers of Canal Digital, a joint venture in which we currently have a 50% ownership interest, and in connection with which we have signed an agreement to acquire the remaining 50% ownership interest.

DIVIDENDS AND DIVIDEND POLICY

Under Norwegian law, dividends may only be paid in respect of a financial period as to which audited financial statements have been approved by the annual general meeting of shareholders, and any proposal to pay a dividend must be recommended by the directors, accepted by the corporate assembly and approved by the shareholders at a general meeting. The shareholders at the annual general meeting may vote to reduce, but may not increase, the dividend proposed by the directors.

Dividends may be paid in cash or in kind and are payable only out of distributable reserves, which are calculated from the parent company's balance sheet. Distributable reserves consist of:

- annual profit according to the income statement approved for the preceding financial year, and
- retained profit from previous years.

After deduction for uncovered losses, the book value of research and development, goodwill, net deferred tax assets recorded in the balance sheet for the preceding financial year, the aggregate value of treasury shares that we have purchased or been granted security in during preceding financial years and of credit and security given pursuant to sections 8-7 to 8-9 of the Norwegian Public Limited Companies Act, and for any part of our annual profits that would be compatible with good and careful business practice to retain with due regard to any losses which we may have incurred after the last balance sheet date or which we may expect to incur. We cannot distribute any dividends if our equity, according to our balance sheet, amounts to less than 10% of the total assets reflected on our balance sheet without following a creditor notice procedure as required for reducing the share capital. These amounts are calculated on the basis of Telenor ASA's unconsolidated financial statements.

The following table shows the aggregate dividends we paid or will pay, for each of the past five fiscal years.

	Total (in millions)(1)	
Year	**(NOK)**	**(USD)**
1997	570	75
1998	700	89
1999	500	58
2000	532	60
2001(2)	621	69

(1) Dividends are presented in aggregate as comparisons between year 2000 and 2001 per share amounts and those in prior years are not meaningful as dividends declared prior to our initial public offering in December 2000 reflected our status as wholly owned by the Kingdom of Norway.

(2) A dividend of NOK 0.35 per share with respect to 2001 was proposed by the directors, due to acceptance by the corporate assembly and approval at the annual general meeting on May 8, 2002. The dividend, if approved by the general meeting and the corporate assembly, will be paid on May 29, 2002, to the holders of record on May 8, 2002.

Prior to our initial public offering in 2000, dividends we paid reflected our status as wholly owned by the Kingdom of Norway and should not be considered indicative of our future dividends.

Our board of directors currently intends that we declare and distribute an annual dividend in an amount equal to 20%-30% of annual net income after taxes. This may be adjusted for the effect of one-time gains or losses. However, the amount of any dividends proposed by the board of directors may vary from year to year at the board's discretion. Our board of directors will take into account the dividend payment practices of major Norwegian companies and other European telecommunications operators. Although we currently intend to pay annual dividends on our ordinary shares, we cannot give you assurance that dividends will be paid or as to the amount of any dividends. Future dividends will depend on a number of factors, including:

- the general business conditions existing at that time;
- our current and expected future financial performance;
- our funding and investment requirements; and
- other factors that our board of directors may consider to be relevant.

Because we will only pay dividends in Norwegian Kroner, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of ADSs after the ADR depositary converts cash dividends into U.S. dollars.

EXCHANGE RATES

The table below shows the average noon buying rates in The City of New York for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York for Norwegian Kroner per USD 1.00. The average is computed using the noon buying rate on the last business day of each month during the period indicated.

Year ended December 31,	Average
1997	7.0953
1998	7.5549
1999	7.8350
2000	8.9363
2001	9.0330

The table below shows the high and low noon buying rates for each month during the six months prior to the date of this annual report.

	Low	High
August 2001	8.8050	9.0980
September	8.5391	8.9380
October	8.7350	8.9525
November	8.8230	9.0350
December	8.8660	9.1120
January 2002	8.8775	9.1110
February	8.8710	9.1050
March (through March 22, 2002)	8.7650	8.8875

On March 22, 2002, the noon buying rate for Norwegian Kroner was USD 1.00 = NOK 8.7640.

Fluctuations in the exchange rate between the Norwegian Kroner and the U.S. dollar will affect the U.S. dollar amounts received by holders of ADSs on conversion of dividends, if any, paid in Norwegian Kroner on the ordinary shares and may affect the U.S. dollar price of the ADSs on the Nasdaq National Market.

RISK FACTORS

Risks Related to Our Business

We face increasing competition in the Norwegian telecommunications market which may result in further reductions in tariffs and loss of market share.

We are experiencing increasing competition from competing service providers in the Norwegian market for telecommunications services. Generally, the Norwegian regulatory regime poses few barriers to entry for new competitors. In fixed network services, a number of measures have been introduced that may strengthen the position of our competitors. Pursuant to regulatory requirements, in 1999 we began providing customers the ability to pre-select an alternative service provider and to retain their telephone numbers if they change service providers, and in November 2000 we began allowing customers to pre-select two alternative service providers, with one for national and another for international calls. Pre-selecting an alternative service provider means that all of the customer's calls are automatically routed through that service provider, without having to dial a prefix access code for each call. In addition, we are required to allow other operators to interconnect to our network and transport traffic through our network at cost-oriented prices, and we have adopted a strategy of providing competing service providers with a range of interconnection capacity and wholesale services. In April 2000, we began offering interconnection services for our local access network, or local loop, at cost-oriented prices. Competitors may also use alternative technologies, such as cable or wireless local loop connections, to provide telecommunications, and in March 2000 the Norwegian regulator awarded licenses to our competitors to provide wireless access service.

In the mobile market, in November 2000 we and three other operators were awarded licenses for third generation mobile services, which increased the number of operators providing service and opened the market to more competition. In addition, several mobile service providers utilizing our infrastructure, or that of our primary competitor, have entered the market.

As competition continues to intensify, we expect market pressures may require us to reduce tariffs further and we also may lose further market share. This may adversely affect our profit margin, as the effect of lost market share in the retail market is unlikely to be fully offset by providing interconnection services to competing service providers.

If we fail to successfully develop and market new mobile communications services, our ability to achieve further revenue growth in mobile communications services in the Norwegian market may be limited.

Because of our high market share and the current high penetration rate in Norway for mobile communications, we expect that further revenue growth in mobile communications in the Norwegian market will depend on our ability to successfully develop and market new applications and services or have third parties provide services using our network.

If we or international mobile operators in which we have invested fail to obtain, or fail to enter into strategic partnerships to utilize, licenses for third generation mobile services, we may be unable to achieve our strategy of being a leading provider of voice and mobile Internet services in our target markets.

Our growth strategy in mobile communications depends to a large extent upon our ability to either obtain licenses for third generation mobile services or to enter into strategic partnerships with operators that have been awarded such licenses in markets in which we have, or intend to make, significant investments in order to allow us to offer Universal Mobile Telecommunications System, commonly known as UMTS services, either directly or through our international associated companies. A failure to establish ourselves or our associated companies among the providers of third generation mobile services is likely to limit our ability to introduce new products and services and achieve revenue growth in mobile communications. Even if we or our associated companies are successful in obtaining licenses, the cost of such licenses may be substantial, particularly in countries which award licenses through an auction process, and we may not be able to earn an adequate return on, or to recover the cost of, our investment.

Delays in the development of handsets and network components may prevent us from providing UMTS services in the near future, while the success of the UMTS technology is still uncertain.

The development of UMTS technology is taking longer than anticipated. Suppliers have not yet managed to fully develop handsets and other equipment to be used by us and other telecommunications operators in providing the new UMTS services. Once developed, UMTS technology may not prove superior to existing technologies and may fail to meet commercial acceptance. These delays in supplier and technology performance and the uncertainties regarding the commercial success of the new UMTS technology could result in additional expenditures and could have a negative effect on our business, financial condition and results of operations.

Failure to increase our ownership and thus gain control over international mobile operators we have invested in may impede our strategic objectives.

We have made major investments in international mobile communications companies. As part of our strategy, we intend to expand our ownership interests in, and gain control of, some of our international mobile investments in order to exercise a controlling influence over key business decisions, including the approval of capital-intensive plans such as GPRS and UMTS network rollout or license applications, and strategy. If we fail to increase our ownership interests and gain control, our cost savings and revenue enhancement from these operations may be limited.

If the other shareholders of the international mobile operators in which we have a minority interest fail to provide necessary financial or strategic support to such companies, the value of these companies may be impaired.

In some of our international mobile investments, we have a minority interest and the mobile companies rely on us and the other shareholders for strategic and financial support in order to finance the license fees, infrastructure and other expenditures necessary for the launch of UMTS services. If the other shareholders fail to adequately support these companies, they may not be able to compete effectively and the value of our investment may be impaired.

If the demand for mobile Internet services, television-based interactive services or Internet protocol-based communications services does not grow strongly, we may not be able to earn an adequate return on, or to recover the costs of, our investments in these businesses.

Much of our strategy is based on the expectation of strong growth in the markets for services we have recently introduced or are developing, including in particular mobile Internet services, television-based interactive services and IP-based communications services for businesses. If the markets for these services do not grow as we expect, we may not be able to earn an adequate return on, or to recover the costs of, the investments we are making to develop and market these services.

Furthermore, we may be unable to take advantage of any growth in demand for these services if we fail to develop and market our own services, such as television-based interactive services, on a timely basis.

Continuing rapid changes in technologies could increase competition or require us to make substantial additional investments.

The services we offer are technology-intensive. The development of new technologies may render our services noncompetitive. We may have to make substantial additional investments in new technologies to remain competitive. New technologies we choose may not prove to be commercially successful. In addition, we may not receive necessary licenses to provide services based on new technologies such as UMTS. As a result, we could lose customers, fail to attract new customers or incur substantial costs in order to maintain our customer base.

The value of our international operations and investments may be adversely affected by political, economic and legal developments in foreign countries or by currency exchange rate fluctuations.

Some of the countries in which we have made significant equity investments in telecommunications operators have political, economic and legal systems that are unpredictable. Political or economic upheaval or changes in laws or their application may harm the operations of the companies in which we have invested and impair the value of these investments to us. A significant risk of operating in emerging market countries is that foreign exchange restrictions could be established. This could effectively prevent us from receiving profits from, or from selling our investments in, these countries. In addition, fluctuations in currency exchange rates between the Norwegian Kroner and the currencies in which our international operations or investments operate could adversely affect our reported earnings and the value of these businesses. Restrictions on foreign ownership in countries in which we have significant operations or investments may also adversely affect the value of these businesses.

Russia has been one focus of our international investments, for both our Telenor Mobile and our Telenor Business Solutions business areas. In the period following August 1998, Russia has experienced a period of increased economic and political instability, marked by a currency devaluation, hyperinflation, a severe banking crisis and changes of government. We have also made important investments in Southeast Asia, including in particular Thailand and Malaysia. In recent years, these countries have experienced sharp currency devaluations and an economic crisis. Prolonged economic or political crises as well as the introduction of restrictions on foreign ownership interests in countries in which we have significant operations or investments may adversely affect the value of these businesses.

Failure to identify or complete acquisitions or investments necessary to pursue our plans for international expansion, in particular with regard to our mobile communications and IP-based communications operations, may significantly impair our international growth and competitive position.

An important part of our business strategy is to expand our operations internationally. This is particularly true in respect of our mobile communications operations and our Internet and IP-based communications operations. Although we continually explore opportunities to acquire or invest in such operations, we do not know if we will be able to identify any such acquisitions or investments or be able to successfully complete them. If we fail to identify or complete suitable transactions, we may not achieve our desired growth in these areas and our competitive position internationally could be weakened.

In-orbit satellite failure may result in lost revenues in our satellite broadcasting business.

The operation of satellites is subject to the risk of in-orbit failure, which could arise from various causes, such as a failure of satellite components, solar or other astronomical events or space debris. It is not feasible to repair satellites in space. The satellites themselves are insured in such cases, but we do not insure against lost revenues in the event of a total or partial loss of the communications capacity of a satellite while in orbit.

Actual or perceived health risks or other problems relating to mobile handsets or transmission masts could lead to decreased mobile communications usage.

Concern has been expressed that the electromagnetic signals from mobile handsets and base stations and chemical leaking from mobile handsets may pose health risks or interfere with the operation of electronic equipment, including automobile braking and steering systems. Actual or perceived risks of mobile handsets or base stations and related publicity, regulation or litigation could reduce our mobile telephone customer base, make it difficult to find attractive sites for base stations or cause mobile telephone customers to use their mobile phones less.

Risks Related to Regulatory Matters

Existing regulatory requirements may impair our flexibility in setting tariff structures, require us to further reduce tariffs or provide advantages to our competitors.

We are considered by the Norwegian Post and Telecommunications Authority (PT) to have significant market power with regard to both our fixed and our mobile operations in the markets for voice telephony, transmission capacity and interconnection services including unbundled access to the local loop. As a result, we are subject to specific obligations regarding pricing, accounting and reporting with respect to these services under the Norwegian Telecommunications Act and under our licenses.

In particular, we are required to offer these services to our competitors and the general public at cost-oriented prices and on non-discriminatory terms. The requirement of cost-orientation means that prices must be calculated based on costs, plus a reasonable rate of return. The services subject to this restriction amounted to 62% of our revenues and 94% of our operating profits in 1999 and 59% of our revenues and 115% of our operating profits in 2000.

We are also subject to a price cap on fixed public telephony services for both the private market and the business market and for leased lines. The Ministry of Transport and Communications has set the price cap at the consumer price index minus 3% annually through 2001.

These requirements may impair our flexibility in setting tariff structures or may require us to further reduce tariffs, which may adversely affect our revenues and net income. In addition, if we are required to reduce interconnection prices or change the terms on which we provide local loop unbundling as a result of our obligation to provide cost-oriented pricing for interconnection and access, our competitors may be at an advantage, depending on the services provided.

This regulatory environment also provides the grounds for several legal proceedings brought against us by our competitors, alleging that our failure or delay in providing access to our network on the terms required by law has caused them loss. Our alleged failures and delays include failing to deliver cost oriented pricing and late implementation of carrier preselection. These legal proceedings are described in "Item 8: Financial Information — Legal Proceedings" below.

Pending Norwegian and recent EU telecommunications regulation may impair our ability to compete effectively in our existing or new markets.

Changes in laws, regulation or government policy relating to our business activities could affect us. Following a comprehensive review of telecommunications regulation, commonly known as the 1999 Communications Review, the European Union in February 2002 adopted a number of directives with the objective of developing a harmonized regulatory framework for electronic communications networks and services throughout the EU. A review of telecommunications regulation is also currently underway by Norwegian regulators. It is uncertain what the impact of the results of these reviews will be. However, our ability to compete effectively in our existing or new geographical and product markets could be adversely affected by the regulators' decision to extend the scope of the restrictions we are currently subject to, to new services and markets in the face of continuing convergence of information and communications services.

The introduction of mobile number portability in Norway in November 2001 may increase our churn rate.

Since November 2001, we have been required to provide mobile number portability in Norway, under which subscribers may retain their telephone numbers when changing mobile service providers. All public service providers, including Telenor, must offer number portability. The introduction of number portability may increase the number of customers who switch to a competing service, thus increasing our customer turnover, commonly referred to as "churn", which is measured by churn rates. A significant increase in churn rates would result in lower revenues and increased selling costs to replace customers.

Risks Related to Our Ownership by the Kingdom of Norway

We could be influenced by the Kingdom of Norway whose interest may not always be aligned with the interests of our other shareholders.

The Kingdom of Norway holds more than a two-thirds majority of our shares. Accordingly, the Kingdom of Norway continues to have the power to determine matters submitted for a vote of shareholders, including electing a majority of the corporate assembly which in turn has the power to elect our board of directors, as well as the power of approval of the annual financial statements, declarations of dividends and capital increases in connection with acquisitions, investments or otherwise. The interests of the Kingdom of Norway in deciding these matters and the factors it considers in exercising its votes could be different from the interests of our other shareholders.

Risks Related to our Ordinary Shares and the American Depositary Shares

The price of our ordinary shares and ADSs may be volatile and fluctuate significantly due to many factors, including variations in our operating results and changes to the regulatory environment.

The trading price of our ordinary shares and ADSs could fluctuate widely in response to factors such as quarterly variations in our operating results, adverse business developments, interest rate changes, changes in financial estimates by securities analysts, announcements of technological or other developments by us or our major customers or competitors, changes to the regulatory environment in which we operate or the actual or expected sale of a large block of shares by the Kingdom of Norway.

An ADS holder may not be able to exercise voting rights as readily as an ordinary shareholder.

Holders of ADSs may instruct the ADR depositary to vote the ordinary shares underlying the ADSs. However, in order to exercise their voting rights at meetings, holders of ADSs must instruct the ADR depositary to cause the temporary transfer of the underlying ordinary shares so as to register their ownership of such ordinary shares directly in our share register in the VPS (Norwegian Central Securities Depository) System prior to the meeting. In addition, the ADR holder must cause the delivery of such holder's ADSs to a blocked account with The Depository Trust Company for the account of the ADR depositary and notify the ADR depositary that such ADSs are being held in a blocked account. The ADSs must remain in the designated account until the conclusion of the meeting at which such voting rights are to be exercised by the ADR depositary. There is no guarantee that you will receive voting materials in time to instruct the ADR depositary to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Risk Related to Our Auditor, Arthur Andersen & Co.

Our access to the U.S. capital markets and our ability to make timely SEC filings could be impaired if the SEC ceases accepting financial statements audited by Arthur Andersen LLP and its non-U.S. affiliates, or if Arthur Andersen & Co. becomes unable to make the required representations to us or if for any other reason it is unable to perform required accounting services for us.

Our independent certified public accountant, Arthur Andersen & Co. has informed us that on March 14, 2002, an indictment by the U.S. Department of Justice was unsealed charging Arthur Andersen LLP, its U.S. affiliated firm, with federal obstruction of justice arising from the U.S. government's investigation of Enron Corp. As an SEC reporting company, we are required to file with the SEC periodic financial statements audited by an independent, certified public accountant. The SEC has said that it will continue accepting financial statements audited by Arthur Andersen LLP and its non-U.S. affiliates so long as they are able to make certain representations to their auditing clients. We have received the required representations from Arthur Andersen & Co. However, our access to the U.S. capital markets, our ability to comply with certain contractual obligations and our ability to make timely SEC filings could be impaired if the SEC ceases accepting financial statements audited by Arthur Andersen LLP and its non-U.S. affiliates or if Arthur Andersen & Co. becomes unable to make the required representations to us or if for any other reason it is unable to perform required accounting services for us.

ITEM 4: INFORMATION ON THE COMPANY

THE COMPANY

We are the leading telecommunications company in Norway. We also have substantial international operations and investments, particularly in the areas of mobile and fixed line digital telephony, satellite operations and pay television services, along with Internet and Internet protocol-based communications services in a selected number of countries.

Telenor ASA is a public limited company organized under the laws of Norway.

We were incorporated on July 21, 2000. We are subject to the provisions of the Norwegian Act relating to Public Limited Liability Companies. Our principal offices are located at Snarøyveien 30, 1331 Fornebu. Telephone number: +47 810 77 000.

Our registered agent in the United States is CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, New York. Telephone Number: (212) 894-8940.

OVERVIEW

We are the leading telecommunications company in Norway, which is among the most advanced telecommunications markets in the world. Norway has the highest or one of the highest penetration rates of mobile phone, fixed line digital telephony, personal computer and Internet usage worldwide. We also have substantial international operations, particularly in mobile communications, Internet and Internet protocol-based, or IP-based, communication services, satellite services and pay television services. In 2001, we had consolidated total revenues of NOK 46 billion and net income of NOK 7.1 billion.

Our predecessors and we have been responsible for telecommunications in Norway since 1855. We were established in 1994 as a limited liability company wholly owned by the Kingdom of Norway. In December 2000, we completed our initial public offering, which reduced the ownership of the Kingdom of Norway to 79%, and our shares were listed on the Oslo Stock Exchange and the Nasdaq National Market. In 1988, the Norwegian government began opening sectors of the telecommunications market to competition and, on January 1, 1998, the market was opened to full competition. Liberalization of the market for telecommunications services in Norway has proceeded generally in line with, and in some respects ahead of, the European Union. For more information concerning our history, you should read "Item 7: Major Shareholders and Related Party Transactions — Relationship between Telenor and the Kingdom of Norway".

In 2001, we introduced a new company structure, which became effective on July 1, 2001 and reflects the decision taken in April 2001 to realign our core business areas to distinguish more clearly between services aimed at private customers and services aimed at the business market. Our consolidated financial statements have reflected our new business structure since the fourth quarter of 2001. Under our new structure, we have reorganized our core activities in the following four business areas. We also conduct certain related business activities.

Telenor Mobile

We are the leading provider of mobile telecommunications services in Norway, with approximately 2.3 million subscriptions at December 31, 2001. Internationally, we have interests in mobile operations in a selected number of countries, with principal investments in three operations: a 61% ownership interest in DiGi.Com in Malaysia, with 1.39 million subscriptions at December 31, 2001, a 100% ownership interest in Pannon GSM in Hungary effective February 4, 2002, with approximately 2 million subscriptions at December 31, 2001 based on 12-month churn for prepaid subscriptions, and a 53.5% ownership interest in the Sonofon joint venture in Denmark with 940,000 subscribers at December 31, 2001. In addition, we have strategic participation in ten other mobile operators in Europe and Southeast Asia. The number of subscriptions in our international mobile operations, calculated on the basis of our proportionate ownership interest in each company, was 4.9 million at December 31, 2001 and 3.4 million at December 31, 2000. We conduct Norwegian mobile operations through mNorway, while mHorizon is responsible for international mobile operations. We aim to develop new mobile Internet and portal services through mFuture in both our domestic and our international mobile operations.

Telenor Networks

We are the largest provider of fixed network telecommunications services in Norway, offering a full range of services to residential, business and wholesale customers. As of December 31, 2001, we provided 3.26 million fixed line access channels in the residential and business markets. These included 1.74 million digital, or ISDN, access channels provided to approximately 765,000 subscriptions, which represented one of the highest rates of ISDN penetration in the world. ISDN refers to a digital technology that permits more than one stream of information (voice, text, data and image) to be transmitted on a single copper line and which provides higher bandwidths than dial-up modems. In December 2000, we launched asynchronous digital subscriber lines (ADSL) in Norway. We provide interconnection and transit services to other carriers and service providers in the wholesale market both in Norway and internationally.

Telenor Plus

We provide Internet access, information and entertainment services to consumers in the Nordic region. We are the leading provider of television-based broadband services based on numbers of subscribers, through home satellite dish (DTH), cable networks (CATV) and small antenna networks, commonly known as SMATV systems. As of December 31, 2001, we had approximately 2.3 million subscribers to our pay television services, including all subscribers in Canal Digital. We also operate the national terrestrial broadcast network in Norway. We are the leading provider of satellite broadcasting services in the Nordic region, utilizing four geostationary satellites. We are the leading Internet access and service provider to the residential market in Norway with approximately 831,000 subscriptions and registered users within the residential market as of December 31, 2001, and we also have interests in leading Norwegian portals.

Telenor Business Solutions

We provide the business sector in Norway and other selected European countries with value-added communication, application/information technology and managed services, focusing in particular on application service provisioning (ASP), advanced network solutions and e-business. We also offer consulting services relating primarily to customer relationship management (CRM) systems, e-strategy and e-learning, as well as being responsible for the marketing, sale and implementation of large and complex outsourcing contracts. The business area is organized along five business lines: ASP, operating services, software, consulting services; Access, network and communication services; Business Solutions Sweden; Nextra International; and CominCom/Combellga.

Other Businesses

We conduct significant related business operations through other businesses. EDB Business Partner, our 51.8%-owned publicly listed subsidiary, is a leading information technology company in Norway. Our subsidiary Satellite Networks offers satellite based communications networks and services to a wide variety of governmental, intergovernmental and commercial organizations, while our subsidiary Satellite Mobile is one of the world's leading providers of global mobile communications services, directed at the maritime, the land mobile and the aeronautical markets. Our 48%-owned company Bravida offers telecommunication installation, maintenance and operating services.

Disposal of Telenor Media

On November 16, 2001, we completed the sale of Telenor Media, our internationally-operating subsidiary engaged in directory information and advertising services, to the Texas Pacific Group, a private investment partnership based in the U.S, for NOK 5.8 billion in cash following an agreement reached in September 2001. The divestment is in line with our long-term strategy to focus on core business areas while realizing value from non-core areas. We continue to work together with Telenor Media, which remains the publisher of our official directory.

STRATEGY

Our objective is to market services in the fields of communication, information and entertainment that are easy to handle and improve everyday quality of life for consumers as well as giving companies a competitive advantage. We intend to focus on high competence, well-designed services and innovative capability as our competitive advantages and to be at the forefront of technological development.

We aim to increase shareholder value by maintaining a focused and balanced portfolio of businesses. Our traditional services have a strong position in the Norwegian market and we have been expanding internationally within mobile services. We have also been a frontrunner in identifying new technological possibilities to develop marketable services and introduce them successfully. Examples of this are mobile services, satellite services and broadband services.

The basis for future expansion is our current portfolio of businesses. We have a solid base of more mature businesses in wire line and wireless communication together with broadcasting which we will develop further to take advantage of their potential and, as a result, create a strong financial platform for expansion into growth areas. We anticipate utilizing synergies in operational performance, development of services and technological convergence. We are implementing a group wide program for improving cost efficiency. In addition, we intend to constantly evaluate which businesses are critical for us to have operational control in, and to look for partnerships and cultivate other businesses for future development, possibly outside the group.

We aim to achieve our strategy by pursuing the following objectives:

To be the leading provider of communications services in Norway.

We have a competitive advantage in our customer base and a strong position in all parts of the value chain that makes up the network and services we offer. The relationship with our customers is crucial to us and we aim to support them through a strong Telenor brand, bundling of services and improved customer interaction.

We intend to introduce new innovative services and improve our marketing efforts. New single services will be delivered over different access technologies and will be regularly or continuously upgraded. We have the ability to deliver service packages to customers, from complex solutions for business purposes to residential gateways for homes. We can also offer a combination of fixed and mobile communication services together with other services.

We expect to position ourselves as a leading broadband provider in Norway. In the short run, we will make use of all our access facilities in a coordinated strategy utilizing different technologies. We have started rolling out ADSL and we will consider implementing later generations of xDSL based on market acceptance and pick-up rate of xDSL services.

We are following an open value chain strategy, by which we offer attractive wholesale services to other service providers in order to encourage market growth and maximize the traffic carried on our networks.

To strengthen our position as an international mobile company.

We intend to strengthen our portfolio of mobile operations by increasing ownership in some of our present holdings. Control is essential for us to be able to launch new services and transfer and implement our best practices between operations in order to improve operational efficiency. Our plan is to manage positions of no strategic importance as financial investments.

We intend to focus on developing mobile voice and mobile data services in the Nordic region and in selected countries in Europe and in Southeast Asia. We have an advanced home market that is a frontrunner in adopting new services and we expect to take advantage of this by implementing services with a proven record in our international operations. In the Nordic Region our ambition is to offer UMTS services and services delivered through djuice™, our mobile Internet portal, and service provider concepts.

To establish ourselves as a leading provider of interactive services to consumers in the Nordic region.

Our aim is to further develop our strong position in subscription-based television by upgrading existing TV-distribution networks and launching new and related digital services. We also intend to implement interactive broadband services across our television based service platforms and establish a substantial customer base.

We intend to integrate our production units to create economies of scale and to expand through strategic alliances and acquisitions in addition to organic growth. We plan to develop a Nordic content rights businesses operation through acquisitions, alliances and selective partnerships with Nordic broadcasters.

To establish ourselves as a leading provider of business communication services in the Nordic region.

Our position is strong in the home market. We intend to migrate our customers to new Internet protocol based technology in a way that delivers significant performance improvement to them.

We are implementing a program to turn around our business communications services and make them EBITDA positive in 2002. We plan to focus on improving cooperation and resource sharing among the international units and achieving synergies in our Swedish and UK operations by managing them as integrated organizations and implementing customer offerings consistent with the Norwegian managed services portfolio.

A more focused approach is anticipated for the business market. We intend to target larger customers and narrow down the industry focus. We expect to approach the SME market segments mainly through partners. Building key partnerships is an essential element in developing new services.

We intend to focus the international operations of our business communications services area on selected segments of markets where we can be "one of three" and exit others.

TELENOR MOBILE

Overview

We are the largest mobile telecommunications operator in Norway and the largest operator in Hungary through Pannon, which we consolidated as our subsidiary (effective February 4, 2002), the third largest GSM operator in Malaysia through our 61%-owned subsidiary DiGi.Com and the second largest operator in Denmark through our 53.5% owned joint venture, Sonofon. In addition, we have strategic participations in 10 other mobile operators in Europe and Southeast Asia. In 2001, our mobile communications business area generated external revenues of NOK 11.3 billion, representing 24.5% of our total consolidated revenues. We delivered 82% of our mobile communications revenues in 2001 from our operations in Norway and 18% from our consolidated foreign subsidiaries.

In 2001, we increased our ownership interest from 32.9% to 61% in DiGi.Com, and entered an agreement to increase our ownership interest from 25.78% to 100% in Pannon. Our proportionate interest in the 2001 external revenues from our international mobile operations, based on our percentage ownership interests at December 31, 2001, amounted to NOK 13.1 billion compared to 9.2 billion at December 31, 2000.

In January 2001, we sold our 10% ownership interest in VIAG Interkom and in April 2001 we sold our 49.5% ownership interest in Esat Digifone to British Telecommunications plc. These two transactions generated total proceeds of NOK 32 billion, and resulted in a total gain of NOK 21.4 billion before taxes.

Our Telenor Mobile business area currently consists of:

- mNorway — our Norwegian mobile operations;

- mHorizon — our international mobile operations; and
- mFuture — our initiatives to develop new mobile Internet and portal services in Norway and internationally.

We offer a wide range of wireless services based on various technologies, including:

- digital mobile communications services based on Global System for Mobile (GSM) technology. GSM is the pan-European digital mobile telephone system. We are also in the process of developing services for third generation UMTS mobile networks in Norway and abroad where licenses have been obtained.
- general packet radio service (GPRS) and wireless application protocol standards that provide mobile access to the Internet for the consumer market through our Mobile Internet portal called, djuice™.
- mCommerce and other value-added services allowing the end user to make purchases using a mobile phone.
- analog mobile communications services based on Nordic Mobile Telephone 450 system.

Our digital mobile telephony services in Norway were launched in 1993 and our market share, as service provider, has risen from 45% at the beginning of 1995 to approximately 61% at December 31, 2001. The aggregate penetration rate of digital and analog mobile communications services in Norway was approximately 80% at December 31, 2001 and, according to the European Mobile Communications Database, is currently among the highest in the world.

Telenor Mobile Strategy

Strategic Objectives

Telenor Mobile's strategy is to increase shareholder value by focusing on the core business areas in which the company has competitive advantages: providing networks of high quality and developing new innovative products and services. Telenor Mobile's primary objective is to become a leading provider of mobile voice and mobile data services, primarily in Norway and the rest of the Nordic region as well as in selected countries in Europe and in Southeast-Asia. International activities are a key element of Telenor Mobile's strategy, and revenues from consolidated international subsidiaries represented NOK 2.2 billion, or 18%, of our consolidated revenues excluding gains on disposal of fixed assets and operations in 2001.

Norway

Telenor Mobile is the leading mobile operator in Norway and holds a license for UMTS "third generation" mobile services in Norway. In Norway, Telenor Mobile seeks to remain the most innovative mobile operator. The advanced Norwegian market and our advanced mobile operations function as a showcase for the services Telenor Mobile intends to implement in its international operations over time.

The Nordic Region

Telenor Mobile intends to pursue opportunities to offer mobile telephony and mobile internet services in other Nordic markets. In Denmark, Telenor Mobile intends to further strengthen its operations by building on its 53.5% interest in Sonofon, the second largest Danish mobile operator.

International Markets

Geographically, Telenor Mobile focuses on markets in Europe and Southeast-Asia offering significant growth opportunities. In its international operations, Telenor Mobile seeks to take advantage of the company's core competencies, primarily the ability to build wireless networks of high quality efficiently, and to provide operational support in order to improve these operations. Telenor Mobile will apply its "best practices" in each individual market.

Telenor Mobile intends to use its experience from Norwegian digital mobile telephony and infrastructure to develop and increase the value of its existing subsidiaries and potentially new associated companies. Telenor Mobile is in the process of restructuring its portfolio of 13 international mobile operations. Our strategy is to gain control of operations to enable the company to take full advantage of synergy effects stemming from coordinated activities in a number of markets. In 2001, we acquired control of our operations in Hungary and Malaysia.

As part of this strategy we also intend to dispose of certain assets where we do not expect to gain control. In 2001, Telenor Mobile completed the sale of its 10% stake in the German operator VIAG Interkom with a gain of NOK 10.7 billion, the sales of its stakes in the Irish operator Esat Digifone with a gain of NOK 10.7 billion and Russian North West GSM with a gain of NOK 365 million.

mNorway

We are a leading provider of mobile telecommunications services in Norway. We estimate that the penetration rate of mobile phones in Norway rose from 72% to 80% during 2001. We offer a broad range of digital services to the Norwegian corporate and consumer market and have extensive experience in supplying mobile services and operating mobile communication networks in Norway. We are recognized as an innovator, having introduced new mobile telecommunications services in Norway, including the launch of UMTS services in December 2001, GPRS in February 2001, our Internet portal, djuice™, in 2000 and mobile Internet services based on wireless application protocol in 1999. During the last quarter of 1999, we introduced high-speed mobile data transmission capability, which permits a mobile phone user to access data at the same speed as with a fixed-line modem connection (38.4 Kbps). In November 2000, we were awarded an UMTS license in Norway, and the development of the UMTS network is proceeding in line with the concession requirements. We have continued to expand our portfolio of mobile services in 2001 to take advantage of the growing Norwegian market in mobile telephony.

Services

GSM Services

We are the leading provider of digital mobile telephony services in Norway. As of December 31, 2001, we had 2.237 million GSM subscriptions in Norway for digital mobile telephone services, which we estimate represents approximately 61% of the total market in Norway. Our digital network covers over 97% of Norway's population. Currently, the only other operator of digital mobile phone services in Norway is NetCom, which is owned by the Swedish telecommunications company Telia. Telia used to hold a third GSM 1800 license in Norway; however, this license was withdrawn after its acquisition of NetCom. The Norwegian regulatory authorities have not yet auctioned this license. Instead, the Norwegian regulatory authorities auctioned frequencies in the 900 and 1800 MHz range, and awarded them to BaneTele and Teletopia in 2001.

Our GSM 900 license is valid until 2005. In addition to our GSM 900 license, we hold one of three GSM 1800 licenses. This license is valid until 2010. Our licenses may be extended and are subject to certain conditions. For a description of these conditions, please refer to ''— Regulation — Regulations on the Provision of Networks, Transmission Capacity and Other Telecommunications Services in Norway — License Conditions''. We launched our GSM 1800 network in March 1998 primarily to provide a dual band service and to increase the capacity of our digital network in key regions. The launch of our GSM 1800 service was particularly directed at urban areas, which have the highest mobile traffic volumes, and has enabled us to maintain high levels of service and accessibility throughout our digital network. Following the phase out of NMT 900 in February 2001 the Norwegian regulatory authorities also auctioned frequencies in the 900 MHz range and we were awarded two frequency ranges which will increase our GSM capacity by 50% and allows us not to invest in further capacity in our present frequency range.

We offer a range of mobile service packages designed to appeal to specific customer segments. Telenor Mobil offers subscribers seven different tariff plans. These include five contract subscriptions and two prepaid subscriptions. All tariff plans offer value-added services at the same price, including short text messaging services and GPRS. Short text messaging services permit users to send messages of up to 160 characters in length to other mobile handsets and communication devices. When using GPRS, customers will only be charged for the amount of data that they actually download.

Value-added Services

We offer an extensive portfolio of value-added services to our customers, including call waiting, caller identification, call forwarding, itemized invoicing, voicemail, short text messaging services, MobilInfo, mCommerce and Content Provider Access. In 2001, we significantly expanded these services, which are becoming increasingly important to our customers. For example, we have experienced substantial growth in the use of short text messaging by our customers.

To increase our customer base and our sources of revenues, we intend to continue developing new advanced value-added services to add to our portfolio of services. We believe that, if our customer base and traffic volumes are to continue to grow, we must continually improve our non-voice mobile services and be able to offer better mobile handsets. Service improvements include developments in wireless Internet applications and wireless transaction-based services. To facilitate this development, we launched a high-speed mobile data transmission capability, which facilitates Internet access. We expect growth in traffic volumes to accelerate as newer applications using short text messaging, wireless application protocol, GPRS and other new services become more familiar to our customers.

In the future, we intend to focus, in particular, on Internet and mobile data services.

m-Commerce

We also provide m-Commerce services secured by public key infrastructure (PKI) technology, a secure identification system for mobile payments, banking and other electronic transactions. Telenor Mobil has developed a solution that utilizes the SIM card in a mobile terminal and that enables the use of digital signatures from any handset. The m-Commerce platform includes payment from bank accounts secured by PKI, based on digital signatures. Users can alternatively choose to pay direct from their credit cards or from an ‘‘electronic purse’’. The m-Commerce service is commercially available with a range of content services including cinema tickets, music CDs, drinks from vending machines, parking, and top-up of prepaid mobile services. New content services are added regularly.

In 2000, Telenor Mobil AS and Posten, the Norwegian Postal Service, merged their respective activities in electronic signature (ZebSign and ErgoSign), into a joint venture (50/50) company under the name ZebSign AS. It is expected that ZebSign will, together with partners, provide comprehensive and secure infrastructure for their customers, both in Norway and internationally.

Mobile Internet

We have been a leader in developing innovative mobile Internet services, as shown by the launch of our wireless application protocol mobile information services in 1999 and the launch of our djuice™ portal in 2000. We believe that we have been in the forefront in the development of innovative mobile Internet services globally.

Wireless Application Protocol. We were among the first mobile operators in the world to launch wireless application protocol services in the autumn of 1999. Wireless application protocol is an industry standard protocol that allows mobile phone users to access basic Internet services through their mobile phones by means of various selection menus and directories. As of December 31, 2001, over 670,000 mobile terminals compatible with wireless application protocol had been sold in Norway and we had over 78,000 active users accessing (more than once in the last month) our djuice™ portal. Wireless application protocol services can also be accessed from other electronic devices. We plan to make most of our current short text messaging-based content services compliant with wireless application protocol. These services provide access to information and services from the Internet, such as share prices, banking services, news and entertainment. Electronic commerce via mobile telephony provides an opportunity to deliver a new range of services in mobile telephony.

GPRS. General Packet Radio Service, or GPRS, is one part of the next phase of mobile communications development in Norway, and will enable more open and complex operations. On February 1, 2001, we introduced this technology, which offers faster mobile Internet access. We believe that our ability to successfully introduce GPRS capabilities will be important in maintaining our leading position in the market for mobile Internet services. As of December 31, 2001 over 30,000 mobile terminals Compatible with GPRS had been sold to our customers.

djuice™. In March 2000, we launched a fully open mobile Internet portal in Norway targeting the consumer market, called djuice™, which is a mobile Internet portal with a web interface providing easy configuration. The portal provides access to all Internet resources with content adapted to mobile devices and allows an individual user to personalize his or her own interface. djuice™ also provides services, including an advanced search engine, calendar, mail and messaging services. We have chosen a completely open approach allowing our customers to access any website address from djuice™ and allowing customers from other operators to access the portal. As a result, users will be able to use our djuice™ portal to access sites carrying local content. We believe this will encourage users to adopt djuice™ as their primary Internet portal for wireless devices.

We are currently introducing our djuice™ portal outside Norway. We intend to form alliances to develop a partnership network for our djuice™ portal, with the objective of providing our partners the benefit of common platforms and functionality, as well as a coordinated effort to develop djuice™ as a strong brand name in the Nordic region, the rest of Europe and Asia. Our goal is to provide an established presence with djuice™ in several countries within the next few years. For further information concerning our initiative to launch djuice™ internationally, you should read "— mFuture".

Content Provider Access (CPA). Content providers are using our mobile network to offer content services to their customers. At December 31, 2001, we had approximately 150 service providers offering their services through our mobile network.

Analog Services

We are the only provider of analog mobile telephony services in Norway through our Nordic Mobile Telephone 450 network. Our Nordic Mobile Telephone (NMT) 900 network was phased out in March 2001, and our paging system will be closed in 2003. In recent years, we have experienced a significant decline in the number of our analog customers, who have migrated from analog services to digital services as well as their average monthly usage. This is largely due to the migration of our customers to digital mobile telephony services. In some customer segments, analog services through our Nordic Mobile Telephone (NMT) 450 network remain attractive to customers, as this network provides superior coverage for some remote areas. Subject to regulatory authorization, we expect to maintain our NMT Telephone 450 network to complement our digital mobile telephony services.

New Service Initiatives

UMTS. A new third generation mobile telecommunications standard, Universal Mobile Telecommunications System, commonly known as UMTS, enables mobile communications networks to transfer data with the speed and capacity necessary for multimedia transmissions. We hold one of the four UMTS licenses granted in Norway. One of the four licenses was awarded to Broadband Mobile and was withdrawn following the company's bankruptcy in September 2001. We have been developing strategies and preparing market initiatives and technical rollout plans for UMTS services. Our minimum obligation according to the license is to provide coverage in all urban settlements in Norway with a population of more than 200, by December 1, 2005. Together with the GSM/GPRS network, this will enable new mobile multimedia services almost anywhere in Norway. We consider it important to be in the vanguard of UMTS development in order to maintain our leading position in the mobile services sector.

UMTS as well as GPRS technologies will allow data transfer at a rate and capacity we believe will enable a wide range of potential business and commercial applications. We intend to explore these potential applications as we continue to expand upon the services we offer. We are currently participating in the standardization process for these technologies. We intend to investigate, develop and pursue new services made possible by these technologies.

Customers

Between 1997 and 2000, we experienced strong growth in our customer base due to the rapid increase in mobile penetration rates in Norway. At December 31, 2001, we estimate that there were over 3.6 million mobile subscriptions in Norway, which we estimate represents a mobile penetration rate of approximately 80% of the Norwegian population. We estimate that our market share, as service provider, of net new digital subscriptions in Norway was approximately 51.4% in 2001.

The table below shows selected subscription data for our Norwegian digital and analog services at the dates specified.

	At December 31,				
	1997	1998	1999	2000	2001
			(in thousands)		
Subscriptions at end of period(1):					
By type of service:					
Digital					
Contract	803	944	1,003	1,145	1,210
Prepaid(2)	65	298	732	911	1,027
Analog	388	311	216	143	70
Total subscriptions	1,256	1,552	1,950	2,199	2,307

(1) The number of subscriptions at end of period is calculated based on the number of contract and prepaid services subscribed to by our customers. A customer may subscribe to more than one service.

(2) For purposes of calculating our number of prepaid subscriptions, we no longer include prepaid customers that have not had incoming or outgoing traffic during the last three months.

In the period from 1997 to 2001, we achieved a compound annual growth rate of 17% in our total number of subscriptions. We believe that the increase in our mobile telephony customer base is due to several factors, including:

- the success of our prepaid services;
- increased demand for new value-added services, including mobile data services;
- decline in mobile tariffs;
- our increased marketing efforts and wider distribution channels; and
- improvements in mobile communications networks and technology.

In 2001 prepaid services accounted for 64% of the net growth in our GSM customer base, compared to 56% of net growth in 2000. Branded as RingKontant, our prepaid service is targeted towards the segment of our customers who want to monitor and control their phone bills and usage. We provide these customers with the same value-added services as our contract customers, such as short text messaging services, Mobile-Info and wireless application protocol services.

In 2001, we initiated various campaigns to stimulate both existing prepaid customers and new customers to choose contract subscriptions through incentives such as handset upgrades for customers with contract subscriptions and contract offerings which limit customer's monthly usage.

Similar to other operators, we experience customer turnover, commonly referred to as ''churn''. We calculate churn as the total number of customers who terminated their connections (from our network subscriptions) during the period, divided by the average number of customers in the period. This method of calculating customer churn may not be comparable with that of other operators.

We distinguish between voluntary customer disconnections and involuntary disconnections. A voluntary disconnection occurs when a customer terminates mobile service or switches to a competing service, and an involuntary disconnection occurs when we terminate service due to non-payment. For prepaid customers this happens 14 months after their last payment to their prepaid subscription account. The following table shows our annualized churn rates in Norway for the periods specified, excluding internal churn due to migration from our analog to our digital services.

	Year ended December 31,				
	1997	1998	1999	2000	2001
Churn rates for contract subscriptions	13.9%	13.1%	14.2%	12.7%	12.5%

We aim to retain our market share in our home market and, in particular, to reduce the churn of high value customers. We seek to control churn through:

- improving the management of our customer relationships;
- improving our marketing efforts and special promotion offers;
- developing and delivering innovative value-added services;
- expanding our distribution channels; and
- improving our mobile communications networks and technology on a continuous basis.

Marketing

In a highly developed market with high penetration rates and declining tariffs, our marketing efforts are focused on strengthening customer loyalty, minimizing churn and guiding our customers into the world of the mobile Internet. Our goal is that more and more of our customers will use our Web pages instead of calling our traditional customer service. Up until now, Telenor Mobil has not used off-line data to personalize communication with our customers. Our main focus during 2001 was directed to "personalized communication". In addition, IRM (Interactive Relationship Management) will be important to our efforts to create and maintain brand recognition and customer loyalty.

As the leading operator in the Norwegian market, we wish to position ourselves as an organization that understands the different needs of our customers, offers competitive pricing and provides superior customer service. Through frequent market analysis we are able to monitor customer preferences and perceptions, allowing us to implement new approaches if necessary. In addition, this permits us to provide tailor-made solutions and brands to different customer segments. Historically, Telenor Mobil's efforts have primarily been directed towards customer acquisition, not customer loyalty and retention. As a result, we have to expect a higher level of churn in the near future. Given this competitive environment, Telenor Mobil in 2001 launched a customer club, Mobilbonus, to increase the value of being a customer of Telenor Mobil. Mobilbonus is open to Telenor Mobil customers in the mass market, the primary target group being our most profitable customers. In the business market, Telenor Mobil already has well functioning customer programs. Members of Mobilbonus program earn bonus-points which provides a range of rewards including access to services from Telenor Mobil, reduce prices for new mobile handset, and telephone bills. Mobilbonus primarily uses cost-efficient and interactive electronic channels of member communication: the web, e-mail and SMS. With Mobilbonus, Telenor Mobil aims to build strong customer relationships, develop a new channel for customer conversation and exhibit new services to the customers. In July 2001, the Norwegian competition authority informed us of its investigation of our Mobilbonus program. You should read "Regulation — Competition" for additional information on this investigation.

Traffic

The following table sets forth selected traffic data in our home market. Digital data includes both contract and prepaid customers in both of our digital networks (GSM 900 and GSM 1800), and analog data includes customers in both of our Nordic Mobile Telephone networks (NMT 450 and NMT 900).

	Year ended December 31,				
	1997	1998	1999	2000	2001
Digital:					
Traffic:					
Total outgoing traffic (in millions of minutes)	711	1,279	1,801	2,298	2,969
Total incoming traffic (in millions of minutes)	454	763	1,188	1,545	1,892
Average monthly incoming and outgoing traffic (minutes per digital subscription)	149	167	169	173	181
Revenues:					
Average monthly revenue per digital subscription in Norway (in NOK)(1):					
Total digital	401	366	341	338(2)	340
Contract	401	400	440	473	494
Prepaid	—	169	157	165(2)	154
Number of short text messages invoiced (in millions)	13	51	363	849	1,373
Analog:					
Total outgoing traffic (in millions of minutes)	331	271	174	108	64
Total incoming traffic (in millions of minutes)	220	180	108	70	31

(1) Average revenue per subscription is calculated based on our total revenues from digital subscriptions in Norway, including subscription fees, traffic fees (outgoing and incoming), roaming fees and revenues from value-added services, divided by the average number of digital customers for the relevant period. The division of incoming traffic between contract and prepaid is based on management estimates.

(2) Due to a one-time adjustment to reflect a change in the methodology used to estimate traffic revenues, our revenues for 2000 increased by NOK 66 million. As a result, average monthly revenues per digital subscription for this period are not directly comparable with prior periods. Eliminating this one-time adjustment, the average monthly revenue per digital mobile subscription for 2000 would have been NOK 6 lower for prepaid subscriptions and NOK 3 lower for total digital subscriptions.

Our outgoing digital traffic minutes increased by 318% from 1997 to 2001 due primarily to the significant growth in our customer base for digital mobile telephony services. Our outgoing digital traffic also increased due to reduced mobile tariffs. Future growth will depend on a number of factors, including pricing, the availability of new services and the competitive environment. You should read "Item 3: Key Information — Risk Factors" for additional information on these factors. Our analog traffic has declined steadily since 1997 primarily due to migration of our analog customers to digital services.

The decrease in total average monthly revenue per customer over the periods indicated is the result of the larger proportion of prepaid customers, which have lower usage levels than contract customers.

Mobile Tariffs

According to Eurodata and the OECD, the tariffs which we offer our business customers in Norway are among the lowest tariffs available in any OECD country based on price baskets. We also believe that our tariffs for residential customers are among the lowest in the world; and tariffs have continued to decline in recent years. We made price reductions and adjustments in January and April 2001. Norwegian telecommunications regulations impose cost-oriented pricing requirements on mobile networks with significant market power in the national market. We have been found to have such a position of significant market power. You should read "— Regulation" for a discussion of these cost-oriented pricing requirements.

We do not charge customers for incoming calls within Norway. These calls are billed to the caller as is customary for digital mobile telephony subscriptions in Europe. Typically, the mobile operator terminating the call receives the majority of the tariff for the call. We also provide a range of value-added services to our customers, including prepaid customers, at no additional monthly service fees. Our revenues from these services come from increased traffic generated by users accessing these services.

Tariffs for international calls generally vary by country and not by tariff plan. Rates for roaming outside Norway vary depending on the terms of the various roaming agreements and the relevant foreign mobile operators.

Distribution

We distribute our mobile telecommunications services through retail stores, the Internet and independent distributors. Our subsidiaries Telenor Telehuset, MobilData Kjeden and Commit operate retail chains engaged in the sale of terminal equipment and mobile phone subscriptions. All of these subsidiaries are 100% owned with the exception of Commit, in which we have a 51% ownership interest. Our ownership interest in MobilData Kjeden and Commit (a franchise) is, however, limited to the Head Office of those chains. We also have ownership interests in Nordialog (48%) and Telering (48.75%), which both operate franchise retail chains. Our total number of selling points for both contract and prepaid customers was approximately 13,000 at December 31, 2001. All of our selling points offer prepaid cards, while approximately 1,450 offer contract subscriptions. Prepaid cards can now be purchased in kiosks, petrol stations and supermarkets across Norway. For the convenience of our prepaid customers, they can use their credit card to make prepaid card purchases in any Telenor public phone booth.

We maintain high standards of training and performance for our sales personnel. We require our selling agents to sign contracts certifying the competence and training of their sales personnel, the space and prominence of our products in the retail space and the means of promoting our products.

In 2000, Telenor Telehuset Distributors (for example Smart Club and Expert Norge) have implemented ''Nettforhandler'', a product offering customers the ability to order subscriptions and additional services through their web stores. ''Nettforhandler'' is the first fully automatic subscription ordering system for web stores in Norway. In addition, in 2001 we installed Forhandlerkonseptet, our self-service selling point, in our top ranked outlets/shops. Our product offering also includes ''Ipunkt'', which incorporates interactive elements; we expect ''Ipunkt'' to increase our sales of value-added services in the shops. Further rollout is planned during 2002.

External Service Market

We have entered into agreements with other providers of mobile telephony services through giving access to our digital network. We have granted service provider's access to purchase mobile traffic and SIM cards from Telenor Mobil in order for them to sell mobile services under their own name in the Norwegian market. The service providers themselves are responsible for marketing, sales, invoicing and customer service. We expect this to further stimulate competition and contribute to the continued development of the Norwegian mobile telephony market.

The mobile telephony market is expected to expand in new business areas and advanced services like data service, mobile Internet and content, which will require mobile operators to cooperate with third party vendors for developing services and business models to penetrate this market. In order to attempt to capture this business opportunity, Telenor Mobil AS has started a third party program to ensure that Telenor Mobil is able to focus on this business opportunity.

Customer Service

We believe that customer care and service management are key factors that distinguish us from our competitors in the mobile telephony market. We believe the provision of high quality customer service is the foundation of long-term customer relationships and will lead to the expansion of our customer base. We provide a high quality customer service in order to distinguish us in a market characterized by increasing competition and reduced margins. Our customer center supported by computer-telephone-integration directs our customers' calls to agents with the right competencies to take care of the customer whether they are business, smaller business or residential customers. Within Norway, our customer service may be used free of charge.

We own and operate our customer service centers, which serve both our customers and our dealers. The customer service centers provide product information and guidance, maintain our subscriber database, answer billing inquiries, respond to customer complaints, check customer credit, open new subscriptions and sell additional value-added services to existing customers.

In 2001, our customer service center in Norway handled, on average, 448,000 calls monthly from our customers and 29,000 calls from our dealers. Our customer service call centers operate 24 hours a day, 365 days a year. In addition, our customers may use our automated customer care service to check account balances and to activate additional value-added services. Our automated service is available both by phone and the Internet. We currently do not outsource the provision of these services.

Subscriber Management, Billing and Activation for Contract Subscriptions

Each new customer undergoes a credit check. As a result of the credit analysis, we either activate a subscription after the payment of any outstanding claims or we require the customer to pay a deposit. Subscribers receive bills including both subscription charges and airtime. We maintain continuous supervision of customers with high usage as well as those involved in credit disputes. Outstanding claims are sent to external debt collecting agencies. We have recently developed and tested an electronic invoicing service, which would be provided through selected banks and financial institutions. Rollout is pending during ongoing negotiations with the banks and financial institutions.

We calculate a projected loss every month according to expected bad debt loss on the portfolio. Debt is written off when non-payment or insolvency is demonstrated, or there is no reason to expect payment. The loss due to bad debt was approximately 0.7% of annual revenues in 1999, 0.3% of annual revenues for 2000 and 0.4% of annual revenues in 2001.

Network

Historically, we believe a significant competitive advantage of our Norwegian operations has been our quality of service, both in terms of coverage and capacity in our mobile network. For example, in 2001 we delivered a 98.7% success rate in completing all calls in our digital network.

We are currently taking several steps to improve the quality of our network and to expand upon the services we offer. In addition to our launch of higher speed mobile data transmission capability in November 1999, we enhanced our digital network with GPRS from February 1, 2001. GPRS allows mobile phone users to run mobile Internet applications by permitting base stations to connect directly with the Internet.

The infrastructure of a mobile communications network includes the following components:

- a radio network comprised of base stations, which communicate by radio signal with mobile handsets and antenna systems and masts;
- a switching network comprised of base station controllers, which control call set-up, signaling and maintenance functions, as well as the use of radio channels in one or more base stations, and other network management systems;
- mobile switching centers, which control the switching network;
- home location registers, which contain information about subscribers using the network and authorize network usage; and
- cabling and other transmission devices connecting different components within the network.

Most of the costs associated with radio networks relate to base station infrastructure. At December 31, 2001, we had approximately 5,900 digital radio transmission cells in Norway. In addition to usage for our own mobile services, many of our sites are also used for other purposes including competitors' networks and public mobile radio services.

Ericsson and Nokia are our primary suppliers of radio network equipment. We purchase equipment from multiple sources to spread technology risk and retain influence over the development of new technology-related features. All of our radio base stations are connected via leased lines (cables or radio relay links) and are equipped with emergency back-up power.

Our mobile switching systems have been designed to provide high levels of service, quality and reliability. The switching systems have redundant central systems and are monitored 24 hours a day. We keep network repair personnel on call at all times. We locate our switching centers in secure facilities with limited physical access.

UMTS Network

The Norwegian regulatory authorities awarded us a UMTS license in November 2000. At December 31, 2001, the rollout of our UMTS network was in line with the concession requirements. You should read "— Regulation — License Conditions" for additional information on the UMTS concession.

The infrastructure of our UMTS network includes:

- a radio network comprised of 125 Node B's (base stations);
- a core network and two RNC's (radio network controller); and
- two small test networks. To be used for testing of new software releases and services.

Some GSM nodes are utilized by UMTS such as home location register and billing nodes.

Interconnection

Existing regulations require us to provide interconnection, directly or indirectly, to our mobile communications network for calls to and from all domestic and international operators of public telephony. We have various agreements with other operators whose networks interconnect directly with ours, through which we receive fees for terminating incoming calls, and pay fees for calls from our network to other operators' networks. The amount of these fees are based upon the network where the call terminates and our agreement with that network. Norwegian telecommunications regulations impose cost-oriented pricing requirements for traffic terminating on mobile networks of operators with significant market power in the national market for interconnection. We have been found to have such a position. You should read "— Regulation" for a discussion of these cost-oriented pricing requirements.

International Roaming

We have entered into international roaming agreements with a large number of telecommunications operators outside Norway, enabling our subscribers to make and receive calls while traveling outside our network area. These agreements also allow foreign network subscribers to use our network while visiting Norway.

On December 31, 2001, we had international roaming agreements with 175 digital mobile telephony operators in 88 countries and territories, including digital mobile telephony operators in all European countries. We have also entered into roaming agreements with PCS 1900 providers in North and South America, allowing our customers to access foreign networks by using their own SIM cards and satellite or PCS 1900 compatible handsets.

Our analog NMT 450 system offers international roaming in countries that have adopted the NMT standard. These include the Nordic and Baltic countries, Eastern Europe and Russia.

The roaming capacity purchased from and sold to other operators on behalf of Mobile's customers is as follows:

	Year ended December 31,			
	1998	1999	2000	2001
	(in NOK millions)			
Purchased:				
Digital	448	552	713	803
Analog	34	25	15	—
Total	482	577	728	803
Sold(1):				
Digital	731	790	1,055	1,207
Analog	10	34	29	—
Total	741	824	1,084	1,207

(1) Gross value of roaming includes both our subscribers making phone calls abroad and foreign network subscribers making phone calls in Norway.

Competition

We currently compete with NetCom, the other GSM operator in Norway, which is wholly owned by Telia. In addition, there are more than ten service providers operating in the Norwegian wireless market. mNorway competes in the Norwegian market for mobile telephony primarily on the basis of price, quality of network service, quality of customer service and the breadth of the operator's product portfolio. We believe we have achieved a high market share in the corporate market in part by focusing on customer care and the establishment of a service center dedicated to corporate customers.

UMTS third generation mobile services were awarded to Telenor and, Tele 2 Norge AS, NetCom GSM AS and Broadband Mobile ASA (owned by Enitel and Sonera). In September 2001, the Norwegian regulatory authorities withdrew Broadband Mobile ASA's license on the grounds the company was bankrupt.

mHorizon

Overview

We have made a number of significant investments in mobile telecommunications companies outside Norway. We conduct our international operations through our mHorizon business unit, which, as at December 31, 2001, had operations in Denmark, Hungary and Malaysia and held stakes in ten other mobile operations worldwide. We had 4.9 million subscribers as of December 31, 2001, calculated on the basis of our ownership interests in each company. In keeping with our strategy of seeking to gain control of certain international subsidiaries in order to maximize the synergies attainable by co-coordinating our efforts across a number of national markets, in September 2001 we increased our ownership share from 32.9% to 61% in DiGi, the third mobile operator in Malaysia, and in October 2001 we signed an agreement to increase our ownership share from 25.78% to 100% in Pannon, the second largest mobile operator in Hungary. In addition, in 2001 we disposed of international investments where we did not seek to gain control, including the sale of our 10% ownership of VIAG Interkom to British Telecommunications plc (BT) in January 2001, the sale of our 49.5% interest in Esat Digifone, also to BT, in April 2001, and the sale of our 12.74% holding in the Russian mobile company, North West GSM, in November 2001. We expect that our international investments will benefit from the products, services and technical expertise we have developed in our domestic operations. In general, we have been actively engaged in the management of each of our investments. In many cases, particularly where we have management control of the operation, we have seconded key managerial, technological and marketing personnel to our international companies. Our personnel assist the local management in achieving rapid network roll out, good network quality and sound marketing strategies and attempt to transfer the skills we have developed in our domestic operations. In June 2001, we wrote down our investment in Sonofon by NOK 7.5 billion, based on an updated evaluation of the earning potential of mobile services in the Danish market. In December 2001, we also wrote down our investment in DTAC by NOK 3.4 billion to its market value as of December 31, 2001, based on an updated evaluation of the earning potential in the Thai market. We believe that there was a corresponding fall in expectations in the mobile market in the whole of Western Europe and Southeast Asia in the same period.

The following table provide an overview of the principal investments in our international portfolio during the periods and for the dates specified below.

Company	Market	Mobile Telephony Penetration by Market December 31, 2001(1)	Date of Commencement of Operations(2)	Date of Initial Telenor Investment	Telenor's Investment(3) December 31, 2001	Telenor's Ownership Interest December 31, 2001	Telenor's Share of Net Income/Loss after Tax(4) Year ended December 31, 2001	Net debt — 100%(5) December 31, 2001
					(in NOK millions)		(in NOK millions)	(in NOK millions)
Nordic Region								
Sonofon	Denmark	73.7%	July 1992	2000	14,877	53.5%	93.7	4,029
Europe								
Pannon GSM	Hungary	49.6%	March 1994	1994	673(6)	25.8%	145.5	1,994
Connect Austria	Austria	82%	October 1998	1997	1,800	17.5%	(169.4)	11,362
Oni Way	Portugal	79%	Not started	2000	324	20.0%	(51.9)	—
Cosmote	Greece	73.1%	April 1998	1997	407	18.0%	226.8	2,579
ProMonte	Montenegro	45%	July 1996	1997	51	44.1%	58.9	(26)
Russia/Ukraine								
VimpelCom	Moscow and nearby counties	28%	June 1994	1999	1,902	29.0%	(33.5)(9)	1,347(8)
Kyivstar	Ukraine	4.6%	October 1997	1998	700	45.4%	15.6	482
Extel GSM	Kaliningrad	8%	April 1998	1997	88	49.0%	15.6	118
StavTeleSot	Stavropol	2.7%	December 1997	1997	88	49.0%	33.7	77
Southeast Asia								
DiGi.Com	Malaysia	31%	May 1995	1999	5,483	61%	184.9	1,549
DTAC/UCOM	Thailand	13%	September 1991	2000	6,549	40.3%(7)	28.2	8,746(8)
Grameen Phone	Bangladesh	0.5%	March 1997	1997	346	46.4%	108.1	482

(1) Based on our and the local regulatory authorities' estimates unless otherwise stated.

(2) Date company commenced operations to provide commercial mobile services.

(3) Includes guarantees, capital contributions, loans and other advances.

(4) Excluding amortization of excess values/goodwill.

(5) Net debt consists of long term and short term interest-bearing debt minus cash.

(6) Investment includes both Telenor's direct investment in Pannon GSM and indirect investment through its 100% owned subsidiary, Telenor Hungary.

(7) Investment includes Telenor's direct ownership of 29.9% in DTAC and Telenor's indirect interest held through Telenor's 24.9% shareholding in UCOM.

(8) Figures as at September 30, 2001. Figures as at December 31, 2001 have not yet been published.

(9) Including Telenor's share of D-AMPS write-down included in Vimpelcom's financial statement for 2000.

The following table provides information on the number of subscriptions of our international mobile operations for 2000 and 2001.

	Subscriptions(1) (Total per company)		
	December 31,		% change
	2000	2001(2)	2001/2000
Nordic Region			
Sonofon(3)	875	940	7.4%
Europe			
Pannon GSM(3)	1,217	1,953	60.5%
Connect Austria(3)	1,133	1,301	14.8%
Cosmote(3)	2,061	2,944	42.8%
Pro Monte(4)	109	159	45.9%
Russia/Ukraine			
VimpelCom(2), (4)	834	2,100	151.8%
Kyivstar	302	1,095	262.6%
Extel	11	56	409.1%
Stavtelesot	28	70	150.0%
Southeast Asia			
DiGi.Com	824	1,039	26.1%
Grameen Phone	191	464	142.9%
DTAC(5)	1,403	2,738	95.1%

(1) Subscriber figures based on three month churn for prepaid unless otherwise stated.

(2) Figures as at December 31, 2001 are company estimates including 100% of subscribers in regional joint ventures.

(3) Subscriber figures based on twelve month churn for prepaid.

(4) Subscriber figures based on six month churn for prepaid.

(5) Subscriber figures based on two month churn for prepaid.

Nordic Region

Sonofon (Denmark). We have a 53.5% interest in Sonofon Holding A/S, which is the second largest mobile operator in Denmark measured by number of subscribers. Our joint venture partner, BellSouth, holds the remaining interest in Sonofon. Because we share operating and financial control of Sonofon with BellSouth, we account for our interest in Sonofon as a joint venture applying the equity method.

Sonofon operates a nationwide digital mobile network in the GSM 900 MHz and GSM 1800 MHz frequency bands. Sonofon launched its GSM 900 MHz digital network in July 1992 and launched its GSM 1800 MHz digital network in June 1997. In addition to its core business of mobile telephony, Sonofon also offers fixed-network telephony, data services and Internet access. In April 1999, Sonofon was granted access to TeleDanmark's fixed line network as a service provider, which allows it to offer a combination of fixed line and mobile telephony services. Sonofon began offering high-speed data transmission services in October 1999. Sonofon also provides wholesale mobile network services to service providers, in particular Debitel Danmark.

Sonofon launched wireless application protocol services in December 1999 and has developed a range of services through a digital mobile-based information system operator, such as mobile banking and news.

As of December 31, 2001, Sonofon marketed and distributed its mobile telephone services and equipment through approximately 3,860 points of sale.

In addition to Sonofon, there are three other mobile network operators in Denmark: TDC Mobile, Telia DK and Orange DK. In 1999, Debitel Danmark began operations as the first service provider in the market and additional service providers entered the market in 2000 without any significant impact. In 2001, two Service Providers called Club Blah Blah and Telmore entered the Danish market focusing on the prepaid market.

The following table sets forth certain consolidated financial and operating data for Sonofon.

	Year ended December 31,		
	1999	2000	2001(1)
Norwegian GAAP			
Net revenues (in DKK millions)	2,904	3,096	3,541
Operating profit	371	315	394
Profit/loss after taxes(2)	179	96	143
EBITDA	736	721	906
Mobile subscriptions (period end, 000s):			
Contract	442	630	746
Prepaid	355	247	195
Total	797	875	940
Subscriptions through service providers	71	91	97
Number of short text messages (millions)	143	243	500
Mobile traffic minutes, incoming and outgoing (billions)	1.5	1.65	1.86
Fixed-line customers (000s)	89	186	320
Mobile telephony penetration in Denmark(3)	50%	66%	73.7%

(1) 2001 results are based on management estimates.

(2) Excludes Sonofon's goodwill amortization.

(3) European Mobile Communications estimate unless otherwise stated.

The Danish mobile telephone market continued to experience strong competition in 2001. Despite a decline in revenues per subscriber, total revenue increased by 14.4% from 2000.

In the spring of 2001, Sonofon launched a new mobile telephone-pricing plan called "Variant", which was supported by a comprehensive marketing campaign. Together with the new "Multiplan" service for the business market, Sonofon believes these campaigns represent an attractive investment in future business in both the residential and the business markets. The number of contract subscriptions grew by 18% in 2001, due to the success of these two services. Sonofon experienced a decline in prepaid subscribers in 2001; however the growth in postpaid subscribers did offset this trend.

At December 31, 2001, Sonofon had a 24% market share in Denmark based on number of subscriptions and excluding subscriptions of service providers.

Sonofon currently holds, through wholly owned subsidiaries, one license for the operation and provision of GSM 900 MHz and two licenses for the operation and provision of GSM/DCS 1800 MHz digital mobile telecommunications networks and associated services, which were granted under the Danish Public Mobile Communications Act No. 468 of June 12, 1996 (as amended). The Danish regulator has reserved the right to withdraw either license on the initial expiration dates upon one year's notice. Otherwise, all licenses will be automatically renewed for further ten-year periods subject to the regulator's right to withdraw either license upon one year's notice. Additionally, the regulator has discretion to conduct a review of all licenses every five years and to impose new, more stringent terms. The GSM 900 MHz license was granted in February 1997 and has been renewed with expiry in March 2012. The first GSM/DCS 1800 MHz license (36 channels) was granted in June 1997 and initially expires in June 2007. The license will automatically be renewed for 10 more years if not withdrawn upon one year's notice. The second GSM/DCS 1800 MHz license (61 channels) was granted in January 2001 and initially expires in January 2011. The license will automatically be renewed for ten more years if not withdrawn upon one year's notice.

Sonofon did not deliver a tender for third generation mobile license in connection with the auction of these licenses in Denmark in September 2001 because the owners did not reach an agreement on the matter within the deadline of the start of the tender process. However, Telenor decided to deliver an independent tender for a 3G license in order to meet the deadline set by the regulatory authorities in Denmark. On September 20, 2001 it was announced that Telenor was not among the license awardees, as we had concluded that the license fee of 949 million DKK was too high. Both Telenor and Sonofon believe that the current situation provides Sonofon with flexibility to pursue alternative 3G strategies.

In addition, Sonofon was awarded two fixed wireless access (FWA) licenses, one in the 3.5 GHz band and one in the 26 GHz band, in December 2000. Sonofon launched FWA services during the summer of 2001, offering broadband access to primarily business customers.

Europe

Pannon GSM (Hungary). In October 2001, we signed an agreement to increase our ownership share from 25.78% to 100% in Pannon GSM, the second largest mobile operator in Hungary measured by number of subscribers. Regulatory approval was obtained in February 2002. Pannon GSM was the second operator to provide mobile telephony services in Hungary and launched commercial operations on its GSM 900 network in March 1994. Pannon's GSM 1800 network launched commercial operations in spring 2001. The mobile communications network provides handheld coverage in an area covering approximately 99% of the Hungarian population.

As of December 31, 2001, Pannon estimates that it had a market share of approximately 40%. Both Pannon GSM and Westel Mobile launched commercial operations in spring 1994, while Vodafone launched commercial operations in December 1999. At December 31, 2001 Westel Mobile claims to have 2.5 million subscribers with market share of 51% while Vodafone, based on publicly available information, is believed to have some 450,000 subscribers and a market share of 9%.

Vodafone Hungary operates GSM 900/1800 networks and Westel operates NMT 450 and GSM 900/1800 networks. There are currently three digital GSM 900/1800 networks and one analog NMT 450 network operating in Hungary. The customer base of the analog NMT 450 network is continuously decreasing; it was 52,000 as of September 30, 2001. The NMT 450 network is expected to stop operating by 2005.

Pannon currently offers prepaid and contract services, short text messaging services, and international calls over Internet protocol and wireless application protocol services. Pannon introduced ISP services in September 2000 and offered limited roaming for prepaid subscriptions in late 2000. Pannon launched GPRS in mid 2001 as the first operator in Hungary with national GPRS cover. Pannon also plans to participate in the UMTS license auction in Hungary if the conditions are favourable. The auction is currently scheduled for 2003.

Since commencing commercial operations in 1994, Pannon has made significant investments in establishing its brand name and positioning itself as a provider of high quality services, with up-to-date features, competitive pricing and good customer service.

Pannon has designed and built its network and supporting information technology systems to take advantage of current digital technology and to provide high quality services on a nationwide basis in Hungary. Synchronized digital hierarchy (SDH) backbone rings are established to improve the stability and quality of the network. We believe that Pannon has one of the highest quality networks in Europe as evidenced by a dropped call rate of 1.25% and a call success rate of over 96% in 2001. Ongoing investments in the network are part of the plan to provide greater capacity in order to maintain a high quality network and expand the range of services.

In addition to 33 regional service centers, Pannon sells its products through a nationwide network of dealers and outlets on an exclusive basis. The quality, number and location of the outlets are continuously evaluated as Pannon seeks to optimize its distribution profile for the market. Pannon also has a direct sales force, including dedicated salespersons responsible for major account sales.

The following table sets forth certain consolidated financial and operating data for Pannon.

	Year ended December 31,		
	1999	2000	2001(1)
Norwegian GAAP			
Net revenues (in HUF millions)	76,543	98,399	132,966
Operating profit	18,923	16,148	25,040
Profit/loss after taxes	12,877	9,743	17,289
EBITDA	31,877	31,139	45,897
Mobile subscriptions (period end, 000s):			
Contract	415	505	556
Prepaid	253	712	1,397
Total	468	1,217	1,953
Number of short text messages (millions)	64.1	174.3	358.8
Mobile traffic minutes, incoming and outgoing (billions)	1.22	1.86	2.56
Mobile telephony penetration in Hungary(2)	15.2%	30%	49.6%

(1) 2001 results are based on management estimates.

(2) 1999, 2000 and 2001 figures from Communications Authorities, Hungary.

The number of mobile telephone subscribers in Hungary has grown significantly since the introduction of services, from approximately 150,000 subscribers at December 31, 1994 to nearly 5,000,000 subscribers at December 31, 2001. The penetration rate of digital mobile telephone services in Hungary increased from approximately 1.4% at December 31, 1994 to approximately 49.6% at December 31, 2001.

The majority of Pannon's subscriber base subscribes to different prepaid tariff plans. In the future, Pannon expects their main subscriber growth to come from the prepaid consumer segment.

Connect Austria (Austria). We have a 17.45% ownership interest in Connect Austria, one of the current four mobile operators in the Austrian market. Connect Austria is a joint venture among E.ON (30%), RHI Telekom GmbH (20.1%), Orange (17.45%), TeleDanmark (15%) and Telenor. E.ON stated publicly that it intends to withdraw from the telecommunications industry, which would result in a change in the ownership structure of Connect Austria.

As of December 31, 2001, Connect Austria estimates that it had a market share of approximately 20% in the Austrian mobile telecommunications market. Connect Austria offers a full range of mobile services including prepaid, voice mail and short text messaging services. High-speed data transmission capability and wireless application protocol services were both launched in March 2000. Its services particularly appeal to the younger segment of the Austrian market. In November 2000, Connect Austria acquired a UMTS license consisting of two blocks. The price for the license was 1.65 billion Austrian shillings, of which 288 million Austrian shillings (NOK 167 million) represented Telenor's 17.45% interest.

Cosmote (Greece). We currently hold an 18% ownership position in Cosmote, the third mobile operator in Greece. In 1997, we were selected as the partner to OTE, the Greek telecommunications operator, when they were awarded the third digital mobile telephony license in Greece. Cosmote launched its operations in April 1998 and was the leading provider of mobile services in Greece after only three years of operation. The company had a market share of 37% as of December 31, 2001. Cosmote is the largest provider of mobile telecommunications services in Greece based on total number of customers and has the largest number of postpaid customers. Cosmote offers a full range of mobile services, including prepaid subscriptions, voicemail, short text messaging and data services. A mobile Internet portal ''MyCosmos'' was launched in September 2000. Telenor was involved in the development of a service platform for content delivery through mobile banking as well as wireless application. High Speed Circuit Switched Data Services (HSCSD) was launched in November 2000, while GPRS-services were launched commercially in March 2001. We have been an active partner in Cosmote since our investment in 1997. We initially engaged 25 of our employees in

Cosmote's operations, including senior management. Over time, with rapid training of local staff, these employees have been replaced with local staff.

In July 2001, Greece's National Telecommunications and Post Commission awarded three UMTS third generation mobile telecommunications licenses to Cosmote, Panafon and Stet Hellas. In addition, one second generation mobile telecommunications license (1800 MHz band) was awarded to Info-Quest in July 2001. The payment for Cosmote's 3G-license fee included a 70% down-payment with the outstanding balance payable in equal annual installments starting in 2005. The commercial operation of 3G licenses is expected to commence in 2003.

Cosmote conducted an initial public offering of its shares in 2000 and is traded on the London and Athens stock exchanges. After the offering, the principal shareholders in Cosmote are OTE (58.98%), Telenor (18%), WR Com Enterprises Ltd (Cyprus) (7.27%).

OniWay (Portugal). We have a 20% interest in a consortium in Portugal that was awarded a UMTS license in December 2000. Our partners in OniWay are ONI SGPS (60%) and institutional investors (20%). OniWay expects full network rollout beginning in 2002. Our share of investments in OniWay, which will be used to fund operations, was approximately euro 32 million (NOK 265 million) in 2001 and is estimated to be approximately euro 28 million (NOK 244 million) in the first half of 2002. The initial plan to launch UMTS in November 2001 was delayed due to the lack of appropriate handsets and network delays. The delayed launch is expected to occur in the first quarter of 2003. As an alternative, OniWay will offer GPRS. OniWay signed a national roaming agreement with Telecomunicacões Móveis Nacionais, another operator in the Portuguese telecommunications market, in November 2001, and expects to launch GPRS services in June 2002.

ProMonte GSM (Montenegro). We indirectly hold a 44.1% ownership interest in ProMonte GSM, a mobile operator in Montenegro, through our 44.1% interest in ETL Luxembourg, which holds 100% of ProMonte GSM. ProMonte GSM commenced providing basic mobile telephony services in July 1996 and launched prepaid services at the end of June 2000.

Russia, Ukraine and Baltic

VimpelCom (Russia). We initially invested in Russian mobile operator VimpelCom in 1999 and today we own 28.98% of the common shares and 25% of the voting shares of the company. Other holders of common shares are Eco Telecom Ltd. (13%), Dr. Zimin, founder and previous president and CEO of the company (14.6%), and the European Bank for Reconstruction and Development (2.6%), with 35% being publicly held and the remaining 5.2% being shares to be issued to holders of convertible bonds. VimpelCom was the first Russian company to be listed on the NYSE. In 2001, Eco-Telecom, part of the Russian Alfa-group, became our partner in VimpelCom to participate in developing VimpelCom as a national operator.

VimpelCom operates a dual-band GSM network (900 and 1800) as well as a D-AMPS network in Moscow. The company had approximately 1.9 million subscribers in Moscow at December 31, 2001, of which 1.7 million were GSM subscribers. VimpelCom's subscribers have increased by approximately 1.1 million in 2001.

VimpelCom announced a write-down of its D-AMPS network in an amount of USD 66.5 million in its financial results for 2000. The write-down was due to the fast pace of VimpelCom's GSM network expansion and to the higher than anticipated rate of migration of its customers from the D-AMPS network to the GSM network. VimpelCom continues to operate the D-AMPS network, targeting mostly mass-market consumers. The company currently offers contract and prepaid services, short text messaging, WAP and GPRS services. VimpelCom has operated primarily in the Moscow region and competes with two GSM operators as well as with a minor NMT 450 operator. The company intends to enter the Russian market outside of Moscow.

In May 2001, we signed an agreement with VimpelCom and Eco Telecom Ltd. regarding investments with respect to VimpelCom's regional licensed territories. Subsequently, a share issue of USD 103 million directed to Alfa Group was made in November 2001. The proceeds from the issue were earmarked for the development of the regional GSM network and were immediately transferred to VimpelCom's 100%-owned subsidiary VimpelCom-Region (VIP-R). This company is controlled by Alfa Group through a shareholders agreement. Following the share issue and the acquisition of preference shares in November 2001, Eco Telecom Ltd. owns 13% of the common shares and 25% of the voting interest of VimpelCom. At the same time, we acquired shares in the amount of USD 24.7 million to maintain our 25% voting interest. Under the agreements, Vimpelcom and Telenor have options to invest USD 29.25 million each in VIP-R in November 2002 and 2003. Alfa Group is committed to invest USD 58.5 million in November 2002 and 2003.

VIP-R has GSM licences covering a population of 85 million people. At December 31, 2001, VIP-R had established operations in 17 of a total of 52 licence areas. Total regional subscribers, including all subscribers in ventures acquired by VIP-R, were approximately 190,000.

Seconded Telenor personnel are currently serving with VimpelCom as president and chief operating officer and in several other managerial positions, both in the Moscow operations and in VIP-R.

StavTeleSot (Stavropol). We have a 49% interest in StavTeleSot, one of two GSM operators in Stavropol, the area between the Caspian and Black Sea.

Kyivstar (Ukraine). We have a 45.4% ownership interest in Kyivstar GSM, a mobile operator in the Ukraine. Other owners include Storm (32%), Sputnik (16.5%) and Omega (5.6%). In March 2001, we entered into an agreement to acquire an additional 4% ownership interest from Vogel Investment Ltd., and in May 2001 there was an issue of new shares in Kyivstar, increasing our ownership share by 6.4%. In the first quarter of 2002, Sputnik exercised its right to start negotiations with us to sell its 16.5% ownership interest to us pursuant to an agreement between us and Sputnik. If the parties do not reach an agreement on price and other terms within a given timeframe, Sputnik can exercise its right to include us in a joint sale process of the Kyivstar shares.

Kyivstar holds GSM 900 and 1800 licenses and launched commercial operations in October 1997 and February 2001. Kyivstar additionally provides short text and voice messaging services. Kyivstar launched mobile Internet services based on wireless application protocol in July 2000.

As of December 31, 2001, Kyivstar estimates that it had a market share of approximately 47% in the Ukrainian mobile telecommunications market and is now the market leader in both the post and prepaid market just ahead of UMC. The company had 1.1 million subscribers at December 31, 2001, of which 60% are prepaid. Kyivstar reported revenues and EBITDA for 2001 of USD 141 million and USD 41 million, an increase from USD 54 million and USD 11 million for 2000.

Telenor personnel have been seconded to Kyivstar to serve as marketing director, technical director and finance director.

Extel GSM (Kaliningrad). We have a 49% interest in Extel GSM, one of three GSM operators in the Baltic Sea region in Russia. Extel GSM is a GSM 900 operator and commenced operations in August 1997.

Southeast Asia

DiGi.Com (Malaysia). We acquired 30% of DiGi.Com at the end of 1999, expanding our presence in Southeast Asia. We acquired an additional 2.93% in June 1, 2000 and, in September 2001, we increased our ownership share from 32.93% to 61% through a successful voluntary partial take-over offer of 6.60 MYR per share. The remaining shares are publicly held, and by institutional investors. Under current Malaysian law, we are required to reduce our ownership interest in DiGi.Com to below 50% by 2006. DiGi.Com is listed on the Kuala Lumpur Stock Exchange (KLSE). One of the KLSE's listing requirements is that no less than 25% of DiGi.Com's shares be publicly held. DiGi.Com currently does not comply with this requirement. However, DiGi.Com has applied to the KLSE for an extension of the deadline to comply and is awaiting a decision.

DiGi.Com currently holds, through its wholly owned subsidiary DiGi Telecommunications (DiGi), a public license for the operation and provision of GSM 1800 MHz digital mobile telecommunications networks and associated services, which was granted by Malaysian authorities on August 8, 1994. The license has a term of 20 years, but may subsequently be renewed. In addition, DiGi holds renewable public licenses to provide among others international telecommunications (gateway) services, domestic trunk and local access services and Internet services.

DiGi is one of five significant mobile operators in the Malaysian market. Other operators include Celcom (GSM 900, E-TACS), Maxis (GSM 900), Telecom Malaysia (GSM 1800, D-AMPS, NMT450) and TIMECel (GSM 1800). Maxis was the first mobile operator to launch GSM services in April 1995, followed by DiGi in May, TIMECel and Telekom Malaysia in August, and Celcom in November 1995. From the end of 1995 to the end of 1997 the total number of mobile subscribers doubled to reach more than two million subscribers. Due to among other factors the financial crisis in Asia, subscriber growth slowed down considerably in 1998. However, growth picked up again in 1999 and 2000 and the Malaysian mobile telephony market continued to experience strong growth and intensified competition in 2001. To reach its customers, DiGi has established more than 20 DiGi Centers and a large number of dealers throughout Malaysia, in addition to offering efficient and innovative ways for customers to communicate with DiGi customer service functions via phone or Internet.

In January 1998, DiGi became the first operator in Malaysia to offer prepaid mobile services and DiGi is currently one of the leading operators in the prepaid segment, which is the fastest-growing segment in the Malaysian mobile market. DiGi launched its mobile Internet portal *djuice*™ on December 18, 2000, providing customers with a customizable start menu for their WAP phone or PDA, as well as thousands of links to information, entertainment and other useful services. The company offers a set of different subscription plans to suit the various needs of its contract customers. It also provides a range of international carrier services, domestic fixed line services, and Internet services.

Malaysian authorities solicited tenders for UMTS licenses in February 2002. Three licenses will be issued in July 2002 based on a ''beauty contest'', with a fixed fee of 50 million MYR (13 million USD) per license. In its announcement the regulator stated that applications from consortiums or joint venture companies which promote the consolidation of existing network assets, will be given priority over applications from individual companies.

Seconded Telenor personnel are serving as chief operating officer, chief technology officer and managers and experts in various departments of DiGi.

The following table sets forth certain consolidated financial and operating data for DiGi.

	Year ended December 31,		
	1999(1)	2000(1)	2001(1)
Norwegian GAAP			
Net revenues (in MYR millions)	540	793	1,086
Operating profit	114	185	231
Profit/loss after taxes	49	115	156
EBITDA	207	287	366
Mobile subscriptions (period end, 000s):			
Contract	119	102	137
Prepaid(2)	404	722	902
Total	523	824	1,039
Number of short text messages (millions)	4.6	24.1	130.8
Mobile traffic minutes, incoming and outgoing (billions)	1.1	1.7	2.5
Mobile telephony penetration in Malaysia(3)	11%	18%	31%

(1) 1999, 2000 and 2001 results are based on management estimates due to changes in DiGi's fiscal year.

(2) According to Telenor principles.

(3) Based on management estimates.

Grameen Phone (Bangladesh). At December 31, 2001, we held a 46.4% ownership interest and a 51% voting interest in Grameen Phone, the second mobile operator to provide mobile telephony services in

Bangladesh. Grameen Phone launched GSM 900 services in March 1997. Other investors include Grameen Telecom (31.9%), Marubeni Corporation (8.6%), Gonofone Development Corp. USA (4.1%) and a syndicate of banks (9%). On December 26, 2001, one of the three banks exercised its put option for its 3% non-voting shares. In accordance with agreements between the shareholders, we are required to purchase our 51% share of the option shares, increasing our ownership interest to 47.9%.

As of December 31, 2001, Grameen Phone estimates that it is the leading operator in the Bangladeshi market, with a market share of approximately 70%. Besides Grameen Phone there are three other operators: Sheba (GSM 900), Aktel (GSM 900) and Citycell (AMPS and CDMA). Grameen Phone offers contract and prepaid services as well as value-added services, including short text and voice messaging services.

The company pioneered the unique Village Phone concept to promote connectivity to the rural areas of Bangladesh, in collaboration with local partners. Through this concept, village women are granted a small loan from a local micro-credit institution to buy a mobile phone with a GrameenPhone subscription. The women operate their mobile phone as a village payphone, generating sustainable business for themselves and their families, and providing thousands of villages with much needed telecommunication services.

Seconded Telenor personnel are currently serving as managing director, technical director, and managers/ experts in various departments of Grameen Phone.

The following table sets forth certain consolidated financial and operating data for Grameen Phone.

	Year ended December 31,		
	1999	2000	2001(1)
Norwegian GAAP			
Net revenues (in BDT millions)	1,290	3,173	7,354
Operating profit	(278)	248	2,072
Profit/loss after taxes	(467)	27	1,080
EBITDA	124	739	2,839
Mobile subscriptions (period end, 000s):			
Contract	54	142	185
Prepaid(2)	7	49	279
Total	61	191	464
Number of short text messages (millions)	0.1	0.7	3.2
Mobile traffic minutes, incoming and outgoing (billions)(4)	0.2	0.4	0.7
Mobile telephony penetration in Bangladesh(3)	0.1%	0.2%	0.5%

(1) 2001 results are based on management estimates.

(2) According to Telenor principles.

(3) Based on management estimate unless otherwise stated.

(4) 1999 mobile traffic data is for the May-December period only.

Total Access Communication Company PCL and United Communication Industry PCL (Thailand). In 2000, we acquired 29.9% of Total Access Communication Company PCL (DTAC) and 24.9% of its former parent company, United Communication Industry PCL (UCOM), giving us a combined direct and indirect ownership interest in DTAC of 40.3%. We purchased these interests in three transactions, in May, August and November 2000, at a total acquisition cost of NOK 6.5 billion. DTAC is Thailand's second largest mobile operator and its shares are listed on the Singapore Stock Exchange. UCOM is a major Thai telecommunications group and its shares are listed on the Thailand Stock Exchange.

On October 10, 2001, the national assembly of Thailand passed the new Telecom Bill. The bill includes the creation of a new regulatory authority, the National Telecommunication Commission (NTC), as well as a liberalization of the Thai telecommunication market to adapt and prepare for the accession of Thailand to the WTO in 2006. In addition to passing the bill, the assembly's decision included a clause limiting foreign ownership of a Thai telecommunication company to 25%, down from the current 49%. However, the Prime

Minister's cabinet has proposed to change the foreign limitation back to the original 49% and it is expected that the assembly will vote on this issue when parliament is back in session.

UCOM owns 41.6% of DTAC. The other shareholders of UCOM are Somers (UK) (22.6%) and the Bencharongkul family (22.4%). In connection with our acquisition, DTAC received proceeds of USD 262 million.

DTAC launched its analog AMPS 800 cellular service in 1991 and launched digital GSM 1800 service in 1994. At December 31, 2001, DTAC had 2.7 million mobile subscribers, up from 1.4 million mobile subscribers at December 31, 2000. Of DTAC's 2.7 million subscribers, 85% are digital, of which 32% are prepaid customers. DTAC estimates its market share in Thailand as of December 31, 2001 to be approximately 35%. In 2001, revenues were Baht 29.9 billion and EBITDA is estimated to be Baht 9.15 billion.

The UCOM group is principally involved in the distribution of communications equipment and telecommunications systems and provides related services, mainly in Thailand. UCOM was established in 1960 and was the first private telecommunications company in Thailand. UCOM reported consolidated revenues for 2000 of Baht 7.3 billion. The estimated consolidated revenues for UCOM in 2001 were Baht 16.6 billion, with an estimated EBITDA of Baht 2.1 billion. These results exclude DTAC.

mFuture

mFuture represents our initiatives to develop new mobile Internet and portal services in Norway and internationally throughout our mobile operations. We intend to utilize our technological leadership to take advantage of future mobile communications business opportunities. Our objective is to be a leader in applying mobility to the Internet by developing innovative services and business applications as well as new services for UMTS, the next generation mobile system. Our technical approach to the mobile Internet is based on strong mobile network insight and proximity while the brand itself is considered technology independent.

We launched djuice™, our mobile Internet portal, in Norway in the spring of 2000 and we are now rolling out the portal outside Norway. The Thai version of djuice™, djuice.co.th, was launched on December 1, 2000. In addition, we had three independent versions (Danish, English (UK) and Dutch) of djuice™ at December 31, 2000. In 2001, Djuice was launched in Malaysia by DiGi.Com, in Sweden and in New Zealand, which is not part of Telenor Mobile's portfolio and where Djuice faces strong competition by various companies.

mFuture formed a strategic alliance with Triggerduck Entertainment Engineering (TEE) in January 2001 and acquired sole ownership of FreeTrax (FT) through Telenor Mobile Communications. In June 2001, Telenor Mobile Communications acquired 33.5% in TEE. The alliance between djuice and Triggerduck includes a distribution agreement for Triggerduck's games, which are available on djuice™ sites.

The acquisition of FreeTrax resulted in the new djuice™ music vertical called dTrax™ and it includes a genuine framework (the only one in Norway at December 31, 2001) handling artist rights. The rights handling system of djuice™ logs all transactions and produces detailed log files. Revenues are then shared between collecting societies, which represent the artists, record companies and other parties. All parties are provided with real time interfaces for tracking sales and the resulting revenues. Amongst the companies using the system are Sony music, Bertelsmann Music group, EMI, Virgin Scandinavia Online and others. The djuice™ music rights handling system provides unprecedented reporting precision for the collecting societies and record companies. The mutual trust between content owner and telecommunications companies builds on efficient reporting and is one of the key factors that led to a series of content-related agreements entered into by djuice™ and the major record labels in 2001 and in the first quarter of 2002.

We intend to develop djuice™ into an international mobile Internet platform and service logic for Telenor Mobile's portfolio, focusing on scale economy, network externalities and brand power. The features which we are incorporating into djuice™ create a common platform for Internet access, content aggregation and transaction engines. Telenor Mobile intends to aggressively market djuice™ as a preferred source for mobile Internet users. Through Telenor Mobile's portfolio, content and services will be customized region-by-region, while maintaining common features and functionality across regions.

Our partnership network is intended to provide our partners the benefit of common platforms and functionality (for example intraWAP, dAccess), as well as a coordinated effort to develop a strong brand name (for example djuice^{TM}). Our objective is to provide an established presence in all Telenor Mobile controlled companies within the next few years. To strengthen our position on the platform side of the technology, as standards and offerings from vendors around the world emerge, we intend to seek an alliance with a strongly committed partner for further development.

TELENOR NETWORKS

Through our Telenor Network area, we are the leading provider of fixed network telecommunications services in Norway. We provide telecom solutions to the residential and business markets, including analog and digital fixed line telephony services, value-added services and leased lines. We also provide telecom solutions to the wholesale market, including interconnection to our networks and domestic and international transit and capacity services.

Overview and Background

Our principal services in each market are:

- *Residential market.* We provide traditional analog voice telephony service, digital fixed telephony service, commonly known as ISDN, and value-added services such as caller identification to homes throughout Norway. At December 31, 2001, we had approximately 1,253 million analog and 489,000 ISDN access subscriptions in the residential market.
- *Business market.* We provide traditional analog and ISDN service and leased lines service to businesses in Norway, including public sector entities. At December 31, 2001, we had approximately 274,000 analog and 276,000 ISDN access subscriptions in this market.
- *Wholesale market.* We provide a range of interconnection and capacity services, including leased lines, in the Norwegian market, allowing other network operators, Internet service providers and other service providers to connect to our network or use our infrastructure in order to facilitate their own service offering. We provide international operators with transit and capacity services for international voice and data traffic into or through Norway. We also provide asynchronous digital subscriber lines (ADSL) which, following our re-organization in 2001, are now marketed by Telenor Plus, Telenor Business Solutions and third party providers to their respective customers.

The introduction of competition in 1998 has inevitably resulted in a reduction in our market share. Measured by the percentage of traffic minutes carried over our network, our market share of traffic was 66% in the residential market and 74% in the business market during the year 2001. These market shares do not take into account traffic carried over other operators' own access infrastructure.

Over the past several years, we have made changes in our prices in order to become more competitive. We have rebalanced our tariffs by reducing call tariffs and increasing monthly subscription fees, in order to align our prices more closely with the costs of providing the service. Our tariffs are currently at a level that is among the lowest in OECD countries. Nevertheless, we expect that increasing competition and technological development may require us to further reduce prices in the future.

Although our market share has been declining, minutes of usage of fixed network services in Norway have been increasing, and the amount of traffic carried on our network has continued to increase. However, traffic minutes in our residential market decreased by 10.6% and 3.5% in our business market in 2001 compared to 2000. The total volume of traffic minutes in our network, including traffic generated by other operators, increased 4.7% in 2001 compared to 2000. The principal driver of the increase in traffic minutes was incoming traffic from national operators under, carrier pre-selection, and traffic to mobile phones. Norway has among the highest penetration rates of personal computers and Internet users in the world.

The usage of the Internet and other data applications has led to increased demand for access channels with higher capacity, or bandwidth, allowing data to be transmitted at higher speeds. A basic rate ISDN line provides a capacity of 128 Kbps, which allows a subscriber to download information from the Internet at a significantly higher rate than through the use of a modem with an analog line. Our network has one of the highest penetration rates of ISDN lines in the world, with 33% of our access subscribers using an ISDN line at December 31, 2001. At December 31, 2001, over 98% of our local access lines were able to accommodate an ISDN line.

We introduced ADSL service in the business market in more densely populated areas in 1999 and introduced ADSL service for the residential market in December 2000. ADSL provides broadband capacity, which means that data can be transmitted at much greater speeds than analog or ISDN lines over the existing installed copper line without interfering with the normal voice telephone connection. Telenor Networks currently provides ADSL lines, which are marketed to customers by the Telenor Plus and Telenor Business Solutions business areas, with a capacity of up to 2,048 Kbps for data transmitted to the subscriber and up to 448 Kbps for data transmitted from the subscriber. Unlike analog and ISDN, ADSL traffic is not measured by network minutes. As at December 31, 2001, 52% of our local access lines were able to accommodate an ADSL line.

Strategy

Our objective is to maintain our leadership in the Norwegian market. To achieve that objective and respond to increased competition in our markets, we intend to:

- *Promote an open value chain.* We have adopted a strategy of ''opening the value chain'', by which we will provide service providers with a range of interconnection, capacity and wholesale services. In April 2000, we introduced local loop unbundling, allowing service providers to lease the local loop for the purpose of providing access services to customers connected to our local access network. In January 2001, we introduced a wholesale voice service for switchless resellers, which is marketed to virtual operators and resellers. We believe this approach will serve to stimulate growth in the Norwegian market and allow us to make greater use of our network capacity.

- *Focus on increased efficiency.* We have been implementing a comprehensive efficiency program, with the objective of achieving considerable savings in network operating costs and procurement costs. Since 1998, we have made significant achievements in network operational efficiency and we believe substantial additional savings are achievable.

- *Continue to develop existing business.* We will focus on maintaining a high market share on traffic in the switched network, as well as a high market share in the voice access market, through winback and holdback activities. A high market share will ensure the continued cash flow from the voice business.

- *Manage conversion to broadband.* In line with the move towards broadband services, we will position ourselves as a leading broadband provider in Norway, based on digital subscriber line technology. We will focus on a gradual upgrade of the customer base from PSTN and ISDN to ADSL and later generations of digital subscriber line technology (known as VDSL and xDSL). The roll out plan for xDSL will focus on profitability and will be adjusted according to customer acceptance of the services.

Access

The following table sets forth information regarding our analog (PSTN) and digital (ISDN and ADSL) access lines and channels as of December 31, 1999, 2000 and 2001.

	As of December 31,		
	1999	2000	2001
	(in thousands, except percentages)		
Access(1):			
Analog (PSTN) lines:			
Residential customers	1,502	1,343	1,253
Business customers	406	337	274
Total analog lines	1,908	1,680	1,527
Digital (ISDN) lines:			
Basic access lines:(2)			
Residential customers	304	434	489
Business customers	217	262	269
Total basic access lines(2)	521	696	758
Primary access lines(2)	7	7	7
Digital (ISDN) access channels(2)	1,228	1,590	1,735
Analog lines	43%	38%	34%
Digital (ISDN) channels	28%	36%	39%
Total penetration rate(3)	70%	73%	73%

(1) Includes courtesy and service lines and payphones.

(2) A basic digital (ISDN) line provides two access channels and a primary digital (ISDN) line provides 30 access channels.

(3) Number of lines or channels as a percentage of the population of Norway. Figures may not add due to rounding.

Approximately 414,000 access lines had carrier preselection with another carrier at December 31, 2001, compared to approximately 413,000 access lines at December 31, 2000. We provided a total of 3,262 million fixed line access channels by December 31, 2001.

The number of access customers at December 31, 2001 includes approximately 260,000 residents of housing cooperatives, for which we provide service at special discounts through long-term agreements entered into with the housing cooperatives.

Residential Market

We are the leading provider of telecommunications services to the residential market in Norway. As of December 31, 2001, we had approximately 1,742 million residential customers.

Services. Our principal services in the residential market in Norway are analog access lines, ISDN access lines and a broad range of value-added services.

Analog. We offer analog access service, which involves providing connections via copper wire between a customer's premises and our fixed network for the provision of basic voice, facsimile and dial-up Internet services. Each analog access line provides a single telecommunications channel. Analog is the main access line for the residential market. Under the universal service obligation in our fixed telephony license, we are required to make analog services accessible at an affordable price for all households and enterprises in Norway.

ISDN. We also offer ISDN access. ISDN allows a single copper wire access line to be used for a number of purposes simultaneously, including voice, data and facsimile transmission. ISDN also provides a higher quality connection with faster transmission of signals and increases the bandwidth capacity. Basic rate ISDN, known as ISDN basic rate access, provides two digital channels. In 1999, we were the first in the world to launch automated ISDN delivery in retail stores, allowing customers to install their own ISDN lines on a ‘‘plug & play’’ basis. Most of our ISDN sales during 2001 were ‘‘plug & play’’ installations. We also sell ISDN as an ordered installation performed by us if requested by the customer or necessary for technical reasons.

Approximately 28% of our residential access customers subscribed to an ISDN line at December 31, 2001. At year-end 2001, Norway had one of the highest ISDN penetration rates in the world, according to Jupiter Strategic Planning Services. In 2001, we sold over 172,000 new ISDN subscriptions. In December 1999, we also launched ISDN text which allows customers to send text messages between specially equipped ISDN phones and mobile phones.

Value-Added Services. We offer a broad range of value-added services on a subscription or usage basis. Our subscription-based services, for which we charge a monthly fee of NOK 25 (including VAT) each, include caller identification, call waiting, voice mail and remote call diversion. Our usage-based services, for which we charge a per-minute fee of up to NOK 3 (including VAT) per usage, include a ‘‘call back when occupied’’ service, three-party conference calling and international calling card service.

Other Initiatives. We have established a project team to develop services involving the convergence of fixed network and mobile services. We launched our first service, a combined fixed and mobile voice mail service called ‘‘InTouch’’, in March 2000. This service provides a call diversion service from a fixed line number to a mobile number at special traffic rates.

Fees and Tariffs

We have made fundamental structural price changes in terms of higher call initiation fees and lower traffic tariff per minute. We have reduced our traffic tariff per minute prices to remain competitive. At December 31, 2001, we charged an initial fee of NOK 760 (including value-added tax) to install an analog or ISDN access line. We charge a monthly subscription fee of NOK 150 (including value-added tax) for analog access and NOK 221 (including value-added tax) for basic rate ISDN access.

At December 31, 2001, we offered competitive discounts with our *Familie & Venner* (family and friends) programs. For an additional monthly fee of NOK 10 each (including value-added tax), our ‘‘Norway’’ plan offers up to a 20% discount on traffic fees for off-peak calls, our ‘‘Mobile’’ plan offers up to a 20% discount on the three most called numbers to Telenor Mobile, our ‘‘International’’ plan offers up to a 20% discount on the five most called international numbers and our ‘‘Internet’’ plan offers a discount of between 22-30% on calls to Internet-service providers based on Internet traffic. We also make available the ‘‘Total’’ discount plan for no monthly fee, which provides a discount of between 8-20% on all traffic, which is targeted and promoted to the largest residential customers and excludes all other *Familie & Venner* plan numbers. In addition, ‘‘Favoritt land’’ provides a 20% discount on calls from a customer’s home phone to their favorite country for an additional fee of NOK 10 per country.

Traffic

The following table sets forth information on minutes of traffic generated by residential analog and ISDN subscribers for each year in the three-year period ended December 31, 2001.

	Year ended December 31,			Increase (decrease)	
	1999	2000	2001	2000/1999	2001/2000
				%	%
Traffic (millions of minutes):					
National calls, excluding Internet traffic(1)	7,898	7,400	6,478	(6.3)	(12.5)
Internet traffic(2)	3,143	4,066	3,544	29.3	(12.8)
Calls to mobile phones	746	779	836	4.4	7.3
International	221	217	221	(1.8)	1.8
Other	271	395	409	45.8	3.5
Total	12,279	12,857	11,489	4.7	(10.6)
Market share (based on minutes):					
Total residential	93%	77%	66%	—	—

(1) As of July 1, 1999, we eliminated national long-distance fixed-line rates, and now all calls within Norway are billed under local rates.

(2) Estimated. Internet traffic is considered local area calls.

Business Market

We are the leading provider of telecommunications services to the business market in Norway. Our objective is to provide our business customers with innovative communications services. Similar to our objectives in the residential market, we are seeking to develop and manage long-term customer relationships with our business customers.

Services

Basic network services. The principal products offered to our business customers are basic network services. These include analog, ISDN basic rate access and ISDN primary rate access, a more advanced line that provides 12 to 30 access channels. As of December 31, 2001, we had approximately 550,000 telephone subscriptions in the business market and 49% of our business customers have an ISDN connection.

We offer businesses discounts from the basic traffic charges based on the volume of traffic. We offer three levels of discount plans for customers. Our ‘‘Telenor Mest Ringte’’ is for the small and medium businesses segment with annual traffic spending of up to NOK 20,000. For a monthly fee of NOK 10 (including value-added tax), it provides a 15% discount on the 10 most frequently called numbers at any time, excluding fixed to external mobile network calls. ‘‘Telenor Trafikkavtale’’ is a program offering discounts to companies and organizations, with an annual cost of telephony between about NOK 20,000 and 2 million. The program gives a discount of between 9% and 22% automatically in accordance to a company's telephone usage. Telenor Trafikkavtale gives a company discount for phone calls made at any time to:

- Fixed-network destinations within Norway;
- International destinations (mobile-network and 64 kbit/s included);
- Telenor Mobile; and
- Telenor Internet.

Finally, ‘‘Telenor Storkundeprogram’’ is designed for customers with an annual cost of telephony more than NOK 2 million. This plan provides volume based discounts on selected call types.

Leased Lines. We also provide leased lines to businesses throughout Norway. Under the universal service obligation in our fixed telephony license, we must offer leased lines with a capacity of 64 Kbps up to 2 Mbps (million bits per second) on equal terms to all players in the market. Competitors have been permitted to offer leased lines since January 1, 1998, and competition increased in 1999 and 2000. In 2001, competition stabilized. Demand for leased lines has generally increased, and customers are migrating from analog lines to digital lines and to higher capacity lines.

Traffic

The following table sets forth information on minutes of traffic generated by analog and ISDN subscribers in the business market for each year in the three-year period ended December 31, 2001.

	Year ended December 31,			Increase (decrease)	
	1999	2000	2001	2000/1999	2001/2000
				%	%
Traffic (millions of minutes):					
National calls, excluding Internet traffic(1)	4,473	4,212	4,089	(5.8)	(2.9)
Internet traffic(2)	1,112	1,601	1,430	44.0	(10.7)
Calls to mobile phones	500	516	576	3.2	11.6
International	194	170	161	(12.4)	(5.3)
Other	176	204	215	15.9	5.4
Total	6,455	6,703	6,471	3.8	(3.5)
Market share (based on minutes):					
Total business	92%	82%	74%	—	—

(1) As of July 1, 1999, we eliminated national long-distance fixed-line rates, and now all calls within Norway are billed under local rates.

(2) Estimated. Internet traffic is considered local area calls.

Distribution and Marketing

We distribute our products and services in our business market segment through a variety of channels. These include our key account managers and our direct sales force for our larger business customers. Our internal direct sales force dedicated to our Business Solutions customers also services our large corporate customer segment. In addition to our sales force, we use a number of independent agents for distributing our services to medium and smaller business customers. We have also initiated a strategic program to improve our customer relationship management capabilities in this market segment.

Wholesale Market

Domestic Wholesale

In Norway, we provide interconnection services consisting of call termination, call transit and call origination, on both a carrier select and carrier pre-select basis. We are required to price our services on a cost-related basis. In 2001, our revenues from interconnection were NOK 1,140 million. A significant amount of interconnection traffic is generated by the use of the Internet. To capture this traffic and secure Internet service providers as customers, we have introduced interconnection products targeted to these providers in the form of special network access. Our objective is to develop these products to maintain a leading position as a supplier of interconnection to Internet service providers.

On April 1, 2001, we introduced local loop unbundling to other telecom suppliers. Local loop access provides operators with access to our copper access network. From October 2001, we delivered shared access to the local loop and expect to deliver access to sub-loops from early 2002. Through shared access, operators can provide end users with broadband. We have also launched ADSL in the wholesale market. ADSL will allow Internet service providers and other service providers to use this access to provide ADSL-based products and offerings without having to install any sort of technical devices in connection with the copper pairs.

We also provide access to intelligent network services allowing service providers to offer value-added services hosted on our network. The intelligent network services allow sophisticated routing of calls depending on the time of the call, the area of origination, and menu of selection.

To secure volume in the national network, we launched switchless resale products early in 2001. These products are designed to allow resellers to offer their own services in the market, but through our network. Potential customers are virtual operators/resellers.

We offer interconnection services in Norway through 11 regional areas, which are divided into a total of 23 local areas.

The following table sets forth our principal interconnection prices, excluding value-added tax, as of December 31, 2001.

	Call Initiation Fee	Traffic Tariff per Minute	
		Peak	Off-peak
		(NOK)	
Termination:			
Within local area	0.054	0.041	0.029
Within regional area	0.059	0.050	0.035
Outside regional area	0.074	0.063	0.049
Transit:			
Within regional area	0.015	0.020	0.020
Outside regional area	0.015	0.040	0.040
Carrier selection:			
Within local area	0.054	0.041	0.029
Within regional area	0.059	0.050	0.035
Outside regional area	0.074	0.063	0.049

International Wholesale — Telenor Global Services

We provide a broad range of services in the international wholesale market, including broadband capacity and worldwide traffic.

Our objective is to be the leading supplier of voice and capacity services to and from Norway and a successful niche player in the wholesale traffic market in Europe. Deregulation and the growth of the Internet have led to a significant increase in the demand for IP-based broadband capacity services via the transatlantic route.

International Direct Dialing. We offer inbound call termination for international traffic terminating in our network. We receive payments from other carriers under a system of settlement arrangements. This business also purchases termination services from foreign carriers for outbound international traffic originating in our networks. We also provide wholesale services for traffic that is transited through our network, both switched traffic that is subject to the international settlement arrangements system and non-traditional transit traffic sold in the carrier-to-carrier market at a predetermined price. Our wholesale voice traffic services utilize state-of-the-art traffic management systems.

Leased Capacity Services. We offer leased capacity services, which provide fixed and dedicated connections. Lease lines are available in both analog and digital interfaces and with different capacities. We deliver these services within Norway through our own telecom network and in most other countries in the world in cooperation with reputable operators.

These services are well suited to users that generate a higher volume of traffic between fixed locations, for instance, connections between different LANs or PBXs. Leased lines are also a basic element in the production of other services such as mobile phone and point of sale terminals.

Competition

The market for national carrier services shows signs of consolidation, and the number of operators with national coverage was reduced from three to two by the bankruptcy of Enitel during 2001. As a result, Bane Tele acquired Enitel's national network infrastructure and Tele2 acquired Enitel's telephony and dial-up Internet costumers.

In the residential market, our main competitor is Tele2 Norway, which offers fixed telephony and Internet services based on carrier pre-selection. Competition in dial-up Internet is also provided by Tiscali and KPN Qwest. Our market share in fixed telephony and dial-up Internet have stabilized over the last year, but some increase in competition is expected as a result of regulatory authorities requiring us to offer unbundled telephony access products which will allow the costumers to receive a single telephone bill.

In the business market, we face competition from Song Networks, TeleDanmark Internordia (former ElTele Øst), Priority Telecom and Tele2 Norway. The competition in the business market is most significant in the central industrial regions of Norway, where Song Networks, BKK, Priority Telecom and TeleDanmark Internordia have invested in their own network infrastructures and challenge Telenor with competitive offerings of fixed line access, leased lines, broadband and data communication services. Bane Tele, which previously focused on delivering capacity services to other operators and service providers, is now indicating that it is planning to enter the business market.

In addition to the major competitors, we face competition from a large number of focused local or niche providers, specialized in smaller segments of both the residential and business markets.

The assignment of fixed wireless access or FWA licenses in 2000 has so far not resulted in any significant increase in competition. The 40 GHz licenses — held by Telenor, Tele2 Norway and SmartCall — are not operative yet, as the equipment has proven not ready for commercialization. Among the operators who were granted 26 GHz licenses, Formus has become bankrupt, while Broadnet and TeleDanmark Internordia have set up FWA operations that are so far limited in scale.

Network Operations

Domestic Infrastructure

Our domestic network is one of the most technologically advanced fixed-line networks in the world, and supports our residential, business and wholesale service offerings, as well as providing services to other Telenor business areas. We were one of the first national operators in the world to fully digitize our network, which was completed at the end of 1997.

Trunk Transmission Network. Our national trunk transmission network is comprised of national and regional network layers that are in turn connected to our local access network. The national network uses a chained ring formation with 14 nodes, or connection or switching points, and 9 chained ring structures. The trunk network includes two international switching exchanges.

We have a national ring topology backbone network using synchronous digital hierarchy equipment on fiber optic cables. Synchronous digital hierarchy provides faster and less expensive network interconnection than the traditional PDH technology. PDH is the conventional multiplexing technology for network transmission systems. We are installing a similar structure based on similar technology for the regional backbone network and it is expected to be completed in June 2002.

Our national backbone network is 100% based on optical dense wavelength division multiplexing. Dense wavelength division multiplexing is a transmission technology in which up to 200 optical channels are transmitted through the same fiber. We use systems based on this technology with 8, 16 and 32 optical channels at 2.5 Gbps (billion bits per second). The new dense wavelength division multiplexing systems are prepared for 10 Gbps. The national core network is prepared to be the carrier for any transmission technology used on a higher layer. This may include synchronous digital hierarchy, asynchronous transfer mode, (ATM) or IP technology.

Our regional network layer is comprised of more than 300 installed connection or switching points in 68 ring structures out of a total of 71 planned ring structures. We expect to complete the remaining ring structures in June 2002. The implementation of ring topology in the regional network will improve the quality of service of the network.

Access Network. Our local access network connects nearly 4,000 digital telephony switches and concentrators to virtually all homes and businesses in Norway. The network currently includes approximately 5.8 million kilometers of installed twisted pair copper wire. At December 31, 2001, the access network connected approximately 1,527,000 analog telephone lines, 752,000 ISDN basic rate and 7,000 ISDN primary rate access lines, 85,000 leased lines, 12,600 local loop unbundled, or LLUB lines and 24,000 ADSL lines.

Subscribers are connected to our network through approximately 50 combined tandem and subscriber exchanges, 150 subscriber exchanges and 3,500 concentrators.

In larger cities in Norway, we also provide optical fiber connections directly to larger business, university and municipal locations, and in total to more than 2,200 locations.

Also through 2001 we have made investments in increasing ISDN capacity. The access network is positioned for the roll out of ADSL broadband access services as a result of the investment in increased capacity made as a part of expanding the ISDN coverage of the network. We expanded our ADSL network in 2001 and invested a total of NOK 3,724 million in our Networks, of which NOK 244 million were invested in ADSL.

International Infrastructure

We offer an international wholesale network in the Nordic region between Oslo, Stockholm and Copenhagen. Our network capacity is one wavelength and is upgradeable.

We have expanded our international wholesale network. In 2001, we expanded our switch in Oslo to include seven points of presence in Amsterdam, New York, London, Stockholm, Copenhagen, Paris and Frankfurt. These points of presence, or PoPs, represent points of international interconnect with our customers and suppliers.

Transatlantic Submarine Cable. We hold a 3.5% interest in the TAT-14 transatlantic submarine cable. The TAT-14 cable provides connection between five cable stations in Europe and two in North America. Service was launched on July 3, 2001, enabling us to provide capacity including backhaul between New York and major cities in Europe. During 2001, the capacity market became unstable and uncertain. We wrote down book value of our investment in TAT-14 by NOK 533 million in 2001 to reflect these uncertainties.

TELENOR PLUS

Overview

Our Telenor Plus business area comprises our activities in Internet access, information and entertainment services to consumers in the Nordic region. We are the leading provider of television services in the Nordic countries, as well as the leading provider of Internet access and services to the residential market in Norway.

The Telenor Plus business area was formed in 2001 by the amalgamation of our end user operations within the residential market for Internet access and services with our television distribution business. Our reorganization from product-orientation to customer segment-orientation is intended to establish an organization that better understands and acts upon the specific demands of our residential customers.

Our Telenor Plus business area includes the following business lines:

Broadcast: We are the largest provider of television services to consumers in the Nordic region based on the number of subscribers. Through the companies Canal Digital, Telenor Avidi, Sweden On-Line, Telenor Vision Nät Holding AB and Telenor Vision we offer basic tier TV-services, pay television and digital services throughout the Nordic region to home satellite dish (DTH) consumers, cable television (CATV) operators and consumers and small antenna network (SMATV) operators and consumers. Telenor Avidi also offers broadband Internet access subscriptions in certain areas. We had a total of 2.3 million paying subscribers to our different pay television services, including all of the subscribers of Canal Digital, as of December 31, 2001, consisting of 657,000 home satellite dish subscribers, 561,000 cable television subscribers and 1,105,000 small antenna network subscribers. Our Broadcast business line also provides transmission services for broadcasters through Satellite Broadcasting and Norkring, the Norwegian incumbent analog terrestrial radio and television transmission system operator.

Internett: We provide narrowband (PSTN/ISDN) and broadband (ADSL) Internet access and services to homes throughout Norway. As of December 31, 2001, our customer base of 831,000 subscribers and FriSurf users included 23,000 ADSL subscribers. We also provide traditional voice telephony services and Internet access services to Swedish consumers through our subsidiary Telenordia Privat AB. As of December 31, 2001, we had 50,000 residential voice telephony subscribers and 306,000 Internet Access subscribers in Sweden.

Content and Interactive Services: In recognition of a development where content is an increasingly important driver in the telecommunications business, we have established a business line comprising our activities within content management and interactive services. This includes a content rights center and a content acquisition unit responsible for entering into agreements with content providers through acquisitions, alliances and deals on behalf our television and Internet access service providers as well as the whole Telenor group. The business line also encompasses our activities within the development and distribution of IP and/or television-based interactive services mainly through our subsidiary Zonavi. Content and Interactive Services also includes our subsidiary Conax, which develops and markets conditional access systems for television and Internet, general security systems for content distribution, and electronic payment systems.

Strategy

Our objective is to become a leading distributor of communication, information and entertainment services to households in the Nordic region. To achieve that objective and respond to increased competition in our markets, we intend to:

Expand our Nordic broadcasting operations. Our objective is to offer Nordic consumers a more convenient and eventful everyday life. We intend to achieve this by becoming a leading distributor of subscription-based television in the Nordic region. We aim to continue expansion of our footprint in the Nordic region through strategic alliances and acquisitions in addition to organic growth. During 2001, we increased our footprint by some 200,000 cable subscribers through acquisitions and 150,000 subscribers within Direct to Home satellite and cable television through organic growth. We will continue to search for opportunities to strengthen our strategic position within the Nordic markets.

We intend to upgrade existing TV-distribution networks, develop and launch new digital services in order to enhance our customer relationships and increase our revenue per customer. We also intend to combine our back-office operations across different services to achieve economies of scale, cut costs and increase profitability.

Increase average revenue per user and stimulate network traffic. We aim to develop and provide attractive content-based services across our different service platforms, enabling our customers to access information and entertainment services when and where they wish. We aim to increase our customer base, as well as develop and enhance our customer relationships by providing added services that increase customer loyalty and overall revenue per subscriber. To achieve these goals, we focus on acquisition of content distribution rights and development of technical platforms. Our intention is to enable content producers and owners to collect revenue from customers viewing their content across service platforms and equipment, i.e. television sets, mobile phones or personal computers. This requires technical platforms for the handling of intellectual property rights, including systems for customer identification, encryption and payment.

We aim to leverage on our customer base, technological solutions and experience within content distribution in order to build relations and alliances with the leading Norwegian, Nordic and international content providers. Nordic broadcasters, with whom we already have good commercial relations, are our most important partners in this business area.

Our content strategy for 2002 focuses mainly on gaming, betting and distribution rights to sports events and other important events. The strategy supports the roll out of new terminals and access platforms (ADSL, Digital TV, Set top boxes) and focuses on areas expected to give a high return on investments.

We intend to invest in the development of services that stimulate traffic in existing networks and fuel the demand for bandwidth. During 2001, we launched several interactive services related to Norwegian television shows, such as Big Brother. In 2002, we will launch services related to the World Cup Football Championship across the Nordic region. We will continue our strategy of ad hoc alliances with Nordic broadcasters to secure premium content and launch interactive services.

Our objective is to become a leading provider of interactive content and broadband services in the Nordic region. We intend to market these services to the subscribers in our own networks. We will also consider marketing these services on a wholesale basis to other network operators in the Nordic region.

To achieve this objective we plan to:

- develop a Nordic content rights operation through acquisitions, alliances, and ad hoc ventures with selected Nordic broadcasters;
- migrate from our existing proprietary technological standard for television services (Media Highway) to the European non-proprietary distribution standard Media Home Platform within 2005; and
- launch interactive broadband services across our television-based service platforms and establish a substantial customer base.

Become a leading provider of broadband access services. Our objective is to maintain our leading position in the Norwegian market for Internet access. In Sweden, our goal is to expand our footprint within residential telephony and Internet access. To achieve these objectives, we intend to:

- continue to enhance our services in the Norwegian Internet access market in order to maintain and increase our subscriber base and offer broadband access services, such as ADSL;
- coordinate our residential telephony, Internet access and cable television operations in Sweden; and
- aggressively market ADSL Internet services in Sweden and evaluate opportunities for cross-selling to our Broadcast customers in Sweden.

To better meet the needs of specific customer segments, we plan to market bundled services under the Telenor brand, combining fixed-network services with other services such as television and Internet services within regulatory limits.

Enhance our customer care operations. We intend to enhance our customer service, especially across product lines. Presently, our customers have to relate to different units and interfaces depending on which services they subscribe to. During 2001, we launched ‘‘05000’’ as the new customer interface (call center) for telephony to the residential and business markets. Across product and business lines, we aim to leverage our operations and integrate and streamline residential customer care, increase service levels, improve our billing services, reduce churn and achieve economies of scale.

Streamline operations and increase efficiency. We are in the process of consolidating our TV-distribution business to increase efficiency and focus our marketing efforts. Telenor Avidi and Telenor

Vision in Norway will merge during the second quarter of 2002. In Sweden, Telenor Vision will merge with Sweden On-Line and Telenor Vision Nät Holding AB during the fourth quarter of 2002.

The following is a description of our business lines (Broadcast, Internet and Content & Interactive).

Broadcast

We are one of the leading providers of subscription-based television services in the Nordic region based on number of subscribers, providing broadcasting services and TV distribution services to more than 2.3 million households and businesses in this region. In 2001, our Broadcast area generated external revenues of NOK 2.2 billion. We derived 62% of our Broadcast revenues in 2001, from our operations in Norway, 33% from our consolidated subsidiaries in the Nordic region and 3% from other parts of Europe.

The Broadcast business line encompasses two main businesses: TV-distribution services to consumers and transmission services to broadcasters. At December 31, 2001, we had consumer related operations in Norway, Sweden, Denmark and Finland through Canal Digital, Telenor Avidi, Sweden On-line, Telenor Vision Nät Holding AB and Telenor Vision. In July 2001, we entered into agreement with Canal+ to acquire their 50% share in Canal Digital. The parties disagree on parts of the agreement and there has been a ruling in the Oslo Court of Seizure in our favor. Canal+ has also initiated arbitration. You should read "Item 8: Financial Information — Legal Proceedings" for additional information on our dispute with Canal+. We expect closing of the acquisition to occur in 2002.

In 2001, we also acquired 100% in Sweden On-Line, 91% of Seth Kabel-TV and 33% of Otrum ASA, representing in aggregate an investment of NOK 0.5 billion.

TV-distribution Services to Consumers

We are one of the leading providers of subscription-based television services in the Nordic region based on number of subscribers. As of December 31, 2001, we served more than 2.3 million television households, which we estimate represents approximately 21% of the total Nordic markets for these services.

The number of subscribers to pay television services in the Nordic market has been increasing rapidly, at a rate of 15-20% per year. We have experienced strong growth in our customer base due to the rapid increase in penetration rates in the Nordic region for direct satellite broadcasting to homes. In our experience, households receiving satellite broadcasting via small private dishes typically subscribe to more than one basic tier or premium subscription service.

We serve our television subscribers through Direct To Home satellite (DTH), Cable Television (CATV) and Satellite Master Antenna (SMATV).

The table below shows our subscriber base per country at December 31, 2001.

	Norway	Sweden	Denmark	Finland	Total
Subscribers Plus per 31.12.01					
Canal Digital DTH	212,000	231,000	83,000	42,000	568,000
Canal Digital Other(1)	50,000	33,000	4,000	1,000	88,000
Avidi	360,000	—	—	—	360,000
Telenor Vision Nät Holding	—	19,000	—	—	19,000
Sweden on-line	—	183,000	—	—	183,000
SMATV	120,000	304,000	667,000	14,000	1,105,000
Broadcasting	742,000	770,000	754,000	57,000	2,323,000

(1) This figure includes mainly SMATV subscribers.

Canal Digital (DTH Nordic Region)

Canal Digital distributes subscription-based and free to air TV-services via satellite to approximately one million households in the Nordic region. Canal Digital sells subscriptions via smart cards. Subscribers insert these cards into set-top boxes and receive programming. Canal Digital also provides related value-added services, including the acquisition, packaging, marketing and selling of the content of television channels and interactive services, as well as subscriber management system services. Canal Digital has achieved rapid growth and had revenues of NOK 1,744 million in 2001.

We established Canal Digital as a 50/50 joint venture with the French Pay-TV operator Canal+ in 1997. As described above, we agreed to acquire the Canal+ 50% ownership interest in Canal Digital, subject to approval by competition and other regulatory authorities. Such approval is still pending.

Since October 2001, all Canal Digital subscribers have been converted to digital services. Canal Digital distributes more than 70 Nordic and international channels and offers both basic tier and extended services, including premium pay TV and video-on-demand services.

The following table shows key operating information for Canal Digital in the Nordic region for the years ended December 31, 1999, 2000 and 2001.

	Year ended December 31,		
	1999	2000	2001
Subscribers at period end			
Analog subscribers	295,000	203,000	0
Digital subscribers	110,000	303,000	656,000
Total subscribers	405,000	506,000	656,000
Total Smart cards	1,040,000	1,106,000	987,000
Average revenue per Subscriber(1)	2,664	2,874	3,029

(1) Average revenue per subscriber is calculated as revenue divided by average number of subscriptions throughout the period.

The rapid increase in our customer base, both measured in subscribers and active smart cards, over the past few years is in our opinion primarily due to the success of our high quality program packages that combine international content and local language programming. Canal Digital is still a development stage company, and to date has made substantial investments in introducing digital services.

Telenor Avidi (CATV Norway)

Through Telenor Avidi we operate a cable television network that served 360,000 subscribers in Norway as of December 31, 2001. We market a basic access service bundled with an analog basic tier package comprising 17-24 channels to individual households, landlords and housing associations. In addition, we sell digital Pay-TV packages to subscribers with a decoder and broadband Internet access subscriptions to households connected to our upgraded networks. We market our cable television services through our own sales organization, which includes a national call center and regional offices and sales representatives throughout Norway. Avidi had revenues of NOK 527 million in 2001.

In November, 2001, we sold 83 small cable networks with a total of 9,500 subscribers to Nornett AS, a Norwegian independent operator. Most of these networks were located in northern Norway.

The following table sets forth operating information for our Norwegian cable operation for the years indicated.

	Year ended December 31,		
	1999	2000	2001
Subscribers at period end			
Analog Basic tier	282,000	344,000	333,000
Digital Pay-TV	N/A	13,000	27,000
of which Broadband Internet Access	0	2,477	10,323
Average revenue per subscriber(1) (NOK)	1,382	1,392	1,470

(1) Average revenue per subscriber is calculated as revenue divided by average number of subscriptions throughout the period.

We focus in particular on opportunities to achieve growth through greater penetration rates in our networks. In 1999, we launched residential and business cable modem-based broadband Internet access services in southern Norway. The most of our Internet access subscribers are located in the area around Oslo. In early 2000, we launched digital Pay-TV services, in some parts of our cable TV network. As at December 31, 2001 100% of Avidis' subscribers could receive digital services.

Sweden On-Line and Telenor Vision Nät Holding AB (CATV Sweden)

In June 2001, we acquired 91% of Seth Kabel TV Förvaltning i Sverige AB, a cable television operator with 14,500 basic tier subscribers in southern Sweden. Seth's network is fully digitized and upgraded with return channel (implying two-way communication) enabling Seth to offer its customers a broad spectrum of services, including Internet access and digital Pay-TV.

In October 2001, we finalized the acquisition of Sweden On-Line, a Swedish cable television operator with 183,000 basic tier subscribers located in Stockholm, Malmö, Gothenburg and other large cities in Sweden. The network is only partly upgraded for two-way services such as broadband Internet Access. Sweden On-Line revenues was NOK 112 million in 2001.

These transactions were motivated by our strategy to increase our customer base in Sweden. As at December 31, 2001 Sweden On-Line had 183,000 subscribers and Telenor Vision Nät Holding AB had 19,000 subscribers.

Telenor Vision (SMATV Nordic)

Under the brand Telenor Vision, we are the leading reseller of analog and digital television channels and television services to privately owned small antenna networks, such as housing associations, in the Nordic region. We are the exclusive supplier of Canal Digital to small antenna network subscribers in this region. Furthermore, we act as agent for foreign film companies in the business-to-business market. We also deliver technical services to small antenna networks. Revenue from Telenor Vision for 2001 was NOK 234 million.

In May 2001, we sold Telenor Vision's hotel operation to Otrum ASA, a company listed on the Oslo Stock Exchange. Our ownership share in Otrum is 33%.

The following table sets forth operating information for our SMATV operation for the years ended December 31, 1999, 2000 and 2001.

	Year ended December 31,		
	1999	2000	2001
Subscribers at period end			
Households served	850,000	958,000	1,105,000
Hotel rooms served	87,000	128,000	—
Total units served	937,000	1,086,000	1,105,000
Average revenue per subscriber (NOK)	206	245	214

Competition

Within Direct To Home satellite we compete with Viasat, a subsidiary of the Swedish media conglomerate Modern Times Group (MTG). Within cable television in Norway our primary competitor is UPC Norway, a subsidiary of United Pan-Europe Communication NV. Within cable television in Sweden our primary competitors are ComHem, a subsidiary of Telia, UPC Sweden, a subsidiary of United Pan-Europe Communication NV, and Kabelvision, a subsidiary of Tele2. Within the Nordic market for wholesale services to SMATV-networks our primary competitor is Viasat. In the Danish market we face competition from TDC's subsidiary OnCable and Telia's subsidiary Stofa in some segments.

Canal Digital competes in the Nordic market for DTH primarily on the basis of price, quality of content and quality of customer service. Telenor Vision competes on the basis of price, breadth of content portfolio and value-added services such as technical support and advice. In geographical areas where cable companies have overlapping networks, they compete on the basis of technical reliability and the ability to offer other access services and tailor the content portfolio to the preferences of the majority of the households in the area.

Transmission services to broadcasters

We are one of the leading providers of television transmission services in the Nordic region through Satellite Broadcasting and Norkring.

Satellite Broadcasting

We are the largest provider of commercial satellite services for the transmission of television and radio programs and multimedia services to cable and home satellite dish television operators and other distributors in the Nordic region.

We provide our services through a fleet of four geostationary satellites: the Thor I, II and III satellites and the Intelsat 707 satellite on which we lease 14 transponders. Transponders are the main devices which satellites use to receive and transmit signals. The four satellites are located in orbit approximately 35,700 kilometers above the equator at approximately 1 degree West. We believe that our satellites' position at 1 degree West is an advantageous position for transmitting signals to the Nordic region and estimate that over 90% of satellite antennae in the Nordic region can receive transmission from our satellites.

As of December 31, 2001, we transmitted more than 115 digital TV channels, 65 radio and other services and 15 analog TV channels in the Nordic area on behalf of more than 30 content providers. The following table shows certain operating statistics from our satellite operations for the years indicated.

	Year ended December 31,		
	1999	**2000**	**2001**
Transponders at period end			
Used for digital transmission	13	22	24
Used for analog transmission	27	23	15
Spare capacity	9	4	6
Total number of transponders(1)	49	49	45

(1) Of the total number of transponders, 42 are used for broadcasting services and three are used for satellite network and mobile services. Transponders are measured in 36 MHz equivalents.

Since 1998, we have been phasing in digital service on the satellites we use and we are currently one of two satellite transmitters of digital signals to home satellite dish receivers and cable TV companies in the Nordic region. Using digital transmission, each transponder can transmit 6-8 channels simultaneously, while a transponder used for analog transmission can only transmit one channel. As the transfer from analog to digital transmission has increased our spare transmission capacity by 2 transponders (which equates to 21 digital television channels), we have decided to postpone a decision concerning construction of the Thor IV satellite even though Thor I has been decommissioned as a DTH service satellite and is now used for inclined orbit operations.

In 2001, Telenor wrote-down the value of satellites and satellite equipment for NOK 490 million. The write-down is the result of lower capacity usage arising from the transfer from analog to digital TV distribution and concentration on satellite activity focused on the Nordic market.

Terrestrial Broadcasting

We own Norkring, the incumbent analog terrestrial radio and television transmission system in Norway. Our revenue within terrestrial transmission of radio and television signals was NOK 434 million in 2001.

Norkring provides its services to the three national television broadcasters NRK, TV2 and SBS Broadcasting and the five national radio broadcasters, as well as local television and radio stations. Norkring's network consists of approximately 6,500 large and small transmitting stations in Norway and covers more than 99% of the Norwegian population.

Norkring currently delivers digital audio broadcasting with 50% terrestrial coverage in Norway and we expect to achieve a minimum of 95% coverage by 2004. Customer acceptance of this service, however, depends also on the penetration of new receiver equipment in the marketplace. Over the next several years, we expect digital audio broadcasting to replace analog radio transmission in Norway.

The Norwegian government is currently evaluating the development of a digital terrestrial television network (DTT) in Norway. Norkring has developed digital terrestrial television on a test basis in limited areas. In April 2001, the Norwegian Government issued a statement saying that it had decided on the regulations for the concession for the development of Digital Terrestrial Television in Norway. The tender and conditions for this concession have not yet been made public. Norkring will consider applying for the concession to build a DTT network throughout Norway if the conditions and the business case are viable.

Competition

Our principal competitor in satellite broadcasting is Nordiska Satellitaktiebolaget (NSAB), but we also face competition from INTELSAT, EUTELSAT, and SES/Astra. NSAB is owned by the Swedish Space Corporation (50%) and SES/Astra (50%) and operates three satellites, Sirius 2 and 3 at 5 degrees East and

Sirius W at 13 degrees West. SES is based in Luxembourg and operates ASTRA, the largest satellite system for home satellite dish transmission in Europe. Norkring is the incumbent analog terrestrial radio and television transmission system in Norway and has no direct competition

Internet

We are the leading provider of Internet to residential customers in Norway. As of December 31, 2001, we provided residential Internet access and services to 600,000 households, which we estimate represents approximately 58% of the residential Internet access market in Norway. In 2001, our revenue within residential Internet services in Norway was NOK 604 million. Approximately 45% of our Internet service customers subscribed to one of our three principal Internet subscriptions services, whilst 53% use "FriSurf", which provides free access to our customers and charges customers, only for their usage.

In Sweden, we have 306,000 residential Internet customers and 50,000 customers of telephony services. We generally buy access and traffic on a wholesale basis from Telia. Revenues in fourth quarter in Sweden were NOK 70 million.

Internet Operations in Norway

We offer several subscription alternatives catering to different segments of the Internet dial up market. The main segmentation variables are access price, price per minute, speed (PSTN/ISDN) and different service levels. We offer three principal levels of subscription services: "Online Basis", "Online Pluss" and "Online Total" including varying levels of storage space, number of e-mail addresses, customer service level and additional programs, such as virus protection, firewalls and "Online Office". We also offer a free-access subscription called "FriSurf", with a higher usage cost and a lower service level. Customer service is not included in the price and is charged by the minute.

Our Internet services include free e-mail service, WAP services, faxing, SMS messages sent to GSM mobile phones, interphone PC, which allows the customer to phone from his or her PC to other PCs, ordinary phones and mobile phones in Norway and abroad at a reduced price, and Kid Surf, a secure access to the Internet to protect kids from being exposed to unwanted content such as sex and violence while surfing on the net.

Our Internet services are marketed through several channels. These include approximately 1,000 retailers across Norway, our own customer service organization, our portals, direct sales to companies providing their employees with Internet access at home (for example, Statoil, with more than 12,000 users and Accenture, with approximately 1,200 users) and selling through our cable TV company, Avidi, which markets and sells our Online brand when providing their customers with internet access through cable.

ADSL services were launched for the residential market in December 2000. In 2001, the multimedia portal Icanal.no was launched to stimulate the development of multimedia content on the Internet. The concept includes a focus on events like streaming of "reality" television programs, music festivals, etc.

We offer ADSL on a fixed price basis based on the customer's choice of product and service mix including three bandwidths and three Internet service levels (Basis, Pluss and Total). Online Basis is the minimum requirement and comes in addition to the bandwidth cost. We also successfully introduced a "do it yourself" package in September 2001. At December 2001, the "do it yourself" package represented 70% of ADSL sales.

The following table sets forth information regarding our consumer Internet access services for the years indicated.

	Year ended December 31,		
	1999	2000	2001
Subscription			
Online Residential subscriptions at period end	355,000	377,000	371,000
Estimated monthly usage per subscriber (hours)(1)	15.1	16.4	15.6
Annualized subscription churn(2)	14.0%	25.5%	20%
Average revenue per subscriber(3)	1,569	1,150	1,336
FriSurf			
Registered user-accounts at period end	45,000	248,000	437,000
Estimated monthly usage per account (hours)(4)	3.6	7.3	5.9
Internet household penetration rate in Norway(6)	37%	58%	57%
Average revenue per account	N/A(5)	198	182
ADSL Residential subscriptions at period end(7)		310	23,000
Average revenue pr. account (ex. installation cost)			3,630

(1) Total dial-up subscriptions include dial-up business network connections in 1999. Calculated as total hours of usage divided by the average number of subscriptions at the beginning and the end of the period, divided by 12 months.

(2) ‘‘Churn rate’’ is the number of customers who terminated their subscription during the period, divided by the number of subscriptions at the end of the period. Customers who converted to our FriSurf product or terminated their subscription and re-enter through special offer campaigns are included in the churn rate in 1999 and 2000. For 2001, customers who terminated their subscription and re-entered through special offer campaigns are not included in the churn rate.

(3) Average revenue per subscriber is calculated as revenue divided by average number of subscriptions throughout the period.

(4) Calculated from August 1 (launch) to December 31, 1999.

(5) In 1999, the revenue of FriSurf is included in the revenue of Online Residential subscriptions, Average revenue per account is therefore not calculated.

(6) Calculated as the number of households in Norway having access to the Internet divided by total number of households. Source: Norsk Gallup.

(7) Installed.

Competition

Telenor Internett is the major Internet Service Provider in the Norwegian residential market with a market share of 58% at December 31, 2001, according to Norsk Gallup. The main competitor within the residential market is Tele2, with a market share of 22%. Several smaller competitors serve the remaining 20% of the residential market.

The main bases of competition are price of subscriptions and usage and the ability to bundle different services together as a single offering.

In the broadband market, cable operators are the major competitors. Telenor Internett’s market share in the Norwegian residential broadband market was 39% at December 31, 2001 in addition, Avidi has a 13% market share. The main competitors are UPC (cable), with a 33% market share, and NextGenTel (LLUB — ADSL), with a 10% market share. The ADSL share of the market is growing faster than cable and in December 2001 ADSL achieved 52% of the broadband market. Our market share in the ADSL residential market was 74% at December 31, 2001.

Residential Telephony and Internet operations in Sweden

Telenor agreed to acquire British Telecom's 50% share in Telenordia AB in June 2001. Following this acquisition, Telenor Plus took over Telenordia's business in the Swedish residential market; Telenordia Privat AB, a subsidiary of Telenordia AB. As of October 1, 2001, Telenordia Privat AB was demerged from Telenordia AB and transferred to Telenor Plus. Telenordia Privat is still a development stage company and to date has made substantial investments in broadening its customer base in Sweden.

We are one of several providers of residential telephony and Internet services in Sweden. As of December 31, 2001, we provided residential telephony services to 115,000 households and Internet services to 300,000 households. We provide these services through our wholly owned subsidiary Telenordia Privat AB, which purchases and resells a range of services on a wholesale basis from Telia. In 2001, our revenues within residential Telephony were NOK 21 million and NOK 45 million within Internet services in Sweden.

The following table sets forth information from our residential telephony and Internet operations in Sweden in the years indicated.

	Year ended December 31,		
	1999	**2000**	**2001**
Subscribers at period end			
Online Residential subscriptions at period end Analog Voice (PSTN)	38,000	55,000	50,000
Average revenue per subscriber (NOK)	N/A	1,291	1,522
Analog Internet (PSTN)	276,000	289,000	306,000
ADSL subscribers			4,000
Total subscribers	314,000	344,000	360,000

Competition

In Sweden, we are one of several service providers that depend on Telia for their network services. As of December 31, 2001, there were more than 28 service providers in the residential telephony market and eight in the Internet market. We were the fifth largest player in the Swedish residential telephony market and third largest player in the residential Internet market. We had a market share of 2% in residential telephony market and 11% in the Internet markets respectively at December 31, 2001.

Our main competitors within the residential telephony market are Telia, with a 69% market share, and Tele2, with a 15% market share. The remaining 14% is shared between smaller competitors.

Our main competitors within the residential Internet market are Telia, with a 33% market share, and Tele2, with a 27% market share. The remaining 29% is shared between smaller competitors.

The main bases of competition are price of subscriptions and usage, and the ability to bundle different services together as a single offering.

Content and Interactive Services

We are continuing our efforts to develop and provide new content offerings and services to attract new customers and retain existing subscribers. We aim to offer our customers information and entertainment services across different service platforms when and where they wish. Our intention is to enable content producers to collect revenue from customers accessing their content, while also generating revenue for Telenor through our distribution services, interactivity and network traffic. We focus on content offerings and interactive services that stimulate network traffic and fuel demand for bandwidth, mainly through increased use of the return path and ease of downloading entertainment and information services such as games, video and tailored information services. Our revenues within Content and Interactive Services were NOK 243 million in 2001.

We believe that our experience within the field of content rights, the technological sophistication of our home markets and our early mover advantage place us in a strong position to become a leader in this growing market.

Content Rights

We have recognized the importance of developing a Nordic content rights operation to further develop our interactive services. We currently have agreements with a broad range of national and international content providers and we manage and coordinate these agreements across all service platforms and networks both within Telenor Plus and in certain areas on behalf of the whole Telenor group. This permits us to leverage the size of our subscriber base to secure favorable rates from North American, British and Continental European information and content providers.

We are also committed to safeguarding content against piracy in order to succeed in attracting content providers to our network. For a discussion of our digital rights management, you should read "— Conditional Access Systems".

We own 29.2% of the shares in A-pressen, a media company listed on the Oslo stock exchange. A-pressen is a majority owner of 45 local and regional newspapers, and some local television channels, own a 33% interest in the Norwegian television channel TV2 and owns other related interests. We have a 12.7% interest in Sponsorservice, a Norwegian consulting company that specializes in the sponsoring of sports events and cultural events. As part of its business, Sponsorservice acquires content distribution rights to some of the events that it sponsors. Sponsorservice has operations in Norway, Denmark, Finland and Sweden. In addition, we own a 35% share in Cee.tv, a company specializing in interactive content for TVs and PCs. In early 2001, we acquired a 16.4% stake in Metropol, a Norwegian TV channel catering to urban youth. Metropol is, however, currently risking bankruptcy and we are in a dialog with potential partners to save the company.

Interactive Television Services

We believe that if our customer base and subscription revenues are to continue to grow, we must continually improve our services and be able to offer a broader range of subscription-based and pay-per-usage services. As a result, we are developing a portal for television-based interactive services, branded "Zonavi". In line with the migration from proprietary to common standards and platform, we expect to make this offering available to our own networks as well as independent access networks. We expect Zonavi to enhance the television set's capabilities as an information and entertainment platform.

We aim to introduce the first television-based portal in Norway. We had expected a broad commercial launch in the fourth quarter of 2001, but due to cross platform difficulties and delays in the Nordic agreement on open standards, we have limited the launch to four games, news and weather services and access SMS services on our satellite platform in the fourth quarter of 2001.

We intend to act as a content aggregator, bundling content from retailers, information, betting, gaming, banking, and other service providers. On behalf of service providers, we will aggregate the services offered aiming to bring all parties together in one suite. Our objective is to continually aggregate and develop new and innovative services. To date, we have entered into preliminary agreements with key content owners, and we will continue to seek to establish new partnerships.

Conditional Access Systems

On behalf of the content owners for whom we distribute content, we provide encryption, conditional access and subscriber management and billing systems. Through Conax, we provide these services both for broadcasting networks and Internet/intranet and other types of networks. Conax was established to capitalize on the expertise developed in our research division beginning in the mid-1980s. Our services enable video broadcasters and content providers to encrypt their digital services so that programming may only be viewed by authorized subscribers that is, those who pay for a subscription. The process uses an authorized smart card contained in the subscriber's decoder, which communicates with the subscriber management systems and enables program authorization and billing processes. A smart card is a plastic card which carries an embedded computer chip and is inserted into a decoder or other smart card reader.

We are a leading supplier of these services in the Nordic region and our principal customers include the two Norwegian television broadcasters NRK and TV2, the Swedish broadcaster SVT and Canal Digital.

Conax generated revenues of NOK 211 million in 2001, of which NOK 183 million was from other Telenor companies, including Canal Digital. The Telenor partly owned venture capital company, Telenor Venture II ASA, acquired a 10% share interest in Conax in January 2001. We are currently evaluating the possibility of other partnerships to further develop Conax.

Competition

Our main competitor within the development of interactive services is Modern Times Group, a Swedish conglomerate with operations in TV, print, media and the Internet, and its subsidiary Viasat. For its interactive services, Viasat utilizes a proprietary standard called ''Open''. Presently, Open is a more mature standard than Media Home Platform, which still is in its development phase.

Our main competitors within conditional access systems are NDS, a British company and Kudelski, a Swiss company. In addition, there are a host of small national players in Asia, Europe and North America.

TELENOR BUSINESS SOLUTIONS

Overview

Our Telenor Business Solutions business area provides a broad range of communications solutions and application management solutions to the business sector in Norway and other selected European countries.

Telenor Business Solutions is positioning itself as a leading provider of value-added communication, application/information technology and managed services to the business market in the countries in which it operates, with application service provisioning (ASP), advanced network solutions and e-business as its key focus areas. In particular, Telenor Business Solutions has developed broad areas of competence, which include the development and implementation of ASP and managed services concepts as well as the integration and combination of communications products, both fixed and mobile, with information technology. Telenor Business Solutions also offers consulting services, which are primarily for customer relationship management (CRM) systems, e-strategy and e-learning. Telenor Business Solutions is also responsible for the marketing, sale and implementation of large and complex outsourcing contracts.

We compete in the market for business solutions on the basis of several factors. These include our expertise and competence, the breadth of our products and services, the technological advancement and functionality of our solutions and the reliability and security of our products.

In July 2001, we reorganized all our operations focusing on the business sector into one business area, the new Telenor Business Solutions, which consists of the following business lines:

Access, network and communication services provides integrated voice and data telecommunications, access and network services in Norway. These integrated services include advanced network services, Internet Protocol (IP)-based communication services, including internet access and IP-Virtual Private Network (VPN), datacommunication services, telephone-based customer contact solutions, messaging, hosting solutions and value-added voice services.

ASP, operating services, software, consulting services provides cost-efficient IT support, helpdesk and system integration functions to large and medium-sized businesses and the public sector in Norway and Denmark. We design and offer sophisticated business solutions, which include:

- the efficient integration and management of a range of high capacity and quality voice and other communications services, Internet and workstation management services, network access and other managed and consulting services which we tailor to satisfy the specific needs and complex organization of our larger business and public sector customers; and

- software designed to support our services and functions.

Business Solutions Sweden provides telephony, IP-based communication services, datacommunication services and advanced network services to the business market in Sweden.

Nextra International provides IP-based communication services in the United Kingdom, the Czech Republic, Slovakia, Hungary, Austria and Italy.

CominCom/Combellga provides voice and data telecommunication services to the Russian business market, primarily in the Moscow region.

Strategy

Telenor Business Solutions' goal is to become the leading provider of communications and IT solutions in the Nordic region and to be among the three largest providers in selected segments in all other markets where we have a dedicated presence. The company aims to obtain this position by focusing on its core expertise in the areas of developing and implementing concepts for ASP and advanced operations services, sales, integration and bundling of fixed-line and mobile communications services with traditional IT and sales and implementation of large, complex outsourcing contracts. The short-term strategy is to consolidate present positions and prepare the organization for further growth focusing primarily on improved profitability.

We intend to develop the Nordic region as our home market; elsewhere in Europe there will be consolidation. The pan-European strategy for Nextra was changed in 2001 in light of the restructuring of this segment of our communications business. Altering its original strategy for developing a pan-European operation, Telenor Business Solutions decided in mid-2001 to focus more on developing profitable individual positions.

This strategy requires that Telenor Business Solutions continues to implement its operational excellence program at all levels and reaches a balance between increasing its market share and improving its performance, including a significant effort to streamline the provision of services to our customers and improving efficiency.

In 2002, we intend to focus on implementing this strategy by:

- aiming to turn our Norwegian operations into a cash generating operation;
- developing our Swedish and UK offerings consistent with our Norwegian managed services portfolio and achieving maximum synergies between our offerings;
- increasing our market share in Moscow, maximizing cash-flow from voice operations and conducting selected investments into new products and other Russian regions; and
- developing international positions in the markets where we can be "one of three" in selected segments and exiting the other markets.

Access, Network and Communication Services

Internet access. We offer a range of solutions for Internet access, from basic connection for a single user to advanced and comprehensive solutions for a large company with many users. We offer companies and organizations several different options to access the Internet. Multiple users can choose among a leased line, ISDN, ADSL, ansynchronous transfer mode or frame relay technology to connect their local network to the Internet.

VPN. We offer Virtual Private Network (VPN) solutions through which our customers may link their company's sites and networks together and support their remote users. Based on a combination of authentication, encryption and protection of data, our VPN solutions are designed to ensure the secure transfer of data and help reduce the costs of our customer's communication infrastructure.

Nordicom. Our broadband Nordicom network in Norway:

- includes nodes located across the country with ATM connections in five other countries and frame relay connections world-wide;
- enables our customers to transfer data at rates from 64 Kbps to 155 Mbps; and
- includes our dedicated X.25 network, which consists of approximately 500 transit nodes, to which we connect our customers' terminals.

Nextbone. Our Nextbone network is our international Internet-only network that serves thousands of users every day. With strategically located "points of presence" in some of Europe's busiest cities, the system provides Telenor Business Solutions' customers with fast and reliable connection to the Internet. Nextbone operates a multi-megabit backbone with interconnection points in Amsterdam, Bratislava, Frankfurt, London, Milan, New York, Oslo, Prague, Stockholm, Copenhagen and Zurich and connects to the Internet in the United States via several high-speed links.

Value-added telephony services. Telenor Business Solutions offers our business customers basic voice communication services as well as advanced routing and service access, including:

- customer contact services such as virtual call center solutions, traffic routing and toll-free numbers; and
- interactive services such as interactive voice response, short messages and web services.

Messaging. We provide domestic and international messaging services based on a wide range of integrated and user-friendly e-mail communications packages. These services include our IMAP-based mailboxes for the professional market, which facilitate users' access to e-mail, faxes, cellular phones and pagers, as well as reading and writing of e-mail messages from both central and remote locations.

Hosting. Our business customers may outsource their own server maintenance through our hosting solutions. Our Internet hosting services range from storage of simple web pages to advanced multimedia and e-commerce solutions.

ASP, Operating Services, Software, Consulting Services

ASP. We offer a broad portfolio of application service provisioning, or ASP, to businesses in the Nordic market. Our business customers may outsource their IT resources and infrastructure by using our ASP services, which provide cost efficient IT support and helpdesk functions at a fixed price for a package of services. These services may include communication network access, workstation management, design services and office support. As part of these services:

- we store our customers' software and data on central servers located in our secure underground facilities; and
- our users subscribe to a screen display and computing power, which we make available through one of our many telecom connection options.

Based on the number of our connection points, we were the market leader within ASP-service providers in Norway based on the number of simultaneous users as of December 31, 2001.

Our contracts with the Norwegian municipality of Trondheim and the Norwegian airline Widerøe illustrate the complex and comprehensive ASP services which we offer to our customers. Our contract with the City of Trondheim is the most comprehensive ASP contract in Norway, with more than 3,000 connection points and a yearly contract value of NOK 40 million over five years. The agreement involves outsourcing major parts of the municipality's IT and communications services to Telenor Business Solutions through an ASP contract and covering PCs, workstations, networks and applications, as well as telephony.

In May 2001, we entered into a three-year ASP contract with Widerøe Flyveselskap, under which Telenor Business Solutions manages the airline's IT systems used by its 1,200 employees in 33 different offices. For these purposes, Telenor Business Solutions set up a completely new Wide Area Network, which we manage from Telenor Business Solutions' operation centers located across Norway.

Building key partnerships is an important element of our strategy for Telenor Business Solutions. We believe that our alliances provide new and valuable opportunities for improving and expanding the applications of our communications technology and continuing to innovate and simplify business communications for our business customers.

In 2000, we announced a major initiative with Computer Associates to jointly address market opportunities in the Nordic region. We have a license agreement with Computer Associates which has a seven-year term running from June 30, 2001 and under which Telenor Business Solutions has responsibility for five of Computer Associates' strategic customers and access to Computer Associates' strategic partners in the Nordic region. To date, few sales have been made under this contract; however, we believe that this initiative may still provide significant business opportunities.

In September 2001, Telenor Business Solutions and Oracle Corporation, the world's largest provider of software for e-business, formed a global partnership. This is a non-exclusive agreement that gives us the opportunity to provide the Oracle suite of applications online to our customers and to use it as a basis for our ASP and outsourcing services. The agreement covers several of Oracle's products and enables Telenor Business Solutions' ASP services to provide more complete solutions. As part of this partnership, in October 2001 Telenor Business Solutions and Oracle launched a joint hosting initiative under which Telenor Business Solutions is hosting Oracle's entire software platform, including its database, application server and E-Business Suite of software applications in our highly secure "superhub" data centers in Norway and the United Kingdom.

Managed services. Our outsourcing and managed service concept is targeted towards our large and medium-sized business customers in the Nordic business market and is designed to provide managed information technology and communication services, business support services and information technology and applications support services, including call-center and customer relations management.

We typically provide our managed services under long-term contracts with an average duration of three years. Typically, these contracts are awarded through competitive bidding. We believe that these contracts provide us with a platform to develop longer-term contracts and stronger customer relationships.

Business Consulting. We offer system integration and consulting services to our business customers in Norway. We believe that we provide our customers with a unique mix of telecommunications and IT expertise as well as the ability to design innovative solutions, perform complex implementations and cost efficient operations.

Business Solutions Sweden

Telenor Business Solutions AB (Sweden) was formed by the merger of former Nextra AB, the Swedish division of our former Nextra IP-business, parts of former Telenordia AB and former Telenor Business Solutions Sweden. Prior to September 30, 2001, each of British Telecom and Telenor held a 50% ownership interest in Telenordia. We acquired 100% of Telenordia as of October 1, 2001, and we terminated our non compete agreements with British Telecom, which established a new company to continue to provide Concert's international voice and data communications services in Sweden.

Telenordia forms the foundation of our new Telenor Business Solutions AB, which focuses on serving the Swedish business market. Telenor Business Solutions AB retains the largest customer base for Nordicom, our data communications network for the Nordic business market. We believe the Swedish business market provides significant growth opportunities because Swedish business customers prefer single vendor relationships and outsourcing and there is an increasing demand for sophisticated IP-based solutions.

As a result of the combined strengths of the former Nextra AB organization, Telenordia and Telenor Business Solutions, we believe that Telenor Business Solutions AB is well positioned to be a strong player in the Swedish business market. At December 31, 2001 Telenor Business Solutions AB, which we consolidated into Telecom Business Solutions as of October 1, 2001, had 475 employees and approximately 1.3 billion SEK in revenues.

Nextra

Nextra began offering Internet and IP-based communication services to the Norwegian business market in 1993 and began expansion into the pan-European market in the spring of 1998. As part of the reorganization of our operations, in 2001 Telenor Business Solutions took over Nextra's former IP-based business in Norway and Sweden. At December 31, 2001, Nextra had operations in seven countries outside of these two countries.

In 2001, Nextra's markets faced an unprecedented downturn, which led us and our competitors to review our respective business model and reorganize and refocus our respective operations. Nextra's focus during its build-up phase was on investing in new markets and growing primarily through acquisitions. In 2001, Nextra shifted its focus from gaining market share to improving results and return on capital. As a result, Nextra exited from Germany and Switzerland in 2001 and focused on its operations in the United Kingdom, Italy and Central and Eastern Europe, where Nextra has a significant presence. Nextra provides:

- hosting of data and applications;
- Internet connectivity and VPN solutions; and
- service capabilities for managing the transition from IT to IP.

United Kingdom. Nextra United Kingdom was formed in 2001 by way of merger of Norsk Data, XTML and CIX, three UK-based companies operating in the business of IP-based communications. Norsk Data had developed strong capabilities within enterprise management, help desk services, ASP, installation services and multi-vendor hardware maintenance. XTML was a UK specialist service provider, which had developed a secure hosting infrastructure, XTML ServerBank, located in a former Bank of England gold vault. CIX was one of the oldest Internet names focused on connectivity and hosting services. As a result of the combination of all these essential IT and IP services skills into Nextra, we believe that, through Nextra, Telenor Business Solutions can assist its business customers in moving from traditional telecom and IT-based environments to new and innovative IP-based solutions.

Central and Eastern Europe and Italy. Nextra's Central and Eastern European region includes its operations in Austria, Hungary, the Czech Republic and Slovakia. We established a separate organizational and management structure for this region in October 2001 in order to optimize synergies among our operations in the four countries. This led to the establishment of a joint call center and network operations center for the region. In addition, our management team intends to set up common network engineering and business development operations across the region.

Nextra is one of the top five IP-based communications service providers in Italy. Its presence is particularly significant in the North Eastern and Central Italian markets. In 2001, as a result of Nextra's focus on cost reductions, Nextra's Italian management team implemented the restructuring of Nextra's Italian operations, including a 35% reduction of its workforce, and achieved significant cost reductions.

CominCom/Combellga

In 2000, we acquired 75% less one share in CominCom/Combellga for a total consideration of USD 120 million. The purpose was to develop a profitable presence in the business communications market in Russia. CominCom/Combellga provides a one-stop shop of high-tech integrated telephony services to corporate clients.

We believe that growth opportunities in the Russian telecom sector are promising. This sector has expanded by an average of 15% each year since 1999, primarily as a result of the introduction of new services. We believe that CominCom/Combellga may enhance its competitive position by building upon our expertise and know-how. We are implementing projects for wireless broadband communication, ADSL and IP VPN.

In Moscow, our main competitive advantages are our modern digital overlay network, our own last mile solutions (including LMDS) and one of the largest proprietary fiber-optic networks, as well as a high quality portfolio of more than 9,000 business customers. As of December 31, 2001, CominCom/Combellga was the third largest competitive local exchange carrier.

CominCom/Combellga has also developed and operates networks in other Russian cities. These local networks, together with the long-distance transport backbone of CominCom/Combellga to which they are connected, provide one of the most reliable solutions to business customers in Russia for telephony, data and Internet traffic. By using modern technology and local partnership, CominCom/Combellga is able to offer competitive tariffs for long distance and international calls.

CominCom/Combellga reported solid financial performance in 2001, with revenues totaling USD 65 million, EBITDA of USD 21 million and operating income of USD 8 million.

CominCom/Combellga also cooperates with VimpelCom to develop joint fixed and mobile services for the Russian business market.

OTHER BUSINESS ACTIVITIES

EDB BUSINESS PARTNER

Overview

Our 51.8%-owned subsidiary, EDB Business Partner ASA, is a leading Norwegian information technology company providing consulting services, software solutions and computer operations. EDB Business Partner's customers are principally large and medium-sized companies and organizations with a special focus on banking and finance, telecommunications and the public sector. Although its primary market is Norway, EDB Business Partner also has operations in Sweden, Denmark, the Netherlands, the United Kingdom, Spain, Switzerland, France, Poland and the United States. EDB Business Partner had total revenues in 2001 of NOK 5,060 million, of which NOK 3,602 million were external sales and NOK 1,458 million were sales to other Telenor businesses. EDB Business Partner's shares are listed on the Oslo Stock Exchange.

EDB Business Partner was created by the merger of our software and IT business with EDB, a publicly traded company, in May 1999. On April 1, 2000, EDB Business Partner acquired Fellesdata AS, a major provider of traditional and Internet-based systems for financial institutions in Norway.

Strategy

EDB Business Partner's strategy is:

- to be a leading expertise-based IT business, focusing on systems (software and service), computer consultancy and computer operating services; and
- to take advantage of the increasing trend on the part of medium and large businesses towards out sourcing their IT functions as well as other opportunities arising from current IT trends, such as the growth of Internet applications, application service provisioning, e-commerce, banking over the Internet, mobile telephony/wireless application protocol and business critical applications.

Business Areas and Services

EDB Business Partner has the following four business areas:

Computer Operating Services

EDB Business Partner is one of the largest suppliers of IT operating services in the Nordic region. This business area:

- provides both the centralized and remote operation of computer systems, ASP, data communications and services related to backup and publishing;
- serves customers in all industries and sectors; and

- comprises EDB Teamco, the subsidiary PDS AS, with effect from April 1, 2001, and, from August 1, 2001, the Swedish company Unigrid AB.

EDB Teamco operates the largest computer center in Norway and provides computer operating services for large and medium-sized companies in both the private and public sector. EDB Teamco provides operation and monitoring services for both centralized computer systems and decentralized local area network servers.

Bank and Finance

Through its wholly owned subsidiary, EDB Fellesdata AS, EDB Business Partner is a leading full service application, IT operating systems and consultancy provider to the banking and finance sector in Norway. EDB Fellesdata AS was created through a merger of Fellesdata AS and EDB Novit AS. The Bank and Finance business area further includes the subsidiaries SysCon AS and, from August 1, 2001, Accept Data AS in addition to the Benelux-based company Maxware BV and the Swedish companies Infovention AB, from September 1, 2001, and eConnect AB.

On August 23, 2001, EDB Business Partner acquired Infovention AB, a Swedish company that delivers business-critical systems for the banking and finance sector, as part of EDB Business Partner's strategy to develop an international presence. EDB Business Partner believes that the expertise and market presence of Infovention, combined with the systems offered by EDB Fellesdata, will help strengthen EDB Business Partner's position, particularly in the Nordic banking and finance market.

In July 2001, as part of an alliance of Telenor, EDB Business Partner and Cap Gemini Ernst & Young, EDB Business Partner entered into a five year contract with Den Norske Bank (DnB) to take over and operate DnB's entire information and communication technology activities.

Telecommunications

The Telecommunications business area:

- operates in Europe through EDB 4tel AS and in the United States through Telesciences Inc. as well as having a 44% interest in the Washington D.C.-based consulting firm Logan Orviss Inc.;

- comprises the sale of software application solutions and consultancy services to the telecommunications sector; and

- focuses in particular on the customer care and billing (CCB) as well as the mediation product areas. EDB Business Partner is a leading player in the market for mediation systems, that is data interfaces between network switches and business-support systems.

EDB 4tel is a leading European software supplier specializing in the development of operational support systems for the telecommunications industry, flexible and advanced software systems, systems integration, implementation support and consultancy services.

Telenor is EDB 4tel's principal customer and we accounted for a majority of its 2001 revenues. Telenor entered into multi-year agreements with EDB 4tel concerning pricing and minimum levels of purchases by us.

In January 2001, EDB 4tel opened sales offices in Switzerland and Spain to serve the Iberian countries and South America and a UK sales office was established during the last quarter of 2001, while the Irish subsidiary EDB 4tel Ltd. was closed down in January 2002.

In 2000, EDB 4tel signed a contract with Swisscom for sale and implementation of the order management module, a part of EDB 4tel's CCB system, and in April 2001 the company entered into a new agreement for an enhanced version of the order module. In 2001, EDB Business Partner also entered into contracts with selected European mobile operators to sell mediation systems.

Consultancy Services

The Consultancy Services business area:

- comprises services related to project management, consultancy advice, systems development and the administration of computer systems;
- serves customers in all industries and sectors; and
- includes EDB Dolphin and EDB Business Consulting with its subsidiaries Stradec, EDB Fundator and Business Data Consulting AS (BDC).

The 50% owned joint venture, Ephorma AS, serving the public sector in Norway was sold in December 2001 in return for NOK 137.5 million in cash consideration.

Competition

The market in which EDB Business Partner operates is highly competitive and is characterized by the need for a high level of expertise and experience, as well as extensive capital investment. It is of critical importance that EDB Business Partner's software products are seen to be competitive in terms of system design, functionality, performance, interface, user friendliness and a high degree of standardization. It is also important that its products meet all the market requirements from time to time for interaction with industry standard software and hardware.

BRAVIDA

Overview

We hold 48% of the company formed by way of merger between Bravida and BPA AB in 2000. A consortium led by the former shareholders of BPA also holds 48% interest and management holds the remaining 4%. Pursuant to the merger agreement, we are, subject to certain conditions, required to reduce our stake in Bravida to approximately 33% by March 2003 or to a maximum of 25% in the event of a listing. Bravida has announced its intention to list the company during the first half of 2003. Under the merger agreement, we and the former BPA shareholders have agreed to divest certain non-core assets of the former BPA. If the proceeds received by the merged company from such divestments do not reach a certain level, the former shareholders of BPA have agreed to compensate us for the shortfall through either cash payments or by transferring a part of their shares in the merged company to us. During 2001, some non-core assets were divested successfully and others are either being prepared for divestment or in the process of being divested. According to the merger agreement, the divestments should be finalized by the end of 2003.

Bravida is registered in Norway and headquartered in Stockholm and is now the largest provider of installation and operating services in the Nordic region. In 2001, Bravida had total revenues of NOK 11,964 million and income before tax of NOK 148 million.

Services

Bravida currently provides a comprehensive range of products and services, which is based on advanced and integrated technological solutions, combined with a high level of expertise among its personnel in a broad range of activities. The principal categories of services provided by Bravida are:

- ***Information and Communication Technology (ICT).*** Bravida plans, designs, installs and operates, as well as provides remote and on-site service for voice, data and video equipment for the business market. In addition, Bravida sells premises equipment, computer and telecommunications as well as video communication equipment.
- ***Telecommunication and Data Networks.*** Bravida plans, designs, installs, tests, documents and provides full maintenance of network infrastructure, access networks, switching facilities, transmission elements and GSM 900 and GSM 1800 and UMTS mobile networks, as well as analog, ISDN, ADSL, broadband-solutions and security systems. We refer fault reports from our network to

Bravida. Bravida can install and deliver telecommunications networks on a turnkey basis. Bravida also provides project management for network expansion projects.

- ***Ventilation.*** Bravida's expertise includes ventilation units for heavy industries, hospitals, the pharmaceutical industry, wet areas, as well as comfort ventilation for schools and offices and ventilation units for residential accommodation.

- ***Plumbing.*** Bravida provides traditional installation services for water, waste, heat and refrigeration, energy, industrial installations, sprinkler systems for the processing and other heavy industries as well as for residential properties.

- ***Electrical.*** Bravida supplies complete solutions for lighting, power and heating to contractors, private industry, the public sector as well as real estate and construction companies. Bravida also supplies alarm systems, security systems and access control systems.

- ***Integrated solutions.*** Bravida provides counseling/projecting and installation of integrated solutions, including electrical installations, pipes, ventilation, ICT, security/alarm and access control. Bravida's integrated solutions vary from simple to very advanced constructions.

Historically, Bravida's services in the areas of network expansion and service in the Norwegian market were provided exclusively to customers within the Telenor group. Bravida is experiencing an increasing demand for these services from customers other than us, caused in part by competing telecommunications operators increasing their infrastructure activities in Norway. Bravida has held discussions with several parties about the construction of UMTS mobile networks in Norway and Sweden in 2001 and has installed several sites in Norway's major cities on a pilot basis. In January 2002, Bravida entered into a framework agreement with NetCom with regard to installation and maintenance of NetCom's mobile infrastructure.

Bravida provided the project management and installation for our new office complex at Fornebu. In 2000, Bravida and our Telecom business area (now Telenor Networks) entered into a five-year agreement regarding expansion, maintenance and service of the Telenor infrastructure in Norway. Under this agreement, Telenor Networks purchased and Bravida offered capacity equaling 75% of Telecom's service demand in 2001. The commitment of both parties is 67.5% of Telenor Networks' service demand for 2002 and 60% for the last three years (2003-2005).

Bravida also includes the Bravida Geomatikk operation, which provides geographical information services and electronic filing systems. Bravida Geomatikk also offers the Geoweb solution, an electronic map of the underground infrastructure, such as electrical wires, telecommunication cables and pipes, for different geographical areas. To date, these services have been primarily provided to Telenor Networks (formerly Telenor Telecom), although Bravida has successfully competed for a number of contracts from other customers.

SATELLITE MOBILE

Overview

We provide global satellite mobile communications services for a full range of telephony and data communications to and from mobile units all over the world. This includes communications to, from and between units at sea, on land, or in airplanes. Our maritime customers include commercial and naval vessels and oil installations. We are one of the largest operators of this type of mobile services in the world. We provide our satellite mobile services primarily through our EIK land earth station (LES) in Norway and, after the acquisition of CMC, Southbury and Santa Paula LESs in the USA. Revenues from our satellite mobile communication operations were NOK 1,271 million in 2001, including external revenues of NOK 1,210 million.

Our overall objective is to maintain and expand our leading position within satellite-based mobile communications. In 2001, we completed two significant acquisitions in order to achieve this objective:

- In March 2001, we signed an agreement to acquire the assets and operations of COMSAT Mobile Communications (CMC) from Lockheed Martin Global Telecommunications for a total consideration of USD 116.5 million (approximately NOK 1,050 million). We completed the acquisition on January 11, 2002. The final purchase price is subject to adjustments in accordance with the asset purchase agreement. In 2001, COMSAT had revenues of USD 107 million. The acquisition strengthens our position as a major global satellite mobile operator and makes us the largest Inmarsat operator in the world. CMC's operations include two LES facilities in Southbury, Connecticut, and Santa Paula, California. By adding these facilities to our Eik LES in Norway, we can provide coverage in all four Inmarsat satellite regions and offer a truly global and seamless satellite mobile communication services. We expect this acquisition to improve our operational efficiency and to further expand our already wide range of services.
- In March 2001, we acquired SAIT Communication S.A. from SAIT-STENTO for approximately NOK 190 million. We have consolidated SAIT Communications effective March 1, 2001. SAIT Communications is one of the leading companies in retail sales of satellite communication services through Inmarsat. In 2000, SAIT Communications' revenues were approximately NOK 500 million. As a result of this acquisition, we expanded our mobile satellite operations into the retail market to capture a larger market share.

In order to continue to maintain and expand our leading position within satellite-based mobile communications, we intend to increase our offering of value-added services to the market and to enhance our presence in the area of billing and accounting services to support retail end users. This would allow us to both capture a larger market share and introduce value-added services to a larger group of customers.

We are the largest individual shareholder in Inmarsat, the international maritime consortium, with a 15% interest and we appointed one member of the board of directors and handled more than 25% of worldwide traffic over Inmarsat in 2001.

Services

In addition to the traditional analogue Inmarsat-A service, we offer five digital services for maritime and land-based usage that provide more efficient use of the Inmarsat satellite capacity and reduce the cost of using satellite communications significantly. We launched our digital Inmarsat-B service to replace Inmarsat-A, followed up with its light-weight version Inmarsat-M. Our Inmarsat-C is a messaging service.

We terminated our cooperation with British Telecom on the telephone product Mobiq, but continued to perform billing services for British Telecom through June 2001.

In November 1999, we were the first LESO to receive certification to commence commercial operation of Inmarsat's then newest satellite service Global Area Network (GAN). GAN services, together with an easy-to-operate GAN mobile satellite terminal, provide a user with a high degree of flexibility and accessibility at all times. GAN services provide access at speeds up to 64 Kbps for data, comparable to a fixed network ISDN line. After a slow start, the GAN service has picked up significantly towards the end of 2001 and we have reached a market share of almost 30% in 2001. We supplemented our GAN services when we were the first LESO to receive commercial authorization from Inmarsat for the Mobile Packed Data Service extension in August 2001.

We are also the first, and so far the only, LESO to be approved by Inmarsat for commercial operation of the next generation of maritime services, Fleet, which we expect to launch in the market in the first six months of 2002.

Our main aeronautical services are passenger voice and cockpit voice/data services for airlines.

In the retail market, and in particular the maritime end user market, we have so far marketed the Inmarsat services under the brand Eik Global Communication. Under this brand, we cover all Inmarsat standards for the maritime market and all Inmarsat satellite regions. Our Eik Global Communication is known for its high quality, reliable service and highly skilled customer service personnel. We are also considering creating a new brand for the retail business of Satellite Mobile.

In addition to being a service provider for Inmarsat, we provide billing and accounting services within the Inmarsat system. We bill for all ship-to-shore communications covering close to 100% of all Norwegian vessels and some vessels with foreign flag.

We offer to heavy users of maritime communications dedicated leased lines through either our Inmarsat space segment or our own total communication solution SeaLink, which is a permanent satellite leased line for data transmissions and establishes customized communications solutions between a fleet of mobile sites and one or more land based sites. We believe that we have approximately 100% market share in the Norwegian sector of the North Sea and we also deliver our solutions in other remote regions such as certain parts of Africa. In 2001, we increased our customer base, particularly in the Mediterranean Sea by signing a contract with Minoan Lines in November 2001.

Competition

The other larger participants in this market are Xantic, Stratos, France Telecom, SingTel and KDDI. We also compete with a number of smaller operators with their own land earth station. The market is concentrated and, following our acquisition of COMSAT, we, Xantic, Stratos and France Telecom are the four largest operators and account for approximately 85% of the Inmarsat market. Prices for satellite mobile service have been reduced in recent years due to competition, and we expect competition to continue to be strong. In addition, we now face competition from systems that compete with Inmarsat, such as Iridium, Globalstar, ICO (so-called LEO/MEO systems) and regional systems such as Thuraya and ACeS.

In the Inmarsat System, a customer can select to place a call through any land earth station that serves the respective area. As a result, operators compete on the basis of pricing, global coverage and brand name.

SATELLITE NETWORKS

Through Satellite Networks we provide satellite-based communications networks and services to a wide variety of governmental, intergovernmental and commercial organizations utilising Very Small Aperture Terminal (VSAT) technology. VSATs are small, direct to business satellite earth stations and the most common satellite modem in use today. Our services range in complexity from the provision of point to point data links to complex satellite networks providing access to a full suite of telecommunications services including voice, data, Internet, video-conferencing etc. We offer a complete service including network design, implementation, operation, maintenance and the provision of satellite and terrestrial communications capacity.

Our satellite services are particularly attractive to customers with communications needs that span a number of countries due to the fact that we act as a single supplier of services on a global scale. Our services are also attractive to customers operating in markets lacking competitive terrestrial infrastructure. Our geographic focus areas are Central and Eastern Europe, the Middle East and Africa.

We serve the following niche market segments:

- international communication solutions for governmental, intergovernmental and large corporate organizations;
- communication solutions for corporate and public organizations in Poland;
- satellite-based IP services, including internet access, VoIP (Voice over IP) and gateway services, to Internet Service Providers and telecom operators; and
- communication services for the Svalbard community and operators of polar orbiting satellites established at SvalSat earth station on Svalbard.

We operate through subsidiaries in several European countries. The main network operating centres for our satellite networks are located at our Earth Station in Nittedal, just north of Oslo in Norway, and our satellite hub station in Minsk Mazowiecki close to Warsaw for our operations in Poland. The VSAT terminals and additional equipment is provided from selected major suppliers. We have access to necessary satellite capacity from INTELSAT, INMARSAT, EUTELSAT and other major satellite operators.

Since 2000, we have radically restructured our operations with the objective of bringing the cost-base in line with revenue generating capabilities. Business activities have been refocused towards high-growth and high margin segments and loss making operations have been closed down. Our external revenues in 2001 were approximately NOK 443 million, a 15% increase compared to 2000. Revenue is generated principally on the basis of long term contracts with our customers. During 2001, we signed a number of key contracts with major international organizations and corporations.

ITWORKS AS

Itworks AS is one of Norway's largest suppliers of ICT solutions, with focus on systems integration and consultancy services. Itworks is a result of a merger in January 2001 between EDB Intech AS and the hardware division of Telenor Business Solutions. At December 31, 2001, our ownership share in Itworks was 45%. Our part-owned company, EDB Business Partner ASA, also owns 45%, while the Thrane-group owns 8.8%. The remainder is divided between minority shareholders.

TELESERVICE AS

Teleservice AS is responsible for the products Directory Enquiries and MeetAt 119 (telephone and data conferences), and Contact Center services. The company aims to simplify and rationalize the customer's working day may making information and communication services easily accessible to users. The company is fully owned by Telenor. From 2002 directory enquiries have been opened for competition in Norway. At the end of 2001, the company had a total of 23 district offices, 12 of which are directory enquiry units.

RESEARCH AND DEVELOPMENT

With 325 employees, our Research and Development (R&D) is Norway's largest research environment for information and communication technology. The focus on R&D determines our position as a leading international company in the development of simpler and improved communications solutions. The activities are long-term and managed in multidisciplinary research programs and projects. We work closely with leading research environments in Norway and outside Norway. In 2001, R&D participated in several international projects, mainly under the direction of the EU and EURESCOM.

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

REGULATION

Overview — Norway

Since the early 1980s, Norwegian telecommunications markets have gradually been opened up to competition, and by January 1, 1998, the Norwegian market was fully liberalized and Telenor's remaining monopoly was abolished. Although Norway is not an member of the European Union (EU), the Norwegian regulatory environment has been heavily influenced by the initiatives undertaken by the EU. As a member of the European Economic Area (EEA), Norway is required to adapt its regulatory framework to the legislative and regulatory framework established by the EU for the regulation of the European telecommunications market as far as the directives are made relevant to the EEA Agreement. In practice, Norwegian policymakers and regulators follow the major aspects of the EU telecommunications framework. As a result of the EEA Agreement, our operations are subject to both Norwegian and European regulation.

The telecommunications sector is regulated by the Norwegian Telecommunications Act of June 23, 1995 and secondary legislation under this Act, which provides general rules and principles for all telecommunications activities, including our public networks and public telecommunications services, terminal equipment and frequencies. The most important provisions are included in the Regulations on Public Telecommunications Networks and Public Telecommunications Services of December 5, 1997. We are considered to have significant market power in the markets for voice telephony (both fixed and mobile), transmission capacity and interconnection (both our fixed and mobile operations) and must adhere to the specific regulatory provisions applicable to operators with significant market power.

Our activities in our broadband services business area in Norway are regulated by the general sector-specific regulations for public telecommunications networks and several other regulations, including the Norwegian Broadcasting Act of December 4, 1992 and secondary legislation.

In addition, several general regulations apply to our core activities, including, among other things, data protection, consumer protection, Norwegian competition law and EEA/EU competition regulation.

The Norwegian Ministry of Transport and Communications has overall responsibility for the telecommunications sector. The Ministry's principal responsibilities include preparing legislation for the Storting (the Norwegian parliament) and deciding on secondary legislation, including regulations. The Norwegian Post and Telecommunications Authority (PT) is the principal regulatory body under the Telecommunications Act and is responsible for day-to-day supervision of the telecommunications sector.

Important features of the Norwegian regulatory framework for the telecommunications sector include:

Service Licenses. Generally, the Norwegian regulatory regime poses few barriers to entry for new service providers. Providers of public voice telephony services and transmission capacity services based on their own telecommunications infrastructure that have significant market power (normally presumed to be those having a 25% or greater share of the relevant market) are required to obtain a license from the Ministry of Transport and Communications. The Ministry of Transport and Communications may also oblige other providers to obtain a license (currently only required for mobile network providers). All other providers need only register with the PT. The registration process is open, simple and expedient.

We currently hold the following service licenses:

- a license for fixed public telephony service and transmission capacity (e.g., leased lines); and
- licenses for mobile networks and services in the 450 MHz frequency band (analog system) and the 900 and 1800 MHz frequency bands (digital systems). In addition, in November 2000 we were awarded a license for the provisioning of a third generation mobile system based on UMTS technology.

Universal Service Obligations (USO) and Special Service Obligations (SSO). USO primarily apply to the fixed public voice telephony service, leased lines (connections up to 2 Mbps) and some data services. We are the only licensee in the Norwegian market subject to USO requirements. USO require that the public voice telephony service must be accessible at affordable prices for all households and enterprises, while some leased lines and data services must be accessible for all enterprises. Further, USO require us to provide public payphones throughout Norway and special services to the disabled. In 1999, the Storting restated that no external funding would be provided to finance costs associated with USO. We also have special service obligations (SSO), including defense-related services, coastal radio and services for the arctic island of Svalbard. The government compensates us for the incremental cost of providing SSO services on a case-by-case basis.

Non-discrimination, transparency and objectivity requirements. As an operator with significant market power, we are required to follow certain principles with respect to our agreements with end users and service providers. In particular, we are required to offer our services in a manner that avoids discrimination between the buyers of our services, unless different conditions can be justified on objective grounds. Our agreements must be open and terms must be transparent.

Cost and Price Regulation. Public telephony services, interconnection and transmission capacity (e.g. leased lines) must be offered by Telenor at cost-oriented prices. We currently base our pricing of these services on the principle of fully distributed historical costs. The requirement for cost orientation means that prices must be based on costs, plus a reasonable rate of return. In practice, the PT reviews our compliance with the requirements for costing, pricing, and transparency through its review of the annual ONP (Open Network Provision) report we are required to provide to the PT. Following review of the ONP report, the PT determines the reasonable rate of return, taking into account the ratio between our owners' equity and long-term debt. The most recent year for which the PT has completed its review of our ONP report is 2000. For 1999, the PT calculated our permitted rate of return to be 13%. We also used 13% as a reasonable rate of return in our ONP report for 2000 and the PT accepted this rate. In addition, we are subject to a price cap for voice telephony services for both the residential and business markets and leased lines.

Interconnection and Access. Every operator of a public telecommunications network has a right and an obligation to negotiate interconnection. Operators without significant market power are required to negotiate interconnection agreements with other telecommunication operators, but are under no obligation to enter into such interconnection agreements. This general rule also applies to other types of access rights and obligations, including special network access, national roaming and co-location. Operators with significant market power must make publicly available the terms of delivery for their network access and services, including interconnection terms. In addition, operators with significant market power must adhere to the principles of cost orientation and accounting separation and are under an obligation to behave in a transparent and non-discriminatory manner. Operators with significant market power may not refuse a request for interconnection or access if the request is technologically and economically reasonable. The scope of the regulatory restraint with regard to access has been delineated in several cases regarding different types of network access.

Local Loop Unbundling. On February 6, 2001, the Ministry of Transport and Communications implemented revisions to the regulations that require us to offer unbundled access to the local loops. Local loop unbundling means that our competitors can have physical access to and lease the local loop, thus enabling them to have the sole billing relationship with the end user. Our competitors may also install supplementary equipment, such as ADSL, on leased local loops to offer higher bandwidth services. Since April 1, 2000, we have been offering to our competitors the ability to lease capacity in the local loop. As a result of the revised regulations, in October 2001 we expanded our product portfolio to include "shared access" to the local loop, that is, we offer the telephony service and the new entrant offers broadband data services.

Carrier Selection. Since January 1, 1998, all mobile and fixed network operators providing access to a network have been required to allow their customers to select other operators to handle their calls. Carrier pre-selection refers to the ability of subscribers to choose a carrier other than the operator providing access to the fixed or mobile network as the sole provider of all or part of the telephony services on such subscriber's line. On the other hand, carrier selection refers to the subscriber's ability to dial a four-digit prefix and use the telephony services of a carrier other than the operator providing access to the fixed or mobile network on a call-by-call basis. Fixed network carrier pre-selection was implemented on June 1, 1999, requiring providers of access to the fixed network to offer their subscribers the ability to choose one pre-selected carrier. Since November 1, 2000, fixed network access providers have been required to offer their subscribers the ability to make two pre-selections, one for national traffic (within Norway) to geographical, non-geographical and mobile numbers, and the other for traffic to all international numbers, which may be with two different carriers. We are also required to provide carrier selection with respect to our mobile networks. However, to date no carrier selection agreements have been entered into for the Norwegian mobile market. We are not required to provide carrier pre-selection with respect to our mobile networks.

Mobile National Roaming. Mobile operators with significant market power are required to provide national roaming to other mobile operators. According to the licenses for GSM 1800, the licensee must build a network covering the four largest cities in Norway (Oslo, Bergen, Trondheim and Stavanger) before it is entitled to have national roaming. 3G licensees will have the right to have national roaming from GSM operators with significant market power, in areas where the 3G operator's network does not have coverage.

There is no requirement for the 3G operator to build its own network in specific areas before it is entitled to have national roaming with 2G networks. National roaming between 3G operators will not be mandated.

Number Portability. The PT introduced number portability for telephone numbers in both PSTN and ISDN fixed networks on June 1, 1999. Number portability allows subscribers to keep their telephone numbers when changing service providers. All public service providers must offer number portability. Number portability was introduced in mobile networks on November 1, 2001.

Prospects for Regulatory Developments. Norwegian policy makers have indicated a need for recurrent examination and a possible update of the regulatory framework due to the fast pace of technological and market developments. As a result, the Ministry of Transport and Communications has undertaken reviews of the Norwegian regulatory framework in several areas. At the EU level, a comprehensive review of the telecommunications regulatory framework has been undertaken, commonly known as the EU 1999 Communications Review. The intention is to develop a harmonized regulatory framework for electronic communications networks and services across the EU by means of a number of directives. It is expected that the scope, aim and timeframe of the Norwegian regulatory regime will continue to evolve in accordance with that of the EU.

Regulatory Framework and Authorities

Norwegian Regulatory Framework

The Norwegian telecommunications market has been subject to continuous deregulation, beginning with the liberalization of terminal equipment and value-added services in the 1980s and ending with full liberalization of voice telephony and infrastructure on January 1, 1998, thus abolishing the last legal monopoly in the telecommunications sector. The telecommunications sector in Norway is regulated through both sector-specific and general laws and regulations, including the Telecommunications Act and secondary legislation under this Act and EU directives as implemented in the EEA agreement. Norwegian and EU/EEA competition law apply to our telecommunications activities and our other core activities. In addition, our core activities are governed by various other laws, such as intellectual property rights legislation, the Personal Data Act and other consumer protection laws. The Broadcasting Act and secondary legislation under this Act are applicable to our cable television activities.

International obligations such as the General Agreement on Trade in Services (including the Agreement on Basic Telecommunications) and International Telecommunications Union (ITU) regulations are also relevant to our activities. The following discussion focuses mainly on the sector-specific regulations governing our core telecommunications activities. However, we also refer to other rules governing or affecting our other core activities.

Regulatory Authorities

Responsibility for regulation of and promotion of fair and open competition in the telecommunications sector is allocated among several regulatory bodies. These include:

- The Ministry of Transport and Communications;
- The Norwegian Post and Telecommunications Authority (PT); and
- The Norwegian Telecommunications Authority Complaints and Advisory Board (Complaints Board).

The PT is the principal regulatory body under the Telecommunications Act and is responsible for the day-to-day supervision of the telecommunications sector, including authorizations, supervision of the telecommunications market and handling initial complaints and disputes related to telecommunications law. The PT reports directly to the Ministry of Transport and Communications. Under the Telecommunications Act, the PT exercises the functions within its authority independently of the Ministry of Transport and Communications. The director general of the PT is not a political appointee and is not required to resign upon a change in government.

As a practical matter, the PT exercises considerable discretion in the interpretation of national legislation, and "soft law" from EU recommendations, communications and guidelines may influence the PT's decisions. The PT is represented in the regulatory committees of the European Commission. The PT also participates in the Independent Regulators Group, which holds informal meetings to discuss relevant issues from their national jurisdictions.

The Ministry of Transport and Communications has overall responsibility for the telecommunications sector. The Ministry's responsibilities mainly include preparing legislation for the Storting and issuing secondary legislation, including regulations. The Ministry also grants telecommunications licenses. Primary legislation is decided by the Storting, but the Ministry prepares most of the legislative proposals submitted to the Storting. The Ministry of Transport and Communications also acts as the final appeal body for decisions made by the PT.

The appeal system for complaints against decisions made by the PT is at present allocated among two regulatory authorities: the Norwegian Telecommunications Authority Complaints and Advisory Board and the Ministry of Transport and Communications. In cases relating to telecommunications policy and competition, the Ministry of Transport and Communications exercises final decision-making authority. In other cases, the Norwegian Telecommunications Authority Complaints and Advisory Board exercises final decision-making authority. In addition, a case may be brought before the Norwegian courts.

Other Regulators

In addition to the sector-specific regulatory authorities described above, both our telecommunications activities and our other activities are regulated by the following regulatory authorities, among others:

- The Ministry of Trade and Industry;
- The Ministry of Labor and Government Administration;
- The Norwegian Competition Authority;
- The EFTA Surveillance Authority and the EU Commission;
- The Data Inspectorate;
- The Consumer Ombudsman and the Market Council;
- The Ministry of Cultural Affairs; and
- The Mass Media Authority.

To some extent, the PT, the Norwegian Competition Authority and the EFTA Surveillance Authority/EU Commission have overlapping administrative powers. On a few occasions, complaint cases have been handled simultaneously by all three regulators.

Regulations on the Provision of Networks, Transmission Capacity and Other Telecommunications Services in Norway

General

Generally, the Norwegian regulatory regime poses few barriers to entry for new service providers. Unless a provider has been notified as having significant market power in the geographical market in Norway in which it provides public voice telephony services or transmission capacity services based on its own telecommunications infrastructure, or unless the Ministry of Transport and Communications has required the provider to obtain a license (currently only required for mobile service providers), a provider may provide such telecommunications services without a license, as long as it registers with the PT. As a general rule, significant market power is deemed to exist if an operator has a 25% or greater share in one of the markets for public telephony services, public networks, transmission capacity and interconnection (both fixed and mobile services). For other types of services, no license or registration is required.

The regulations establish rules regarding registration, information on terms of subscription, prices, interconnection, special network access and appeal procedures and sanctions, among other matters. The regulations also regulate number allocation, number portability and carrier selection, which are important elements of the regulatory regime for telecommunications operators.

The Norwegian authorization requirements are both liberal and low cost compared with other European authorization requirements. There is no maximum number of registrations or licenses that may be granted under the Telecommunications Act. However, since the radio spectrum is a limited resource, frequencies may not be available in sufficient quantity. As a result, the number of licenses that are granted may be limited. Before granting a mobile license, the Ministry of Transport and Communications is required to announce publicly that there are new licenses available. The PT prepares a frequency usage plan and the use of frequency bands is linked to the license. When a network is closed down, the PT will review the corresponding frequency band to determine whether it may be publicly reallocated.

Fees, set by regulation, apply to registrations and licenses as well as to frequencies and number allocation. The fees are set to cover the administrative costs of the regulator. Certain standard fees apply, and in addition the PT may charge an estimated fee for networks and services on an individual basis.

Service Licenses in Norway — Fixed and Mobile

We currently hold the following service licenses:

- a license for fixed public telephony service and transmission capacity (e.g., leased lines); and
- licenses for mobile networks and services in the 450 MHz frequency band (analog system), the 900 and 1800 MHz frequency bands (digital systems) and a license for provisioning of third generation (3G) mobile system services based on the UMTS technology.

We are the only company that holds a license for fixed public telephony services and transmission capacity due to the fact that we are the only company deemed to have significant market power. In the mobile market, other license holders are NetCom GSM, with one license for GSM 900 and one license for GSM 1800, and, since 2001, BaneTele, with one license for GSM 900, and Teletopia, with one license for GSM 1800. On December 1, 2000, the Ministry of Transport and Communications awarded us, NetCom, Tele 2 and Broadband Mobiles, a joint venture between Enitel and Sonera, one license for 3G mobile systems. However, the Ministry withdrew Broadband Mobiles' license following the bankruptcy of this joint venture.

In addition to the service licenses, the PT also grants frequency licenses (e.g., in the 40 GHz band).

License Conditions

Secondary legislation sets forth the principal requirements to be observed by all registered and licensed operators. The individual licenses impose additional obligations and, in certain instances, specify the general rights and obligations of operators.

Our licenses contain conditions that impose obligations on us to provide certain services and information. Our license for the fixed network and public telephony service over the fixed network contains requirements, including: nationwide geographic coverage (which we have fulfilled), the provision of a stipulated number of required services (such as calling line identification), universal service obligations (including services for the disabled and public pay phones), the provision of directory services, special defense-related service obligations, the provision of emergency services, price cap regulation, cost accounting, complaint system for customers, rights of way, fulfillment of obligations regardless of corporate structure, right of inspection by the PT, our internal control procedures, revocation of the license, sanctions, penalties and appeal procedures. Our fixed network license expires in 2014, unless it is otherwise revised or revoked. Under our 40 GHz wireless local loop license valid from April 2000 until April 2012, we are required to build out access in the cities specified in the license by 2005.

Licenses granted for mobile communications systems also contain geographical coverage requirements and specific roll-out schedules. We have fulfilled these requirements for our NMT and GSM licenses. With respect to the UMTS license, the coverage requirement and roll-out schedule reflect our offer in the application and are specified in the license. The coverage requirement is linked to geography (coverage of 90% of homes in all population centres with more than 200 inhabitants and a 75,500 km^2 area) and population (coverage of 3.75 million people), as well as capacity (bit rates up to 384 kbit/s). The requirement must be met within five years and specified through a roll-out schedule which is binding on us. We have met our obligations under the roll-out scheme for 2001 with regard to coverage. However, we have only in part met the capacity requirements for 2001 due to delays in the delivery of equipment. The Ministry of Transport and Communications suggested on February 20, 2002 that no penalties or other sanctions be imposed on us as a result of these delays. The mobile licenses also require, among other things, compliance with the relevant telecommunications regulations, international telecommunication standards, the use of frequencies as specified by the PT and numbering as assigned by the PT. The mobile license also specifies the requirements for national roaming, which applies only to GSM 1800 and UMTS, preparedness, as specified by the telecommunication authorities, and reporting and control. Our current license for NMT 450 (analog system) will expire on November 1, 2003. However, there is reason to believe that the authorities will extend the duration of our license for analog mobile services beyond 2003 in order to continue to serve the regions which at present are solely covered by NMT 450. Our original GSM 900 license will expire on November 1, 2005, and our GSM 1800 license will expire on March 9, 2010. Operators may apply for additional frequencies in accordance with the procedures established by the Ministry of Transport and Communications in conjunction with the PT. On September 17, 2001, the PT implemented new regulations regarding the auctioning of licenses for spectrum in the GSM 900 and 1800 MHz frequencies bands. As a result of the auction, we were granted our preferred block of additional frequencies in the 900 Mhz band and on November 30, 2001, the Ministry issued a new services license to us which will expire on December 31, 2013.

Generally, licenses may be extended by the Ministry of Transport and Communications. The license conditions may be subject to change under administrative procedures which require that operators be notified and have an opportunity to comment on proposed changes before the changes become effective. If an operator repeatedly or materially violates the terms of the license, enters into bankruptcy or in other ways becomes incapable of fulfilling the terms of the license, the license may be revoked in whole or in part. Any decision relating to licenses can be appealed within the administrative system or brought before the Norwegian courts for judicial review.

Our licenses have been issued to Telenor ASA. Under the terms of the licenses, we may exercise our rights under the licenses either directly or through any of our wholly owned subsidiaries. Our licenses provide that we are not entitled to sell the assets, equipment or rights which we need to comply with our obligations under the licenses without the consent of the Ministry of Transport and Communications. Our GSM 900, 1800 and UMTS licenses include a change of control clause. This clause provides that changes in our ownership which would lead to changes as to who has decisive influence over us must be formally approved by the Ministry of Transport and Communications.

Allocation of Mobile Frequencies

The frequency allocations for our mobile networks are as follows:

NETWORK	FREQUENCY BANDS	No. of channels	Channel bandwidth
NMT 450	453-457.5/463-467.5 MHz	180	25 kHz
GSM 900	889.7-904.1/934.7-949.1 MHz	72	200 kHz
GSM 1800	1771.3-1781.3/1866.3-1876.3 MHz	50	200 kHz
UMTS	1950.1-1964.9 MHz FDD uplink/ 2140.1-2154.9 MHz FDD downlink	3	5 MHz
UMTS	1905-1910 MHz TDD	1	5 MHz

Universal Service Obligations and Special Service Obligations

Universal Service Obligations (USO)

The regulatory framework for USO in Norway primarily covers the fixed public telephony service, leased lines (connections up to 2 Mbps) and certain data services. In practice, USO requires that fixed public telephony services must be accessible at an affordable price for all households and enterprises, while leased lines and data services must be accessible for all enterprises. In addition, some specific services have been classified as USO in our fixed telephony license, including public pay phones and services for the disabled. In 1999, the Storting restated that we are obliged to satisfy our USO without compensation, unless our obligations are extended, our market share decreases substantially or if the USO becomes concentrated on the least profitable parts of the market.

Special Service Obligations (SSO)

We are also required to provide special defense related services, coastal radio and services for the arctic island of Svalbard. The government compensates us for the incremental cost of these services on a case by case basis.

Non-discrimination, Transparency and Objectivity Requirements

As an operator with significant market power, we are required to follow certain principles with respect to our agreements with end users and service providers. In particular, we are required to offer our services in a manner that avoids discrimination between the buyers of our services, unless different conditions can be justified on objective grounds. Our agreements must be open and terms must be transparent.

The PT has increasingly focused on the non-discrimination requirement, with respect to both external services providers' access to networks and special discounts for certain segments of our markets. In particular, in 2001 the PT requested us to submit a number of internal agreements among our business areas for the authority's review.

In 2001, the PT referred its investigation of an alleged breach of the non-discrimination requirement in connection with a former internal interconnection agreement between Telenor Mobile and Telenor Business Solutions to Økokrim, the national authority for investigation and prosecution of economic and environmental crime in Norway. On December 13, 2001 Økokrim fined us NOK 2 million and confiscated NOK 8 million as disgorgement of profits from us.

In order to address the regulatory requirements on non-discrimination, we launched switchless wholesale products in the fixed network in December 2000. These products are designed to allow resellers to offer their own telephony services in the market by using our network. However, on October 1, 2001, the PT required us to offer unbundled access and traffic products to other telephony services providers. This decision was based on the regulatory principle of non-discrimination. We filed an appeal against this decision with the Complaints Board. The Complaints Board has not yet made any recommendation on the issue and, as a result, the Ministry of Transport and Communications has not yet issued its final decision.

Cost and Price Regulation

General

As an operator with significant market power, we are required to follow certain principles for pricing, accounting and reporting on public telephony service, interconnection and transmission capacity. These services must be offered to our competitors and the public in general at cost-oriented prices. Prices must be determined in an objective and non-discriminatory manner and independent of the purpose for which the customer wishes to use the service. We are responsible for specifying, implementing and maintaining cost accounts as a basis for monitoring that our prices are cost-oriented, objective and non-discriminatory. The PT also continuously evaluates our compliance with cost orientation with respect to our regulated services. With regard to any special offers in the market, we are required to furnish to the PT documentation relating to the relevant cost savings upon request. Furthermore, the PT also evaluates discounts from the point of view of non-discrimination. In December 2001, following its review of a service agreement between us and NBBL, the largest housing co-operative in Norway, the PT set forth the extent of our pricing flexibility with regard to special offers for large user groups for our fixed telephony services. The PT also required us to determine and publish the criteria on the basis of which we may determine discounts for our customers in accordance with the principle of non-discrimination.

The requirement for cost-orientation means that prices are calculated based on costs, plus a reasonable rate of return. In practice, the PT reviews our compliance with the requirements for costing, pricing, and transparency through its review of the annual ONP (Open Network Provision) report we are required to provide to the PT. Following review of the ONP report, the PT determines the reasonable rate of return, taking into account the ratio between our owners' equity and long-term debt. The PT has recently completed its review of our ONP report for 2000. For 1999, the PT calculated our permitted rate of return to be 13% on public telephony, interconnection and transmission capacity services without violating the requirement for cost-orientation as defined by the PT. We also used 13% as a reasonable rate of return in our ONP report for 2000 and the PT accepted this rate of return.

Our rate of return on these services has exceeded the reasonable rate set by the PT. We have reduced the prices on these services several times in recent years, but volumes of traffic have continuously increased more than expected. To a large extent, however, the PT has focused on the interconnection and wholesale market more than on the end-user market to ensure promotion of competition.

Accounting Separation and Reporting

Our accounts for the provision of public telephony service, public networks, transmission capacity and interconnection are required to be maintained separately from our accounts for other business activities. We are obliged to supply the PT with an annual ONP report, including documentation of the principles, assessments and data that comprise the basis for setting prices and discount arrangements. The accounts are subjected to a limited review by an external accountant and must be made publicly available. Based on our ONP report, the PT reviews our compliance with the regulatory requirements for cost, pricing and transparency and determines whether we have set our prices in a non-discriminatory manner.

The PT may instruct operators with significant market power to abide by certain principles for accounting. In this respect, the PT, in a letter dated April 9, 2001, instructed us to implement a new model for accounting separation and reporting in accordance with EU recommendations. The new model would result in a more detailed accounting separation in relation to our regulated activities, especially activities relating to interconnection and/or network access. In May 2001, we filed an appeal against the PT's instructions with the Complaints Board, which has not yet issued any recommendation to the Ministry of Transport and Communications.

Costing Methodology

The PT may instruct operators with significant market power to use certain cost calculation methods when determining the price for public telephony services, transmission capacity and interconnection services. We base our pricing of these services on the principle of fully distributed historical costs. The only exception to this principle is the price for the wholesale product providing access to the subscriber line (the local loop), which is priced on the basis of current cost, limited by our end-user prices. This was one of the conditions in the undertaking made to the EU Commission in connection with the planned merger between us and Telia. In its decision of April 9, 2001 relating to a new accounting separation and reporting model, which is discussed under "— Accounting Separation and Reporting" above, the PT also required us to apply the principle of current cost instead of that of historical cost. In May 2001, we also filed an appeal against this part of the PT's decision with the Complaints Board, which has not yet issued any recommendation to the Ministry of Transport and Communications.

Price Cap Regulation

The Ministry of Transport and Communications has imposed a price cap on us for fixed public telephony services for both the residential and business markets and for leased lines. For telephony, the regulated prices include a fixed rate and a tariff for calls within the country, calls to mobile networks, international calls and calls to the directory inquiry service. The regulated price structure for leased lines consists of the tariff for both digital and analog lines for all rate categories.

The requirements for real price reduction (X) on telephony and leased lines are related to the consumer price index (CPI). The nominal price changes from one year to the next are expressed as CPI — X. The Ministry of Transport and Communication has prolonged the price cap regulation and set the annual reduction in real prices at 3% for each of the periods from January 1, 2000 to January 1, 2001 and from January 1, 2001 to January 1, 2002. We have not yet received any communication from the Ministry as to whether, for how long and under what terms it intends to apply a price cap for the period commencing on January 1, 2002.

Interconnection and Access

General

The Telecommunications Act and secondary regulations impose specific obligations concerning interconnection and access to networks. As a general principle, every operator of a public telecommunications network, irrespective of the operator's market position, has a right and, when requested, an obligation to negotiate interconnection agreements. This general rule also applies to other types of access, such as special network access, national roaming and space for hosting or using co-location facilities. If the parties cannot reach an agreement, the PT may, upon request by either of the parties, act as a mediator. The PT also has the power to order interconnection or access under certain criteria on such terms as the PT may determine. In addition to the general rule, operators with significant market power have an obligation to meet any reasonable request for access or interconnection, as described in more detail below.

Interconnection

The Telecommunications Act and the secondary legislation incorporate the EU ONP directive with respect to interconnection. Operators with significant market power, such as us, are required to meet all reasonable requests for interconnection services, prepare and publish terms and conditions for interconnection services, provide information necessary for interconnection agreements upon request, offer standardized interconnection services, prices, points of interconnect, interfaces and terms, submit any interconnection agreements to the PT upon request and keep revenue and costs for interconnection services separate from revenue and costs for other operations.

Operators without significant market power are required to negotiate interconnection agreements with other telecommunication operators, but they are under no obligation to enter into such interconnection agreements.

The rates that are charged for fixed network interconnection must be cost-oriented if the operator has significant market power. Mobile network interconnection tariffs must also be cost-oriented if the PT has notified the mobile operator that it has significant market power in the "national market for interconnection". The PT has the authority to investigate whether the interconnection tariffs applied by operators with significant market power are cost-oriented and mandate that the tariffs be changed if they do not satisfy the cost-orientation requirement. Currently, we are the only operator of fixed or mobile services required to have cost-oriented interconnection tariffs. In this respect, the PT has taken the position that certain expenses may not be included in the calculation of the termination charges in the mobile network. After considering Telenor Mobile's reported costs for the calculation of the termination charges as of April 20, 2001, the PT ordered Telenor Mobile to immediately align the price to the underlying relevant costs as earlier defined by the PT. The decision requires a 25% reduction in the relevant underlying costs compared to our reported cost base. Our new termination charges became effective in May 11, 2001. In June 2001, we filed an appeal against the

PT's decision with the Complaints Board, which issued its recommendation to the Ministry of Transport and Communications that the PT's decision be upheld. The Ministry of Transport and Communications has not yet issued its final decision.

We have signed approximately 30 agreements regarding interconnection with our fixed network, some of which are categorized as special network access. We have entered into the majority of our interconnection agreements through commercial negotiations. In some cases, the PT has mediated upon request from the party requesting interconnection. We requested mediation in one case. The mediations have mainly related to disputes over the published prices for interconnection. Since 1997, we have continuously informed the PT of our interconnection costs and pricing and submitted detailed accounts on our interconnection tariffs. Fixed network interconnection tariffs are also calculated on the basis of forecasted costs and volumes. On June 19, 2001, the PT decided that we must align prices for some of our interconnection products as our rate of return on origination and termination exceeds what the PT believes is reasonable return. However, the decision does not apply retroactively and the PT confirmed that our rate of return on fixed interconnection in the aggregate is within what it regards as reasonable. As a result of this decision, we reduced our termination and origination charges by 2% in October 1, 2001. In August 2001, Tele2 filed an appeal with the Complaints Board against the PT's decision on the grounds that this decision should apply retroactively and should address certain more specific aspects of the pricing of our interconnection services. In addition, on January 9, 2002, the PT requested more detailed cost information from us with regard to certain price increases.

Telenor Mobile has direct interconnection with NetCom GSM and our fixed network. All our mobile traffic with other fixed operators in Norway transits through our fixed network. At present, Telenor Mobile uses one international carrier, Telenor Global Services, for all its international traffic.

Access

We are required to offer access to our networks to our competitors in the wholesale market. As a result of this obligation, we are required to provide our wholesale services in a manner that avoids discrimination between our competitors and our business units, unless different conditions can be justified on objective grounds. We launched switchless resale products in the fixed network in 2001. These products are designed to allow resellers to offer their own services in the market through our network. You should read ''—Non-discrimination, transparency and objectivity requirements'' for information on the PT's decision on access in the wholesale market.

Access for Mobile Virtual Network Operators (MVNOs). An MVNO provides mobile services without controlling radio spectrum or radio network facilities. The MVNO buys radio spectrum and access to core network components such as base stations, but keeps control over traffic routing and SIM-card production. In 1999, the Ministry concluded that mobile operators are not required to provide MVNOs access to their networks. Notwithstanding this decision, in December 2001, we publicly signaled our willingness to negotiate commercial agreements with MVNOs. The PT has in a recent report to the Ministry suggested that mobile operators with significant market power should be required to give access to their networks to MVNOs.

Access for Mobile Service Providers. Both Telenor and NetCom GSM have signed wholesale agreements with mobile service providers. By the end of 2000, there were 14 mobile service providers with agreements to provide mobile services based on Telenor's or NetCom's infrastructure. However, in 2001 the number of service providers has decreased to 10. Unlike MVNOs, service providers buy all network services, including SIM-cards, from the mobile operators.

Access for Value-Added Telephony Service Providers. We are required to provide network access for external providers of value-added telephony services. The terms and conditions must be non-discriminatory and similar to what is offered to our internal providers of such services, that is our business units. We offer access to all our competitors via standardized network external interfaces. In July 2001, the PT decided on Teletopia's request that it be granted access to our mobile network in order to provide SMS and voice mail services through our network. The PT required Telenor Mobile to reach a special network access agreement with Teletopia. In August 2001, we filed an appeal against the PT's decision with the Ministry of Transport and Communications, which confirmed the PT's decision in January 2002 and required us to submit a proposal for such agreement no later than March 1, 2002. We have proposed a draft agreement to Teletopia.

Local Loop Unbundling

Unbundling of access to the copper (physically twisted metallic pair) local loop permits our competitors to have physical access to, as well as lease capacity in, our copper local loop, and, as a result, our competitors may offer one billing relationship with the end user. Local loop unbundling has increased competition with respect to access to networks. Competitors may also install supplementary equipment, such as ADSL, on leased local loops to offer higher bandwidth services. On February 6, 2001, the Ministry of Transport and Communications issued revised regulations that require us to offer local loop unbundling in accordance with EU regulation. Since April 1, 2000, we have been offering to our competitors the ability to lease capacity in the local loop and we allow competing operators to deploy technical equipment in connection with our installations. This offering is equivalent to full unbundled access to the local loop. As a result of the revised regulations, in October 2001 we expanded our product portfolio to include "shared access" to the local loop, that is we offer the telephony service and the new entrant offers broadband data services. Since October 2001, we have also offered access to the local sub loops; however, so far none of our competing operators has requested such access. Our pricing structure is based on cost. In August 2001, the PT requested several changes to our reference offer. In August, 2001, we filed an appeal against part of the PT's decision with the Complaints Board. The PT is still evaluating our reference offer.

Carrier Selection

Since January 1, 1998, all operators providing access to the fixed network have been required to allow their customers to select other operators to handle their calls. This can be done on a call-by-call basis by dialing a 4-digit prefix in addition to the called telephone number, or by means of carrier pre-selection. With carrier pre-selection subscribers can decide that all or part of their traffic shall be processed through another telecommunication service provider. In this case, the user avoids dialing the 4-digit prefix every time he or she makes a call. The user may still override the pre-selection by entering the prefix of another operator on a call-by-call basis.

In September 1998, the PT decided that carrier pre-selection should be introduced in two phases. The first phase was implemented on June 1, 1999, and providers of access to the fixed network were required to offer their subscribers the ability to choose one pre-selected carrier. Carrier pre-selection services included national traffic to geographical (local and long distance calls) and mobile numbers and international traffic. Traffic to non-geographical numbers (e.g., freephone and premium rate services) was not included in this phase. The second phase, which was implemented on November 1, 2000, requires fixed network access providers to offer their subscribers the ability to make two pre-selections, which may be with two different carriers. The first pre-selection includes national traffic to geographical, most non-geographical and mobile numbers (traffic to numbers with extreme traffic fluctuations have been exempted) while the other pre-selection includes all international traffic.

There has been a regulatory requirement for call-by-call carrier selection in mobile networks since January 1, 1998. However, at this time, no agreements exist between mobile operators and alternative carriers regarding carrier selection in mobile networks. After a consultation period during the summer of 2000, the PT decided in December 2000 that carrier pre-selection is not required in mobile networks.

Mobile National Roaming

Mobile operators with significant market power (currently both us and NetCom GSM) are required to provide national roaming to other mobile operators in areas where the requesting operator's network does not have geographical coverage. The Ministry of Transport and Communications may set forth the conditions and the effective date for national roaming. GSM 1800 licenses require the licensee to build a network covering the four largest cities in Norway (Oslo, Bergen, Trondheim and Stavanger) before being entitled to have national roaming. Because there is not yet a third GSM 1800 network in operation in Norway, national roaming between GSM networks has not yet been implemented in the Norwegian mobile market.

The Ministry of Transport and Communications has stated that the 3G licensees have the right to have national roaming from GSM operators with significant market power for mobile services (Telenor and NetCom) in areas where the 3G operator's network does not have coverage. There will be no requirement for the 3G operator to build its own network in specific areas before it is entitled to have national roaming. National roaming between 3G operators will not be mandated for the time being.

Numbering and Number Portability

Numbering

The PT is responsible for managing national numbering plans for telecommunications networks and services, including telephone numbers. Providers of public telecommunications services are allocated numbering resources from the PT upon specific application and the payment of a fee. The fees cover only the costs incurred by the PT in administering the relevant numbering resources.

Directory Inquiry Services

In January 2002 the PT amended the Numbering Regulations in order to create more competition in the area of directory inquiry services. The new regulation requires providers of public telephony services to deliver their basic subscriber data (name, address and telephone number) to providers of directory inquiry services.

The PT has also introduced a new 4-digit numbering range for directory inquiry services, from 1850 to 1899, which entered into service on February 15, 2002. Six service providers, including us, have so far been assigned numbers from this numbering range. The numbers 1881, 1882 and 1883 will replace our old directory inquiry numbers 180 and 181.

Number Portability

In October 1998, the PT decided to introduce number portability for telephone numbers in the fixed network (PSTN and ISDN) and for numbers for most non-geographical services (e.g., freephone, shared cost and premium rate services). Number portability allows subscribers to keep their telephone numbers when changing service providers. All public service providers must support number portability. Number portability in the fixed network was introduced in two phases in Norway. On June 1, 1999, the first phase, a simple call forwarding solution was implemented. The second phase, which offers a better technical solution optimizing routing of calls, was introduced during the second and third quarters of 2001.

In February 2001, the PT decided to extend number portability to mobile telephone numbers, with the exception of our NMT service. Number portability in mobile networks became effective on November 1, 2001.

Rights of Way

Under the Telecommunications Act, registered providers of public networks or public telephony services have a general right to install telecommunications networks and equipment on public or private property subject to a case-by-case approval by the Ministry of Transport and Communications. The Telecommunications Act and the general Expropriations Act give us certain rights to compel the landowner to accept the necessary steps to use his land for telecommunications purposes. The owner of the relevant premises is, however, entitled to compensation for any inconveniences caused, except where the right was acquired in order to connect the property concerned to a public telecommunications network. The level of compensation to be paid, if not agreed by the parties, is determined by official valuation according to applicable legal procedures. In the vast majority of cases, the parties independently agree on the level of compensation.

Data Protection

The Personal Data Act of April 14, 2000 and certain other regulations impose restrictions on the use and processing of electronically stored personal data. The Data Inspectorate is an independent administrative body under the Norwegian Ministry of Justice and supervises the Act and secondary legislation. The Data Inspectorate in 2000 issued a new license applicable to all telecommunications service providers. We have one license for mobile services, one for fixed network services and one for IP telephony. The subscriber databases are primarily used by each of the licensees for its internal use in accordance with the license. In addition to internal use, the primary use of the subscriber data is provision of telephone directories (white and pink pages) as well as a directory service (telephone inquiries) in accordance with the Data Inspectorate licenses as well as the relevant telecommunications licenses. Other telecommunications providers are obliged to transfer subscriber data (name, telephone number and address) to us for inclusion in the catalogue and inquiry services.

Consumer Protection

Generally, there are several Norwegian laws regarding consumer protection. The protection of consumer interests is also an additional objective of the Telecommunications Act and secondary regulations. All registered and licensed operators are required to make consumer contracts, prices, price calculation parameters, quality of service details and compensation schemes publicly available. The Norwegian Consumer Ombudsman and the Consumer Council are actively engaged in several issues relating to telecommunications services. Among other things, our standard terms and conditions for voice telephony services are determined in collaboration with the regulatory authority in charge of consumer protection, the Norwegian Consumer Ombudsman.

Provision of Internet Services

Our Internet activities are regulated by various laws, including relevant provisions of the Telecommunications Act and the secondary legislation. The regulations applicable to operators with significant market power do not apply to our Internet activities.

Under mandatory statutory law in Norway, Internet service providers are liable if they themselves provide illegal content on the Internet. Where the content is provided by third parties, the liability for the Internet service provider is unclear but an Internet service provider may be held liable for such content. The applicability of existing laws governing issues such as intellectual property rights, freedom of speech, defamation and personal privacy with respect to the liability of an Internet service provider is therefore uncertain. In the report on Convergence (NOU 1999:26), a governmental working group has stated that the liability for unlawful expressions on the Internet for intermediary service providers should be limited due to freedom of speech.

At the European Union level, the June 8, 2000 directive on certain legal aspects of information society services, in particular electronic commerce, in the internal market contains regulations with respect to Internet service provider liability. Additionally, the directive on copyright and related rights in the information society is expected to have an impact on the liability for infringement of intellectual property rights. The electronic commerce directive is currently under implementation in Norway.

Regulation of Satellite, Cable Television, Terrestrial Broadcasting Networks and Television Distribution

Norwegian laws, including, among others, the Telecommunications Act, the Broadcasting Act and secondary legislation under both Acts, and international commitments regulate our activities relating to operations of networks for broadcasting over satellites, cable television and the terrestrial broadcasting network and our activities relating to distribution and sales of pay television (broadband services). Generally, the rules cover technical regulations, including type approval of equipment and allocation of frequencies. To some extent the regulations also aim at securing specific public policy goals and market regulations (authorizations). All these activities must adhere to the specific regulations regarding use of standards for transmission of broadcasting signals. The EU directive on the legal protection of services based on, or consisting of, conditional access is not yet implemented in Norwegian law but it is expected that it will be implemented.

Our satellite activities are mainly governed by the regulations relating to technical requirements and allocation of frequencies in the Telecommunications Act and the secondary legislation. Satellite activities are also governed by international rules, issued by the ITU. The ITU is the primary international regulatory body through which radio regulations are determined and frequency allocations coordinated and managed on a global basis (in conjunction with the telecommunications authorities designated to deal with the ITU by each Member State), in order to reduce the likelihood of technical interference from neighbouring satellite systems. Once the coordination process has been completed (which can take a number of years), the frequency (and associated orbit slot) is entered into a "master international frequency register" for the specified life of the satellite. The PT is formally responsible, on behalf of the Kingdom of Norway, for dealing with the ITU with regard to the international coordination process.

In accordance with the terms of the Telecommunications Act, the PT granted us a temporary license for operation of earth stations and radio systems for satellite communications in January 1996. The temporary license is valid until a new license is issued. The PT is expected to issue two new licenses during 2002, one for the satellite space segment and one for satellite earth stations located in the Norwegian territory. A new license for satellite land-based installations and equipment operated in the territory of the arctic island of Spitsbergen was granted to us in November 2001. We expect the two new licenses to be granted before the ITU coordination process is fully completed, in which case all licenses may have to be amended at a later stage in order to be consistent with the outcome of the ITU coordination process.

The above-mentioned temporary license is a general license and authorizes satellite communications, including satellite mobile communications in Norway, including authorization for us to use frequencies and geostationary orbital location 0.8W in respect of the Thor I, Thor II and Thor III satellites. In addition, we have two separate licenses for radio systems for land mobile equipment in connection with our personal satellite telephone services using INMARSAT services, issued by the PT. These two separate licenses relate to the Mini M and the INMARSAT M 4. The Mini M system/service license was issued in 1998 and the INMARSAT M 4 license was issued in 2000. Our other INMARSAT services are covered by the general temporary license from 1996. All INMARSAT licenses are expected to be replaced by the new licenses for the satellite space segment and satellite earth stations.

In the countries where we have satellite installations we must have licenses to operate radio equipment and use of frequencies from the national regulators and comply with technical rules, including rules for type approval in the relevant jurisdictions. In addition we follow the decisions and recommendations from CEPT and ITU. We must also adhere to the general international space law principles and conventions on liability and registration which Norway and/or Telenor is subject to, in connection with ownership and operation of our Thor I, II and III satellites. Further, it is expected that the Norwegian regulatory authorities will consider implementing new regulations concerning our liability towards the Kingdom of Norway in connection with Norway's obligations under the 1972 Convention on International Liability for Damage Caused by Space Objects.

Our cable television activities are governed by both the Telecommunications Act and the Broadcasting Act and secondary legislation to these Acts. The most important regulations relate to must-carry rules for public broadcasters, subscriber choice for programs/channels, re-transmission of broadcast channels with an unlawful content and authorizations required for the cable television operator's own broadcasting activities.

Parties other than the Norwegian Broadcasting Corporation Ltd must obtain a license in order to engage in national or local broadcasting. However, simultaneous and unaltered retransmission by way of cable networks of broadcasts that is sanctioned by law does not require a special license. There are however, restrictions on cable network operators that prevent them from carrying out or otherwise engaging in local broadcasting activities. Cable companies may not possess their own license to operate local broadcasting services or possess a holding of more than 49% of a local broadcasting company.

Cable owners have a duty to retransmit the television broadcasts of the Norwegian Broadcasting Corporation (NRK), TV 2 and certain terrestrial local public television services. Programs subject to obligatory retransmission must be transmitted via channels that are available to every subscriber to the network.

The Mass Media Authority may prohibit the retransmission of television channels which: broadcast advertising in contravention of Norwegian law, broadcast programs containing pornography or violence in contravention of Norwegian law, broadcast programs which may have a harmful effect on children or young persons, broadcast programs which Norwegian courts have ruled to be in contravention of Section 135 a of the General Civil Penal Code (on racial discrimination). A cable network operator, who willfully or negligently violates a prohibition in this context, is liable to fines or imprisonment for a term not exceeding six months. A cable network operator may not otherwise be held liable for the content of retransmitted broadcasts.

In connection with our terrestrial broadcasting network we have been granted, in accordance with the Telecommunications Act, radio line and transmitter network licenses authorizing us to, among other things, sell or lease capacity to broadcasting companies and to transmit programs for broadcasting. These licenses are valid until November 2006 and can be renewed thereafter. The licenses may be withdrawn if numerous or substantial breaches of the terms of the license occur, subject to a fourteen-day prior notice period.

Regulation of interactive services for broadband networks is generally unclear. The regulation of such services has been under debate and the governmental report on Convergence describes the current applicable legislation and proposes amendments and changes to current legislation to be better suited for such interactive services. In general, we support the proposed changes as they may lead to more predictable and stable regulation.

Prospects for Regulatory Developments

The EU has undertaken a comprehensive review of the telecommunications regulations, commonly known as the 1999 Communications Review. Following completion of its review, the European Commission announced its proposals on July 12, 2000. On February 14, 2002, the EU Council formally adopted four of the five proposed directives. A fifth EU directive on data protection and privacy is at an earlier stage of the adoption procedure. You should read "— European Union Regulation" for additional information on these directives. As Norway is a member of the EEA, it is expected that the scope, objective and timeframe of the Norwegian regulatory regime will continue to evolve in accordance with that of the EU. The Ministry of Transport and Communications and the PT have taken several initiatives in order to implement the new regulatory framework under Norwegian law.

The Ministry has ordered several studies of the level of competition present in the Norwegian telecommunications market to be undertaken by the PT and independent consultants in order to better understand the market and the need for any regulatory remedies and instruments in the Norwegian market. We expect the Ministry to propose a new law on electronic communications to the Storting in the second half of 2002. The Ministry also indicated that it will present a report to the Storting about the regulatory remedies and instruments in the mobile market in the spring of 2002.

As a result of the report on Convergence (NOU 1999:26), the Ministry of Cultural Affairs drafted changes to the Broadcasting Act and held a public hearing. The Ministry is expected to propose these changes to the Storting in the first half of 2002.

We also expect new legislation concerning information services and changes in the field of intellectual property rights. In addition, the Ministry of Trade and Industry is expected to propose to the Storting new legislation in the field of electronic commerce in order to implement the EU electronic commerce directive.

The outcome of the anticipated changes in Norwegian regulations are uncertain at this time and could result in significant changes to telecommunications regulation. Due to the uncertainty surrounding these issues, we are not in a position to assess the impact of the possible changes to telecommunications regulation on our business.

Competition

We are subject to the competition rules of the Norwegian Competition Law and the competition rules of the European Economic Area agreement. The competition rules of the European Economic Area agreement contain identical competition rules to those of the Amsterdam Treaty (Article 81 and 82 and the merger regulation).

The Norwegian Competition Authority is responsible for the surveillance and regulation of all aspects of competition in Norway, including the telecommunications industry. The Norwegian Competition Authority has been involved in a number of cases concerning telecommunications and we were involved in several of these cases. The Norwegian Competition Law was revised in anticipation of Norway's entry into the European Economic Area and became effective on January 1, 1994. The Norwegian Competition Law was amended effective May 5, 2000 and applies to actions that have an effect in Norway, including mergers. The Competition Law applies fully to the telecommunications, satellite, Internet and other related markets in which we operate. The Norwegian Competition Law is based on, and generally conforms to, the rules of competition of the European Union.

The Competition Law empowers the Competition Authority to intervene and declare a specific behavior anti-competitive (similar to the prohibition of abuse of a dominant position in a market under EEA and EU competition rules). Contrary to EEA and EU rules (Articles 54 and 82), the behavior is not considered illegal until the Competition Authority has made a formal decision, and only continued anti-competitive behavior after a decision is made may be subject to fines. The Competition Authority also may intervene against acquisitions or mergers of enterprises, if such acquisition will create or strengthen a significant restriction on competition. The law also contains several prohibitions and general exceptions and grants discretionary power to the Competition Authority to grant individual exceptions from various prohibitions, including prohibitions against collaboration and influence on prices, markups and discounts, collaboration and influence on tenders, collaboration or use of influence to achieve market sharing and prohibition against collaboration and influences which may result or encourage restraints on competition.

The competition rules in the European Economic Area agreement have a direct effect in the EEA area, and under certain conditions the rules of the Amsterdam Treaty apply to us. The primary EEA and EU competition rules are contained in Articles 53/81 and 54/82 of the EEA Treaty and Amsterdam Treaty, respectively (formerly Articles 85 and 86 of the Treaty of Rome). Article 53/81 of the EEA/Amsterdam Treaty prohibits agreements or collusive behavior between companies that may affect trade between Member States and which restrict, are intended to restrict or have an affect of restricting, competition within the European Union. Article 54/82 of the EEA/Amsterdam Treaty prohibits any abuse of a dominant position within a substantial part of the European Union, which may affect trade between Member States. The European Commission, in cooperation with the national competition authorities, enforces these rules. The European Commission may impose fines in the event of a breach amounting to up to 10% of a company's revenues on a consolidated basis in the preceding financial year. In addition, national courts have jurisdiction to apply European Union competition law and award damages in the event of a breach.

From time to time, our competitors and customers file complaints with the Norwegian Competition Authority and the EFTA Surveillance Authority (ESA) alleging that we are abusing our dominant market position in various respects or in respect to mergers. Moreover, these authorities may also start investigations on their own initiative. Three such cases are currently pending before the ESA and the EU Commission. The first one relates to a complaint regarding access to the fixed network, and the second relates to a complaint regarding refusal to deliver subscriber data. With regard to the second case, there now is regulation in force which explicitly requires us to deliver subscriber data to our competitors. The third case is based on a complaint by Viasat in July 2001 to the ESA against an exclusive distribution agreement between TV2 and Canal Digital. Canal Digital responded to a request for information in December 2001. The distribution agreement had previously been reviewed by Norwegian competition authorities that decided that the agreement did not contain anti-competitive provisions. In addition, in November 2001 Telenor Broadband Services AS notified exclusive distribution arrangements between Canal Digital and Canal Plus regarding distribution of premium channels and video-on-demand material on the DTH-platform to the EU Commission under Regulation 17. The notification is related to Telenor Broadband Services' purchase of the remaining 50% of the shares in Canal Digital.

There are several cases pending before the Norwegian Competition Authority. One of these relates to access to functionality that permits call transfer between the mobile and the fixed telecommunication network and is based on the claim that Telenor is preventing competition by strengthening its dominant position in both the fixed and mobile telecommunications markets through its ''In Touch'' service. After having answered a request for information by the Competition Authority in July 2000, we were asked to provide further information in December 2001, which we furnished in January 2002.

A second case relates to pricing of satellite transponder capacity and a concurrent complaint is being made by the Modern Times Group to the national competition authorities in Denmark and the EU Commission. A complaint on the same subject matter was handled by the Swedish Competition Authorities, which found no reason to intervene.

In July 2001, the Competition Authority requested Telenor Mobil AS to furnish information about Mobilbonus, a membership program targeting the consumer end users of Telenor Mobil AS. We furnished the requested information in August 2001. At the end of January 2002 the Competition Authority notified Telenor Mobil AS that it is considering a possible intervention against Mobilbonus. Telenor Mobil AS will submit its written statement by March 18, 2002.

Two cases were initiated by NetCom AS. In January 2002, NetCom AS sought the Competition Authority's intervention towards Telenor Mobil's pricing policy after having recently changed its own pricing structure. Previously, NetCom had priced calls terminating in Telenor Mobil's network higher than calls terminating in its own network and Telenor Mobil charges higher prices for calls terminating in NetCom's network. The Competition Authority has notified Telenor Mobil AS of the complaint, which it will review at a later stage. The PT has dismissed this case on the grounds that this pricing policy does not have an adverse effect on competition. In November 2001, NetCom also complained to the Competition Authority alleging that Telenor Mobil AS forecloses the market for distribution of mobile subscriptions to end users in Norway through the use of exclusive distribution agreements. On March 18, 2002 Telenor Mobil furnished a response to the Competition Authority's request for information regarding its distribution agreements and the investigation is pending.

In February 2002, we were notified that complaints have been filed with the Competition Authority relating to certain aspects of our ADSL distribution to wholesalers and consumers. The complaints regard our pricing policies and allege bundling of certain products. To date, the Competition Authority has not requested information from us.

The Competition Authority dismissed a case relating to a sales campaign regarding discounted ISDN access, in which it was claimed that we are preventing competition by requiring a six month lock-in period during which subscribers are not permitted to apply for carrier preselection. Similarly, the Competition Authority's investigation of the terms of Telenor's Smartphone service was concluded without intervention. We do not believe the cases pending before the ESA and the cases before the Norwegian Competition Authority are likely to have a material adverse effect on us.

Regulation Regarding Public Procurement

The EU directive on public procurement for the excluded sectors (93/38/EC) has been implemented in Norwegian law under the EEA agreement. The EU Commission exempted the telecommunications sector in several Member States, including Sweden, Denmark, and other markets similar to the Norwegian market from these rules under Article 8 of this directive. The EFTA surveillance authority is expected to evaluate the Norwegian market and make a formal decision in the near future and we expect that the EFTA Surveillance authority will come to the same conclusion as the EU Commission.

WTO Obligations

Over 70 member countries of the World Trade Organization, or WTO, representing over 90% of the world's basic telecommunications revenues, including the members of the European Union and the United States, have entered into a Basic Telecommunications Agreement, or the BTA, to provide market access to some or all of their basic telecommunications services. This agreement was signed by all the Member States of the European Union as well as the United States and took effect on February 5, 1998. The BTA is the fourth protocol of the General Agreement on Trade in Services, which is administered by the WTO. Under the BTA, Norway and the other signatories have made commitments to provide market access, under which they are to refrain from imposing certain quotas or other quantitative restrictions in specified telecommunications services sectors. Signatories are also to provide national treatment, under which they are to avoid treating foreign telecommunications service suppliers differently from national service suppliers. In addition, a number of signatories, including Norway, agreed to abide by certain pro-competitive principles set forth in a reference paper relating to the prevention of anti-competitive behavior, interconnection, universal service, transparency of licensing criteria, independence of the regulator and non-discriminatory allocation of scarce resources.

Since Norway is a member of the EEA, EU/EEA regulations on telecommunications apply to intra-EEA operations. The WTO agreement is therefore mainly of importance to us when we wish to set up operations outside the EEA and of importance for companies outside of the EEA wishing to set up operations in Norway or any other country within the EEA.

Regulation of Communications Activities Outside Norway

To the extent we conduct operations or invest in the operations of mobile providers or other telecommunications or Internet companies in other countries, we and the companies in which we invest are subject to the licensing and other regulatory requirements of each relevant jurisdiction, including any restrictions placed on our operations by applicable competition and foreign ownership laws.

Most of the countries in which we operate we are members of the World Trade Organization and signatories to the BTA, and their communications regulatory schemes must conform to the BTA.

European Union Regulation

Liberalization and Harmonization of Telecommunications Regulation

To the extent we conduct our international operations in Europe, in most cases we will also be subject to the existing EU regulatory regime. Set forth below is a summary of the more significant regulations that may directly affect our operations or the operations of the companies in which we have invested or may invest in the EU. EU legislation can take a number of forms. Regulations have general application, and are binding in their entirety and directly applicable in Member States. Directives are binding, but national authorities may choose the form and method of implementation. As noted above in the discussion of our Norwegian operations, EU directives are generally also made applicable to Norway through the EEA Agreement.

Since 1987, the EU has adopted a substantial amount of legislation to liberalize and harmonize telecommunications legislation in Member States. The European Commission, through its powers under Article 86 (3) of the Treaty of Rome, has addressed directives or decisions to Member States providing for liberalization, i.e., abolishing monopoly rights of state owned telecommunications operators in all markets (including the mobile market). Although the EU set January 1, 1998 as the deadline for mandatory liberalization for the provision of voice telephony services, each Member State had to enact its own laws to implement the EU's mandate through its own processes.

The main harmonizing directives, the Open Network Provision Directives (ONP Directives) establish the basic rules for access to the public telecommunications network for users and competitors (including mobile operators and Internet service providers). Furthermore, the existing ONP-framework may also be used in the future as a basis for further regulations that affect us and local operators from whom we lease capacity and enter into interconnection agreements with. The ONP Directives currently apply mostly to telecommunications operators with significant market power over leased lines, mobile and/or fixed public telephony networks, and mobile and/or fixed public voice telephony services. Operators with significant market power are generally required to provide access to their network on an objective, transparent and non-discriminatory basis.

In response to the conclusions of the special European Council of Lisbon of March 23 and 24, 2000, and building on its communication on the results of the public consultation on the 1999 Review of the electronic communications sector and the principles and orientations for the new regulatory framework, in July 2000 the Commission proposed a package of measures for a new regulatory framework for electronic communications networks and services. As part of this process, the Commission also examined and took into account the impact of convergence between the telecommunications, broadcasting and IT sectors and conducted an examination of the use of radio spectrum by Member States and by non-governmental bodies. Another objective of the proposed new EU regulation is to balance the reinforcement of competition in all market segments relating to electronic communications with a continuous protection of basic consumers' rights. The new package of measures consists of:

- Five proposed directives under Article 95 of the Treaty of the European Union. On February 14, 2002, the EU Council formally adopted four of the five proposed directives under Article 251 of the Treaty of the European Union. The four directives seek to establish a framework for the application of the new rules to electronic communications networks and services, the authorization of operators and services providers, access and interconnection and universal services. A fifth EU directive on data protection and privacy is at an earlier stage of the adoption procedure. You should read "— Data Protection" for additional information on this directive.
- A Commission directive under Article 86 of the Treaty of the European Union, which is expected to consolidate existing "liberalisation" directives and is expected to be adopted by the Commission at the same time as all the five harmonisation directives referred to above are formally adopted.
- A proposed Commission Decision on a regulatory framework for radio spectrum. The decision is subject to the procedures for adoption set forth in Article 251 of the Treaty of European Union.
- An EP and Council Regulation for unbundled access to the local loop, which was formally adopted on December 18, 2000.

Key aspects of the new package relate to:

- *Scope.* All electronic communications networks and services are in principle within the scope of the package, in order to provide consistency of approach across different infrastructures. It covers satellite and terrestrial networks (fixed or wireless), including the public switched telephone network, networks using Internet protocol (IP), cable TV networks and broadcast network infrastructures.
- *Significant market power.* A new definition of significant market power (SMP) will align SMP to the EU competition law notion of dominance. This would result in higher market share thresholds for purposes of determining whether a company may be deemed to have significant market power and, as a result, be subject to the regulations applicable to companies with such power, as set forth in the objectives.
- *Market entry (licensing).* Operators will be granted market access under a new system of general authorisations, combined with specific rights of use for the assignment of spectrum and numbers, where required.
- *Access and interconnection.* The new package sets forth rights and obligations for both incumbent operators and other operators seeking interconnection and/or access to the incumbents' networks, as well as objectives for national regulatory authorities. There are also procedures to ensure the review of obligations imposed by national regulatory authorities and their withdrawal after the objectives of the new package are achieved.
- *Universal Service.* The current scope of universal service obligations will be maintained, while introducing a procedure to review and revise the scope as necessary.

- *Harmonization.* The EU Guidelines on the approach to market analysis and the calculation of significant market power and the EU Recommendation on relevant products and services markets potentially subject to regulation will assist national regulatory authorities in their definition and analysis of the relevant markets. In addition, more emphasis is placed on general requirements for national regulatory authorities to cooperate and inform each other and the Commission about regulatory instruments and remedies.

In addition, the Regulation on Unbundled Access to the Local Loop came into force on January 2, 2001.

The implementation of the new framework in Member States is expected to occur no later than July 2003.

As it develops, EU legislation will continue to have a significant effect on our markets, including future developments relating to the convergence of Internet, media and information technology.

Data Protection

The directive on the protection of individuals with regard to the processing of personal data and the free movement of this data was adopted by the EU on October 24, 1998. It established a regulatory framework to ensure both a high level of protection for the privacy of individuals in all Member States and the free movement of personal data within the EU. The data protection directive lays down common rules for those who process, collect, hold or transmit personal data as part of their economic or administrative activities. In particular, there is an obligation to collect and process personal data only for specified, explicit and legitimate purposes, and to ensure that this data is relevant, accurate and up-to-date. The Personal Data Act of April 14, 2000 implemented the data protection directive under Norwegian law. You should read ''— Regulations on the Provision of Networks, Transmission Capacity and Other Telecommunications Services in Norway — Data Protection'' for additional information on the Personal Data Act.

The data protection directive will, among other things, affect companies like us and our affiliates that collect and maintain information from and about individuals in Member States.

As part of the 1999 Communications Review, the EU is in the process of adopting a directive on the processing of personal data and the protection of privacy in the telecommunications sector, which will cover the processing of personal data in connection with publicly available telecommunications services and public telecommunications networks and will include provisions relating to the confidentiality of communications, the use of traffic and billing data and the use of personal data for direct marketing. Under this directive, providers of public telecommunications services and networks will be under specific legal obligations to guarantee the security of their networks, to ensure the confidentiality of communications and the deletion of traffic data after a specified period of time. This directive will constitute the fifth directive of the EU package of new rules for electronic communications in the European Union.

Electronic Commerce

On June 8, 2000, the directive on legal aspects of information society services, in particular electronic commerce in the internal market, was adopted by the EU. This directive aims to ensure the free movement of information, including electronic commerce, within the Member States according to a country-of-origin principle. This directive regulates the legal recognition of electronic contracts, the formation of electronic contracts, the information to be provided by the service provider to the consumer, and solicited and unsolicited commercial communications with consumers.

Liability of Intermediary Service Providers. The directive also contains rules on liability of intermediary service providers (such as Internet portals) for mere conduit and caching and hosting activities. In principle, intermediary service providers cannot be held liable if they only act as a mere conduit, that is, as long as they do not initiate the transmission, select the receiver of the transmission or select or modify the information contained in the transmission. In general, an intermediary service provider cannot be held liable for caching, provided it does not modify the information, complies with the conditions on access to and updating of information, does not interfere with the lawful use of technology to obtain data on the use of the information, and acts expeditiously to remove or disable access to information upon receiving knowledge that the information has been removed or access disabled at the initial source or this has been ordered by a court or administrative authority. An intermediary service provider cannot be held liable for hosting activities if it does not have actual knowledge of illegal activity or information, was not aware of facts or circumstances from which illegal activity or information is apparent and acts expeditiously to remove or disable access to the information when he receives such knowledge.

Subscribers to our services may access content on our Internet portals, download this content and transmit it to others over the Internet. They may also upload content onto our servers, either onto their individual web pages hosted by us, in chat rooms, bulletin boards or news groups. In addition, they may use the email accounts provided by us to send and receive content by email. Any of these actions by subscribers could potentially result in claims against us, or our associated companies, as service providers, based on the infringement of intellectual property rights of third parties, including copyright and trademark infringement, as well as defamation and publication or transmission of obscene material. However, the electronic commerce directive, which is being implemented under Norwegian law, is expected to reduce the liability of intermediary service providers and, as a result, the regulatory risk and uncertainty that surrounds this area today.

Furthermore, our portals may also contain a significant number of links to other websites. As a result, we may be subject to claims alleging that by directly or indirectly providing links to other websites, we are liable for intellectual property right infringement or the illegal or wrongful actions of third parties though their websites. The rules governing liability of intermediary service providers in the electronic commerce directive do not deal with the liability for hyperlinks, but do indicate that this is an issue for the European Commission to address in the future. We attempt to reduce our exposure to this potential liability through, among other things, the general terms and conditions we apply to subscribers to our services and our portal disclaimers. However, the enforceability and effectiveness of these measures is uncertain.

The deadline for the implementation of the electronic commerce directive by the Member States was January 17, 2002. The final impact of this directive on us is difficult to predict given the different options that are open to Member States for the implementation and also because Norway has yet to implement the directive under the EEA Agreement. We expect implementation of the directive by July 1, 2002.

Jurisdiction and Applicable Law. Due to the global nature of the Internet, it is possible that the governments of countries other than those in which our services are offered may attempt to regulate or prosecute us for the content contained in our portals or transmitted using our services. As some of our content is available over the Internet all around the world, these jurisdictions may claim that we need to qualify to do business in their country or that we are required to notify governmental authorities of our activities, including, for example, those activities relating to the collection and processing of user data, or relating to the provision of financial services information.

Although the electronic commerce directive stipulates that the home country of the service provider controls its activities over the Internet, the directive also states that it does not set out new rules of private international law on jurisdiction or applicable law. On July 14, 1999, the European Commission adopted a proposal to amend the Brussels convention on jurisdiction and enforcement of judgments in civil and commercial matters of September 27, 1968 and change it into a Council regulation, in order to make it part of EU legislation. As far as electronic commerce is concerned, this proposal aims to clarify its applicability to electronic commerce and widens the scope of the special provision for consumer contracts. If the proposal were adopted in its current form, it would allow consumers to sue a service provider in the consumer's Member State for contracts concluded via an interactive website that is accessible in the consumer's Member State. The European Commission is also working on a similar proposal for the Rome convention on the law applicable to contractual obligations. Both proposals are highly controversial and the industry is trying to block, or at least defer, their adoption.

Copyright

The electronic commerce directive is closely linked to the proposed directive on copyright and related rights in the information society. This directive was adopted by the European Commission on December 10, 1997, and was adopted by the European Union in April 2001. The copyright directive is scheduled to be implemented by Member States no later than December 22, 2002.

The copyright directive grants right holders an exclusive right to make on-demand transmissions available to the public and harmonizes reproduction and distribution rights. For example, right holders are granted the exclusive right to prohibit direct or indirect, temporary or permanent reproductions by any means and in any form, in whole or in part. However, as a counterbalance to this enhanced level of protection, the copyright directive provides a number of exceptions to the right holders' exclusive rights, such as an exception for certain temporary copies. The scope of the exceptions to copyright protection, in particular for temporary copies, is currently the subject of a controversial debate. Thus, while we consider that certain acts such as caching should not fall within the exclusive rights of right holders or should at least be the subject of an exception, the copyright directive may materially adversely affect our business if the scope of the exceptions is reduced. The draft copyright directive also deals with technological measures to protect against copyright infringements and attempts to provide legal protection against the circumvention of these measures.

Electronic Signatures

Also closely connected with electronic commerce is the issue of electronic signatures. The directive on a European framework for electronic signatures of December 13, 1999 establishes a framework in which third parties, also known as "certification service providers," issue "qualified certificates" to enable the verification of electronic signatures. It also sets out criteria for the legal recognition of electronic signatures. The electronic signatures directive was implemented under Norwegian law in July 2001.

Distance Selling

Our activities in the field of electronic commerce are also subject to the directive of May 20, 1997 on the protection of consumers in respect of distance contracts which sets out rules for contracts concluded at a distance, including contracts for goods and services sold over the Internet. This directive was implemented under Norwegian law during the first half of 2001.

The distance selling directive requires suppliers to provide consumers with specific information, including their name, address, price and delivery costs, before the contract is concluded. Consumers generally have a seven-day right of withdrawal. The distance selling directive prohibits "inertia selling" (the supply of goods or services without prior request) and suppliers are restricted in their use of automatic calling or facsimile machines or unsolicited emails to communicate with consumers. Consumers must have effective means of redress.

The directive does not apply to contracts such as those relating to financial services, contracts concluded with telecommunications operators through the use of public pay phones, and contracts concluded at an auction.

ORGANIZATIONAL STRUCTURE

Telenor ASA is a holding company that holds a majority of the group assets through various subsidiaries, which it owns or invests in. Each of the following are significant subsidiaries of Telenor ASA, and each is 100% owned by us and is incorporated in Norway: Telenor Communication AS, Telenor Mobil AS, Telenor Mobile Communications AS, Telenor Telecom Solutions AS, Telenor Digifone Holdings AS, Telenor Interkom Verwaltung GmbH and Telenor Asia Pte Ltd.

PROPERTY, PLANTS AND EQUIPMENT

Our principal executive offices are located at Snarøyveien 30, N-1333 Fornebu, Norway and comprise 45,000 square meters of office space. The total area of all our properties comprise 767,100 square meters. Substantially all of these properties are used for telecommunications and computer installations, service outlets, research and design centers and offices. Generally, we own most of our properties, although we also lease space in a number of locations. We currently lease approximately 330,000 square meters of office space pursuant to lease agreements which expire in 2002 and 2007.

Set forth below is a summary of our lease obligations through 2007:

	2002	2003	2004	2005	2006	After 2006
			(in NOK millions)			
Total lease obligations	654	423	336	286	275	1,101

We are currently in the process of developing properties that will provide over 187,000 square meters of new office space for an aggregate purchase price of approximately NOK 5.3 billion. One key development site is our new headquarters at Fornebu, outside Oslo. We expect that our new headquarters will be completed in the fall of 2002 and will cost in the aggregate approximately NOK 4.2 billion. Our new headquarters is equipped with state of the art facilities and, when completed will comprise approximately 137,000 square meters of office space for over 6,000 employees. In December 2000, we sold our current headquarters site for NOK 550 million to Entra Eiendom AS, a Norwegian government-owned entity, and Selmer ASA. In connection with the sale, we entered into an agreement to lease back the premises pending the completion of our new headquarters.

We are actively engaged in the management of our properties. Through our division Telenor Eiendom, we ensure that we have the use of sufficient office premises and floor space to enable our principal business activities to be carried out effectively and on favorable terms without substantial capital expenditures.

ITEM 5: OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

Telenor has implemented changes in the business area structure during 2001. We have restated our financial statements to reflect our new business area structure. You should read ''Item 4: Information on the Company'' for additional information on our new business area structure.

RESULTS OF OPERATIONS — GROUP

Revenues

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

(1) 9 months in 2001.

(2) 10 months in 2000.

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

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

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

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

(1) Excluding gains on disposal of fixed assets and operations. Sale to associated companies is included in revenues.

(2) The figures are partly based on the management's estimates in connection with the preparation of the consolidated financial statements. Telenor's share of the revenues is not included in the consolidated financial statements. Sales between the associated companies and sales to group companies are included in revenues in the table.

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

Operating Expenses

Cost of Materials and Traffic Charges

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

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

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

Own Work Capitalized

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

Own work capitalized is presented as a separate caption and is not netted against the related expenses in the profit and loss statement. The various group companies consolidated in Telenor perform work on their own long lived assets, which is capitalized, if appropriate. The group companies expense the related costs in the line items cost of materials, salaries and personnel costs, or other operating expenses as appropriate. The costs that are capitalized are then reversed as change in own work capitalized. Several companies in the group perform work on, and deliver long lived assets to other group companies. These long lived assets are capitalized by the purchasing company. For the group as a whole this is regarded as a change in own work capitalized, and the expenses recorded in the selling companies are reversed as a change in own work capitalized for the group. Since November 1, 2000 Bravida has been an associated company, and purchases from Bravida are now recorded directly on our balance sheet and not recorded as a change in own work capitalized. This has contributed to a reduction in the change of own work capitalized from 1999 to 2000 and from 2000 to 2001.

Salaries and Personnel Costs

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

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

Other Operating Expenses

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

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

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

Loss on Disposal of Fixed Assets and Operations

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

Depreciation, Amortization and Write-downs

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

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

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

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

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

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

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

Operating Profit

Our operating profit in 2001 was NOK 3,177 million, a decrease of NOK 452 million or 12.5% compared to 2000. Our operating profit in 2001 was significantly influenced by net gains on disposal of fixed assets and operations (NOK 5,373 million), write-downs (NOK 3,822 million) and expenses for restructuring, exit costs and loss contracts (NOK 625 million). Excluding these effects the operating profit decreased by NOK 497 million, or 18%, to NOK 2,251 million in 2001. Our operating profit benefited from the increased profitability of the Mobile business area. Adjusted operating profit in the Networks business area was in line with that of 2000. Adjusted operating profit in the Plus business area decreased by NOK 402 million due to increased expenses in connection with the digitalization of the cable-TV activities, the marketing of ADSL and the development of content services. Adjusted operating profit in Business Solutions decreased by

NOK 460 million, which was due to increased depreciation and amortization in connection with increased investments in the Norwegian business as well as business outside Norway acquired and developed during 2000 and 2001. For the other business areas, changes in adjusted operating profit were primarily due to increased expenses in corporate functions and group activities related to higher activity in strategic group projects and acquisition activities.

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

Associated Companies

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

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

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

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

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

We sold our ownership stakes in VIAG Interkom and Esat Digifone in 2001, with a combined gain before taxes of NOK 21.4 billion in 2001. The sale of Ephorma AS and European Medical Solutions Group

AS by EDB Business Partner contributed a combined gain of NOK 141 million in 2001. We realized gains by reducing our ownership stake in Cosmote and Scandinavia Online in 2000.

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

Financial Income and Expenses

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

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

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

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

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

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

Income Taxes

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

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

Prior to our IPO in December 2000, a new parent company for the Group (Telenor ASA) was incorporated and all shares in Telenor AS were contributed to Telenor ASA as an in kind contribution. At the same time, Telenor AS changed its name to Telenor Communication AS. Tax cost base of the Telenor Communication AS shares equals estimated fair value at the time when the in kind contribution was made. To the extent Telenor ASA should dispose of shares in Telenor Communication AS, or dispose of shares in entities demerged from Telenor Communication AS, any taxes will be computed on the difference between the consideration received and the tax base cost, as established through the in kind contribution.

RESULTS OF OPERATIONS BY BUSINESS AREA

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

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

(1) 9 months in 2001.

(2) 10 months in 2000.

	1999	2000	2001
	(NOK in millions)		
EBITDA excluding gains and losses on disposal of fixed assets and operations			
Mobile	2,161	2,700	3,808
Networks	5,694	5,354	5,660
Plus	509	614	254
Business Solutions	(210)	(595)	(822)
EDB Business Partner	339	532	406
Media(1)	402	359	308
Bravida(2)	126	77	—
Other business units	358	282	(9)
Corporate functions and group activities	(543)	(207)	(513)
Eliminations	(268)	(537)	(215)
Total EBITDA excluding gains and losses	8,568	8,579	8,877

(1) 9 months in 2001.

(2) 10 months in 2000.

TELENOR MOBILE

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

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

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

Telenor Mobile — mNorway

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

EBITDA — mNorway

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

Revenues — mNorway

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

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

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

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

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

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

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

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

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

Operating Expenses — mNorway

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

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

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

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

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

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

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

DiGi.Com — Malaysia

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

(1) Consolidated from September 1, 2001.

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

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

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

Grameen Phone — Bangladesh

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

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

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

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

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

Other units including eliminations of purchases and sales between the units in Mobile

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

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

Associated Companies and Joint Ventures Outside Norway

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

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

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

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

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

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

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

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

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

TELENOR NETWORKS

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

EBITDA

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

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

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

Revenues

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

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

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

External Revenues

Business Market. The market share for traffic in the business market stabilized towards the end of 2001, but was on average 7% lower than in 2000. This resulted in a 3% decrease in traffic minutes and, as a result, lower revenues from traffic charges in 2001. Fewer new subscribers and fewer conversions from PSTN to ISDN led to reduced revenues from subscription and connection fees.

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

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

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

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

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

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

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

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

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

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

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

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

Internal Revenues and Gain on Disposal of Fixed Assets and Operations

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

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

Operating Expenses

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

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

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

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

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

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

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

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

TELENOR PLUS

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

EBITDA excluding gains and losses

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

EBITDA

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

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

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

Revenues

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

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

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

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

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

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

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

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

Operating Expenses

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

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

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

Associated Companies

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

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

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

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

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

TELENOR BUSINESS SOLUTIONS

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

EBITDA excluding gains and losses

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

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

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

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

Revenues

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

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

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

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

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

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

Operating Expenses

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

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

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

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

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

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

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

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

Associated Companies

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

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

TELENOR MEDIA

	1999	2000	9 months 2001
	(NOK in millions)		
External revenues	1,594	1,557	1,258
Internal revenues	91	98	80
Gains on disposal of fixed assets and operations	683	—	5
Total revenues	2,368	1,655	1,343
Total operating expenses	1,362	1,354	1,081
Operating profit	1,006	301	262
Associated companies	(3)	6	(12)
Net financial items	42	33	21
Profit before taxes and minority interests	1,045	340	271
EBITDA	1,085	359	313
EBITDA excl. gains and losses	402	359	308
Investments			
— Capex	40	35	56
— Acquisition of businesses	—	35	127
Total full-time equivalent employees (period end)	1,407	1,908	—
— Of which abroad	531	990	—

EBITDA

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

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

Revenues

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

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

Operating Expenses

	1999	2000	9 months 2001
	(NOK in millions)		
External costs of materials and traffic charges	318	250	159
Internal costs of materials and traffic charges	1	5	4
Total costs of materials and traffic charges	319	255	163
Own work capitalized	(3)	—	—
Salaries and personnel costs	473	512	406
Other external operating expenses	371	389	344
Other internal operating expenses	123	140	117
Depreciation and amortization	79	58	51
Write-downs	—	—	—
Losses on disposal of fixed assets and operations	—	—	—
Total operating expenses	1,362	1,354	1,081

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

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

BRAVIDA

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

	1999	2000(1)	2001
	(in NOK millions)		
External revenues	2,888	1,797	
Internal revenues	3,145	2,425	
Gain on disposal of fixed assets and operations	24	3	
Total revenues	6,057	4,225	
Total operating expenses	6,038	4,235	
Operating profit	19	(10)	
Result from November 1, 2000 as an associated company	—	(148)	(29)
Net financial items	(22)	(11)	
Profit before taxes	(3)	(169)	(29)
EBITDA	147	80	
EBITDA-margin %	2%	2%	
Investments	240	158	
Total full-time equivalent employees (period end)	5,966	—	
Of which abroad (period end)	454	—	

Revenues

	1999	2000(1)	2001
	(in NOK millions)		
External revenues			
Customer equipment	1,374	881	
IT-Service and installations	1,406	889	
Other	108	27	
Total external revenues	2,888	1,797	
Internal revenues	3,145	2,425	
Gain on disposal of fixed assets and operations	24	3	
Total revenues	6,057	4,225	

Operating Expenses

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

(1) Associated company since November 1, 2000.

EDB BUSINESS PARTNER

	1999	2000	2001
	(NOK in millions)		
External revenues	1,392	2,440	3,312
Internal revenues	1,499	1,505	1,458
Gains on disposal of fixed assets and operations	—	21	41
Total revenues	2,891	3,966	4,811
Total operating expenses	2,764	3,765	6,019
Operating profit/loss	127	201	(1,208)
Associated companies	(4)	(21)	130
Net financial items	(13)	(19)	(94)
Profit before taxes and minority interests	110	161	(1,172)
EBITDA	338	554	447
EBITDA excl. gains and losses	339	533	406
Investments			
— Capex	375	335	174
— Acquisition of businesses	652	2,935	749
Total full-time equivalent employees (period end)	2,027	2,745	3,172
— Of which abroad	154	148	344

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

EBITDA

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

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

Revenues

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

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

Operating Expenses

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

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

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

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

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

Associated Companies

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

OTHER BUSINESS UNITS

Revenues

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

EBITDA excluding gains and losses

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

Satellite Mobile

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

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

Satellite Networks

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

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

Itworks

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

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

Other

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

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

CORPORATE FUNCTIONS AND GROUP ACTIVITIES

Revenues

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

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

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

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

WORKING CAPITAL

Working capital (current assets less current liabilities) was negative by NOK 0.8 billion as of December 31, 2001, positive by NOK 0.2 billion as of December 31, 2000 and negative by NOK 0.4 billion as of December 31, 1999. We believe that taking into consideration our established credit facilities and having due regard for our sources of liquidity reserves (including committed credit facilities), credit rating and access to capital markets, we have sufficient liquidity and working capital to meet our present and future requirements. Our sources of liquidity are described below.

LIQUIDITY

You should read the cash flow statement in the consolidated financial statements that form part of this report on Form 20-F for detailed figures related to the group's cash flow.

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

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

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

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

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

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

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

INVESTMENTS

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

(1) Capex is investments in tangible and intangible assets.

(2) Acquisition of businesses is aquisition of shares and participations including acquisition of subsidiaries and businesses not organized as separate companies.

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

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

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

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

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

CAPITAL RESOURCES

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

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

In 2000, we established a syndicated U.S. dollar revolving credit facility maturing in 2005, limited to U.S. dollar 1,000 million. In addition to this a syndicated euro revolving credit facility of euro 1,000 million was established in December 2001. This facility matures in December 2002; however, we have a one year term-out option provided that, if the credit rating is equal to or less than either BBB or Baa2, we must maintain a net debt to EBITDA ratio equal to or less than 3.5:1.

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

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

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

As of December 31, 2001 we held 28,103,172 treasury shares of the total 30,000,000 shares which were issued through a transfer of capital from ''other paid in capital'' to share capital (a share dividend issue). The Kingdom of Norway waived its right to receive the new shares, which were issued to us as treasury shares, to be used to grant additional bonus shares to retail investors in Norway pursuant to the global offering. The general meeting held in 2001 granted an authority to the board of directors that the remaining shares, (28,103,172 shares) could be used for other purposes. The tax base cost of the Treasury Shares is somewhat uncertain, and in our opinion this cost equals zero. Thus, if the shares are disposed of for cash, a capital gain may be recognized for tax purposes depending on the consideration received. If the shares are swapped against other shares a capital gain may be deferred by application to the Ministry of Finance. No capital gain will arise if the shares are cancelled.

INFORMATION ABOUT CONTRACTUAL CASH PAYMENTS

The table below shows the contractual obligations and commercial commitments as of December 31, 2001

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

(1) The table does not include future investments required under the UMTS license awarded to us in Norway.

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

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

The high level of other contractual obligations in 2002 compared to subsequent years relates mainly to a one-year framework agreement with Bravida for installation and service work. Other contractual obligations do not include licence fee payments.

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

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

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

We have entered into cross border tax benefit leases for digital telephone switches and for GSM Mobile telephony network. The agreements called for prepayments of all amounts by the parties under the leases to financial institutions. The leasing obligations and the prepayments are netted in the balance sheet and not included in the table above.

Guarantees as of December 31, 2001 were to a large extent related to associated companies and Inmarsat.

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

OTHER ISSUES

Critical accounting policies and estimates

Certain amounts included in or affecting our financial statements and related disclosure must be estimated, requiring us to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. In December 2001, the Securities and Exchange Commission requested that all registrants describe their ''critical accounting policies''. The Securities and Exchange Commission indicated that a ''critical accounting policy'' is one which is both important to the portrayal of the company's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We believe that the accounting policies set forth below fit this definition. We evaluate such policies on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods we consider reasonable in the particular circumstances, as well as our forecasts as to how these might change in the future.

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

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

The principles for impairment testing are described in the accounting policies. For tangible and intangible assets, the assessment is made based on estimated undiscounted future cash flows, for those assets to be held and used, and sales price less cost to sell for assets to be disposed. When such amounts are less than the carrying amount of the asset, a write-down to estimated fair value or sales price less cost to sell is recorded.

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

In 2001, Telenor made substantial write-downs of tangible assets, goodwill and other intangible assets, associated companies and joint ventures and other investments.

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

Purchase price allocation. In connection with acquisitions we have allocated the purchase prices to the estimated fair market value of tangible and intangible assets and liabilities on the date of acquisition, including allocations to intangible assets such as customer relationships, licenses and trademarks.

Deferred tax assets and valuation allowances for deferred tax assets. We record valuation allowances to reduce our deferred tax assets to an amount that is more likely than not to be realized. Our effective tax rate has been increased by valuation allowances, mainly related to our foreign operations. Furthermore, we have not recorded deferred tax assets which will be realized upon possible disposal of shares in subsidiaries and associated companies. While we have considered future taxable income and feasible tax planning strategies in determining the amount of our valuation allowances, any difference in the amount that we ultimately may realize would be included as income in the period in which such a determination is reached.

Inflation

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

Norwegian GAAP compared with U.S. GAAP

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

The significant differences between Norwegian GAAP and U.S. GAAP affecting our net income and shareholders equity are described in Note 30 to our audited Consolidated Financial Statements.

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

ITEM 6: DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors and Senior Management

The management of Telenor is vested in our board of directors and our President and Chief Executive Officer. The President is responsible for the day-to-day management of our company in accordance with the instructions, policies and operating guidelines set out by our board of directors. Our articles of association specify that our board of directors shall consist of between five and eleven members. Our board of directors currently consists of ten directors, of whom three are employee representatives.

The current board of directors (excluding employee representatives) has been elected by the corporate assembly.

The directors and executive officers of the Company are identified below. The address of the directors and executive officers is c/o Telenor ASA, at the corporate headquarters, Fornebu, Norway.

Board of Directors

Name	Address	Born	Position
Tom Vidar Rygh	Oslo	1958	Chairman of the Board of Directors
Åshild M. Bendiktsen	Salangen	1945	Deputy Chairman of the Board of Directors
Thorleif Enger	Oslo	1943	Director
Einar Førde	Oslo	1943	Director
Bente Halvorsen	Skedsmo	1954	Director
Bjørg Ven	Oslo	1946	Director
Jørgen Lindegaard	Copenhagen, Denmark	1943	Director
Harald Stavn(1)	Kongsberg	1954	Director
Per Gunnar Salomonsen(1)	Skien	1954	Director
Irma Tystad(1)	Trysil	1943	Director

(1) Elected by the employees.

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

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

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

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

Bente Halvorsen. Bente Halvorsen was elected to our board of directors on May 29, 2000. She is the Treasurer of LO (Norwegian Confederation of Trade Unions) and serves on a number of boards and committees within the LO, including Vår Bank og Forsikring (a banking and insurance company).

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

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

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

Per Gunnar Salomonsen. Per Gunnar Salomonsen has served as an employee-elected representative on our board of directors since November 1, 2000. Since 1995 he has been an employee representative on the board of Telenor Nett. Mr. Salomonsen joined Telenor in 1973 and spent the first two years studying for an engineering degree. He has held various positions in our company, most recently as operational engineer.

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

Group Management

Name	Address	Born	Position
Tormod Hermansen	Oslo	1940	President and Chief Executive Officer
Jon Fredrik Baksaas	Sandvika	1954	Deputy Chief Executive Officer
Torstein Moland	Lier	1945	Senior Executive Vice President and Chief Financial Officer
Arve Johansen	Lier	1949	Senior Executive Vice President, Telenor Mobile Communications AS
Henrik Torgersen	Oslo	1947	Executive Vice President, International Operations
Berit Svendsen	Oslo	1963	Executive Vice President and Chief Technology Officer
Jan Edvard Thygesen	Nesbru	1951	Executive Vice President, Network Services
Stig Eide Sivertsen	Oslo	1959	Executive Vice President, Telenor Plus
Gun Bente Johansen	Oslo	1961	Executive Vice President (chairman of the board of directors of Telenor Key Partner AS, Teleservice AS, Itworks AS)
Morten Lundal	Oslo	1964	Executive Vice President, Telenor Business Solutions
Bjørn Formo	Oppegaard	1949	Executive Vice President, Corporate Relations

Tormod Hermansen. Tormod Hermansen has served as the President and Chief Executive Officer of Telenor since 1991. Mr. Hermansen has previously served as assistant director of the Central Committee for Norwegian Research, as director general in the Norwegian Ministry of Health and Social Affairs, and as under-secretary of state in the Norwegian Ministry of Finance. In addition, Mr. Hermansen served as secretary general of the Norwegian Ministry of Local Government and Labor and as secretary general of the Norwegian Ministry of Finance. Mr. Hermansen has chaired the Board of the Government Bank Insurance Fund, has been a member of the board of directors of Statoil, and has been Chairman of the Board of the Norwegian Association of Publicly owned Companies. Currently, he is also a member of the board of directors of DnB Holding ASA.

In January 2002 Tormod Hermansen informed the board of directors that he wishes to withdraw from his position by the end of June 2002. The board has complied with his wishes and intends to find a successor well before Mr. Hermansen's withdraws.

Jon Fredrik Baksaas. Jon Fredrik Baksaas has served as a Senior Executive Vice President since 1997 and was appointed Deputy Chief Executive Officer in 2001. Mr. Baksaas joined the Company in 1989 and previously served as the Chief Financial Officer. Prior to this, Mr. Baksaas was Financial Manager and

Treasurer, Executive Vice President, and President at TBK AS. He has also held finance positions at Aker AS, Stolt-Nielsen Seaway and Det norske Veritas. Mr. Baksaas received a Bachelor of Science from The Norwegian School of Business Administration and has attended the Program for Executive Development at IMD in Lausanne, Switzerland.

Torstein Moland. Torstein Moland has served as a Senior Executive Vice President and the Chief Financial Officer of Telenor since 1997. Prior to joining the Company in 1997, Mr. Moland served as the Governor of the Central Bank of Norway and as the Chief Financial Officer of Norske Skog. He was previously employed at the Norwegian Ministry of Finance working on economic policy and later as the Under-Secretary of State. Mr. Moland received an honors degree in economics from the University of Oslo and completed additional studies at the Massachusetts Institute of Technology.

Arve Johansen. Arve Johansen has served as a Senior Executive Vice President since 1999 and as Chairman of Telenor Mobile Communications AS since 2000. Mr. Johansen joined the Company in 1989 and has held a number of positions, including Managing Director and Chief Executive Officer of Telenor International AS. Prior to joining Telenor, Mr. Johansen was employed by EB Telecom as a manager, by the Norwegian Institute of Technology as a research engineer and by ELAB. Mr. Johansen received a Master of Science in electrical engineering (telecommunications) from The Norwegian Institute of Technology and participated in the Program for Management Development at the Harvard Business School.

Henrik Torgersen. Henrik Torgersen has served as Executive Vice President since July 1, 2000. Mr. Torgersen joined the Company in 1998 and has served as President of Telenor East Invest and Regional Director of Telenor. Previously, Mr. Torgersen was regional operations manager with Andersen Consulting. Mr. Torgersen received a Masters Degree in Cybernetics from the Technical University of Norway and has completed a Management Training Program at IMD in Lausanne, Switzerland.

Berit Svendsen. Berit Svendsen has served as an Executive Vice President and Chief Technology Officer of Telenor since September 15, 2000. Since joining Telenor in 1988 Ms. Svendsen has held various position, most recently Project-Director for FMC (Fixed-Mobile Convergence) and as managing director for data services. Ms. Svendsen holds a MSEE from the Norwegian University of Technology and Science and a Master of Technology Management from Norwegian University/Norwegian School of Business Administration/MIT.

Jan Edvard Thygesen. Jan Edvard Thygesen has served as an Executive Vice President and Chief Executive Officer of Telenor Network Services AS since 1998. Since joining the Company in 1979, Mr. Thygesen has held various positions, including Executive Vice President of Telenor Mobil, President of Telenor Invest AS, Executive Vice President of Telenor Bedrift AS and President of Telenor Nett AS. He has also served as the President of Esat Digifone and Televerket. Mr. Thygesen received a Bachelor of Science in electronics and telecommunications from The Norwegian Institute of Technology.

Stig Eide Sivertsen. Stig Eide Sivertsen is Executive Vice President and the Chief Executive Officer of Telenor Plus. Mr. Sivertsen joined the Company in 1997 as the Director of Finance and Chief Accountant for Telenor Link AS. Mr. Sivertsen previously held positions as CEO of Nettavisen AS and CFO of Petroleum Geo-Services ASA and Schibsted ASA. Mr. Sivertsen holds elementary and supplementary degrees in law from the University of Bergen and a Master of Business Administration from Durham University.

Gun Bente Johansen. Gun Bente Johansen has served as an Executive Vice President since February 2000. Ms. Johansen had served as the Director of Human Resources and as Director, Manager of Job Development, Information Manager and Director of Human Resources of Telenor Nye Muligheter. Prior to joining Telenor, Ms. Johansen was previously employed at Ginco AS and Sällma Personinvest/Norge AS. Ms. Johansen received a Bachelor of Science in sociology and psychology from University of Oslo.

Morten Lundal. Morten Lundal is Executive Vice President and has been Chief Executive Officer of Telenor Internet since 1997 and since 2001 of Telenor Business Solutions. Prior to joining Telenor, Mr. Lundal held positions at Gemini Consulting, A.T. Kearney, and Dyno Industries. Mr. Lundal received a Bachelor of Commerce from The Norwegian Institute of Business Administration and an MBA from IMD in Lausanne, Switzerland.

Bjørn Formo. Bjørn Formo, has served as Executive Vice President since June 15, 2001. Mr. Formo, a Bachelor of Commerce by education, has worked with Telenor previously; his latest position was Executive Vice President of Telenor Bedrift until 1997. In between he was CEO of WiCom ASA as well as of Telia's activities in Norway. Prior to this he served in various executive positions in Norwegian insurance, among them 3 years as President of Storebrand Skadeforsikring (non-life insurance).

Corporate Assembly

Our corporate assembly consists of 15 members. The general meeting elects ten members with three alternates. Our employees elect an additional five members and two observers, all with alternates.

The corporate assembly has a duty to supervise the board of directors and our President and Chief Executive Officer in their management of the company, and under Norwegian law has a fiduciary duty to the shareholders.

One of the principal functions of the corporate assembly is to elect and remove the board of directors. Up to one-third of the members of the board of directors, but in no event less than two persons, including alternates, shall be elected among our employees if one-third of the corporate assembly members demands it. Half of the members elected by the employees may request that the board members shall be elected by the shareholder elected members and employee elected members of the assembly voting as separate groups.

The approval of our corporate assembly is required for significant investments as well as for substantial changes to our operations that affect the number or allocation of employees on the recommendation of our board of directors.

Set forth below is a list of the current members of our corporate assembly.

Name	Address	Position
Mona Røkke	Tønsberg	Chairman
Gisle Handeland	Fedje	Deputy Chairman
Brit Seim Jahre	Oslo	Member
Hilde Kinserdal	Bergen	Member
Ragnar Klevaas	Bærum	Member
Jan Erik Korssjoen	Kongsberg	Member
Eystein Gjelsvik	Ski	Member
Bjørg Simonsen	Rana	Member
Kristian Zachariassen	Arendal	Member
Randi Braathe	Rygge	Member
Stein Erik Olsen	Bergen	Member
Berit Kopren	Stavanger	Member
Karstein Rystad	Bodø	Member
Grete Elin Henriksen	Oslo	Member
Jan Riddervold	Lillehammer	Member

Compensation to the Board of Directors, Corporate Assembly and Group Management

Aggregate remuneration for the board of directors and the corporate assembly for 2001 was NOK 1,443,750 and NOK 408,000, respectively.

Aggregate remuneration for group management for 2000 was NOK 47,142,739.

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

Under the employment agreements, the members of the group management have the right to receive salary for six months beyond the agreed period of notice if Telenor terminates the employment. Exceptions to this: three members of the group management, the President and Chief Executive Officer, the Executive Vice President and Chief Technology Officer, and the Executive Vice President and Chief Executive Officer of Telenor Plus and the Executive Vice President of Corporate Relations have no right to receive salary beyond the agreed period of notice. The Deputy Chief Executive Officer has the right to receive salary for twelve months beyond the agreed period of notice.

Two members of the group management, the Senior Executive Vice President and Chief Executive Officer of Telenor Mobile AS and the Senior Executive Vice President and Chief Financial Officer, both have agreements which entitle them to a possible transfer to other tasks within the organization with the right to compensation equivalent to half of their salary. These agreements relate to a specified time period up to the age of retirement. The future pension benefits are based on the salary at the time of transfer to other work. Another member of group management, Henrik Torgersen, has the right to reduce his position to two-thirds of full time starting from August 1, 2003. The future pension benefits will be retained as for a full-time position.

Furthermore, the members of the group management, have bonus schemes up to an amount corresponding to four months' salary (5 months for the Executive Vice President and head of Mobile Communications, 3 months for the Executive Vice President Corporate Relations, 2 months for the Executive Vice President of Telenor ASA and chairman of the board of directors of Teleservice AS, Itworks AS, and Key Partner AS , 2 months for the Executive Vice President and Chief Technology Officer, 3 months for the Executive Vice President, Corporate Relations).

Members of the group management have the right to retire at the age of 60/62 years with a supplementary pension, making their pension 66% of their salary at the date of retirement.

The suggested audit fee for 2001 to Arthur Andersen & Co, Norway, the independent auditors of our group was NOK 0.9 million for the parent company (Telenor ASA) and NOK 12.4 million for the subsidiaries. For other services the auditor of our group (Arthur Andersen & Co, Norway) have invoiced NOK 32.5 million, of which NOK 13.8 million relates to the parent company.

Total loans to employees were NOK 38 million as of December 31, 2001. The loans were mainly given to finance cars purchased by the employees as an alternative to company cars and loans were provided in connection with the purchase of shares in the employee stock ownership program in December, 2001 (NOK 15.6 million). The loans for purchase of shares was limited to NOK 5,987 per employee after discount. The board of directors will decide whether a similar employee stock ownership program is going to be established in 2002. Loans for share purchase are non-interest-bearing and have terms of one year. As of December 31, 2001, the three employee representatives on the board of directors, Tormond Hermansen, Jan Frederik Baksaas and Jan Edvard Thygesen had outstanding loans of NOK 5,987 each related to this share purchase arrangement, the remaining loans are established at normal market conditions.

Incentive Programs

As of January 1, 2002, we adjusted the composition of the total remuneration to the group management. We replaced the previous long term bonus of maximum 2 months' salary with a share option program. At the same time, the composition of the compensation elements (fixed salary, annual bonus and share options) we evaluated some members of the group management will have a relatively higher component of annual bonus in its total remuneration, while others will have a relatively higher component related to share options (long term bonus).

On February 21, 2002 we introduced a share option program granting options to 85 managers and key personnel to subscribe for up to 2,520,000 of our shares. The option program partly replaces existing bonus and incentive agreements for managers and key personnel.

One third of the options may be exercised each of the three years subsequent to the date of grant. The latest possible exercise date is seven years subsequent to the date of grant. The exercise price corresponds to the average closing price at Oslo Stock Exchange five trading days prior to the date of grant, increasing with an interest per commenced month corresponding to 1/12 of 12 months NIBOR (Norwegian Interbank interest rate). The options may only be exercised four times a year, during a ten-day period after the publication of the company's quarterly results.

At the exercise of options we maintain the right to redeem options by paying an amount in cash corresponding to the difference between exercise quotation price and closing price on the day the notification reached the company.

The following members of the group management were on February 21, 2002 granted options according the above mentioned option-program.

Name	Granted options as of February 21, 2002
Jon Fredrik Baksaas	100,000
Torstein Moland	100,000
Berit Svendsen	100,000
Arve Johansen	100,000
Bjørn Formo	100,000
Jan Edvard Thygesen	75,000
Stig Eide Sivertsen	75,000
Morten Lundal	75,000
Henrik Torgersen	75,000
Gun Bente Johansen	50,000

Pension Benefits

We provide pension benefits to substantially all of our employees in Norway through the foundation Telenor Pension Fund (Telenor Pensjonskasse). We established the fund on January 1, 1988 and we established it as our pension fund since September 1, 1995. On that date, all of our employees, who had previously been part of a Governmental pension scheme, were placed into a corporate pension scheme. Under an arrangement with the Government, the Government's pension scheme will fund all pension entitlements that were accrued up to September 1, 1995, without any recourse to us.

The amount of benefits provided through the fund are based on the employee's length of service and compensation. Full pension benefits through the fund are 66% (inclusive of Norwegian national insurance) of the employee's annual salary after 30 years of service. However, the annual remuneration that determines the pension benefits cannot exceed 12 times the base amount set by the Government. For May 2001, the base amount is NOK 51.360. Parliament determines annually the maximum amount of pension benefits based on an index linked to an employee's salary. We estimate that Parliament will increase pension benefits provided through the fund by approximately 3% per year. Under Norwegian law, the Telenor pension fund is treated as a service pension arrangement and, therefore, the premium for the plan is tax deductible.

The rules set out by our pension fund are used to calculate the value of the commitments made. In addition to the standard benefits described above, a supplementary foundation, we established the Telenor pension fund II on January 1, 1997 to provide additional benefits to eligible employees pursuant to their employment contracts. Full pension under this scheme is 66% of the employee's annual salary. In this case, the annual remuneration can exceed 12 times the base amount. Employees are eligible for full pension benefits under this scheme after 20 years of service. The additional premium payable under the Telenor pension fund II is not tax deductible according to Norwegian tax law.

Our Top Management Pension Plan is based on the general pension plan with supplementary pensions through the Telenor pension fund II. The Top Management Pension Plan grants pension levels higher than those available under the general plan. There is no minimum required period of employment for an employee to qualify for membership in the Top Management Pension Plan.

Board Practices

In 2001 a Compensation Committee headed by the chairman of the board of directors was established.

Employees

As of December 31, 2001, we had 21,000 full-time equivalent employees, of whom we employed 14,700 in Norway and 6,300 outside Norway. During the year 2001, we decreased 400 full-time equivalent employees from our operations in Norway and added 1,250 full-time equivalent employees to our operations outside Norway. Set forth below are the numbers of our full-time equivalent in each of our business areas and other companies as the dates indicates:

	Number of employees(1) December 31, 1999			Number of employees(1) December 31, 2000			Number of employees(1) December 31, 2001		
Business Area	Norway	Outside Norway	Total	Norway	Outside Norway	Total	Norway	Outside Norway	Total
Mobile	1,941	486	2,427	1,950	531	2,481	2,133	2,084	4,217
Network Services	3,982	74	4,056	4,082	12	4,094	3,926	38	3,964
Plus	774	233	1,007	1,050	98	1,148	1,147	198	1,345
Business Solutions	1,010	1,032	2,042	1,360	2,632	3,992	1,400	2,824	4,224
EDB Business Partner FO	1,873	154	2,027	2,597	148	2,745	2,828	344	3,172
Media	876	531	1,407	918	990	1,908	—	—	—
Bravida	5,512	454	5,966	—	—	—	—	—	—
Other business units	1,656	168	1,824	1,762	607	2,369	1,743	790	2,533
Corporate functions and group activities	1,176	18	1,194	1,391	22	1,413	1,523	22	1,545
Total	18,800	3,150	21,950	15,110	5,040	20,150	14,700	6,300	21,000

(1) Full-time Equivalents

We are a member of the employers' association NAVO (the Norwegian association of employers for business activities with public connections). Joint consultation and cooperation with the trade unions are governed through the Principal Agreement of NAVO, the central agreements of cooperation and the agreements in the individual business units or companies. The cooperation is also formalized through forums such as the group committee, the joint consultative committee and regular management forums.

Our employees are represented by four trade unions: EL & IT Forbundet, KTTL, NITO-TELE and TS. Approximately 55% of our employees are union members. The unions are entitled to appoint three members to our board of directors. Two members are elected from Kommunikasjonsforbundet, NITO-TELE and TS and one from EL & IT Forbundet. Labor contracts with the unions are scheduled to be renewed in 2002. We consider our relations with our employees as well as the unions to be good.

We seek to continually improve the skills and development of our employees in each of our business areas. Employees participate in various training programs. Our training organization provides different development programs and we cooperate with selected colleges and universities as well as other educational and research institutions in Norway and abroad. We place great emphasis on promoting an atmosphere geared towards learning and sharing of knowledge, with a strong focus on our efforts to retain our employees, which are strategically important to our business. A major principle in Telenor's personnel policy is to appear as an attractive and competitive employer as well as to establish value-added remuneration plans.

Share Ownership

The number of shares owned by the members of the board of directors, the corporate assembly and the group management as of March 18, 2002 is shown below. Shares owned by the board of directors and the group management includes closely related parties.

Board of Directors	No. of shares owned as of March 18, 2002
Tom Vidar Rygh	15,000
Åshild Marianne Bendiktsen	682
Torleif Enger	2,000
Bente Neegard Halvorsen	682
Harald Stavn	2,992
Per Gunnar Salomonsen	1,160
Irma Tystad	478

Corporate Assembly	No. of shares owned as of March 18, 2002
Ragnar Klevaas	682
Eystein Gjelsvik	275
Stein Erik Olsen	478
Berit Kopren	275
Grethe Elin Henriksen	885
Jan Riddervold	1,303

Group Management	No. of shares owned as of March 18, 2002
Tormod Hermansen	10,407
Torstein Moland	11,364
Berit Svendsen	3,745
Henrik Torgersen	2,057
Jon Fredrik Baksaas	11,364
Arve Johansen	24,280
Gun Bente Johansen	3,624
Jan Edvard Thygesen	14,426
Morten Lundal	7,417
Stig Eide Sivertsen	27,913
Bjørn Fromo	682

In order to encourage long-term shareholding among our employees, all our permanent employees and the employees of our Norwegian subsidiaries where our ownership share directly or indirectly is greater than 90%, were given the opportunity in 2001 to buy shares for up to NOK 7,500, with a 20% cash discount. If the average share price in the last 30 days of trading, up to and including December 3, 2002, is at least 12% higher than the corresponding average share price up to and including December 3, 2001, those who subscribed for shares in this offer will be allocated ‘‘profit bonus shares’’ for NOK 2,500, provided that they continue to hold the allocated shares and are still employees of Telenor.

Approximately 25% of those who were offered shares, accepted the offer and were allocated 203 shares each at a value of NOK 36.86, which was the average quoting price during the last five days of trading up to and including December 3, 2001. After taking account of the discount, this gives a value of NOK 29.49 per share.

ITEM 7: MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Other than as described below, Telenor does not believe that it has undertaken any material transactions or loans with a related party.

RELATIONSHIP BETWEEN TELENOR AND THE KINGDOM OF NORWAY

Background

Our predecessors and we have been responsible for telecommunications in Norway since 1855 when Telenor was founded as the Norwegian Telegraph Administration. Throughout much of our operating history we have been a state-owned monopoly telecommunications provider in Norway. Since the early 1980s, the Norwegian Telecommunications markets have been gradually opened up to competition, and by January 1, 1998 the Norwegian market was fully opened. As part of the deregulation process, we (the present Telenor Communications AS) were converted from a public enterprise to a limited company owned 100% by the Kingdom of Norway in 1994. In 1995 we were renamed Telenor. The Kingdom of Norway's ownership of Telenor was previously administered by the Ministry of Transport and Communications. On September 8, 2000, the administration of the Kingdom of Norway's ownership interest in Telenor was transferred to the Ministry of Trade and Industry.

The Kingdom of Norway as a Shareholder

At March 22, 2002 the Kingdom of Norway owned 1,400,000,000 shares of Telenor, representing 77.66% of our share capital (as diluted for 28,103,172 own shares).

Prior to our initial public offering in December 2000, the Kingdom of Norway owned 100% of our issued share capital, save as described as follows.

At our incorporation on July 21, 2000, our share capital, which was entirely owned by the Kingdom of Norway, was NOK 8,400,000,000 divided into 840,000 ordinary shares of NOK 10,000 nominal value each. At an extraordinary general meeting held on November 10, 2000, it was decided to split the shares into shares having a nominal value of NOK 6 each, whereupon our share capital was NOK 8,400,000,000 divided into 1,400,000,000 ordinary shares of NOK 6 nominal value each.

At the same time, it was resolved to increase the share capital by NOK 180,000,000 through the issuance of 30,000,000 ordinary shares through a transfer of capital from ''other paid in capital'' to share capital (a bonus issue). The Kingdom of Norway waived its right to receive the new shares, which were issued to us as treasury shares. The treasury shares was intended to be used to grant additional bonus shares to retail investors in Norway pursuant to the initial public offering. In December 2001 1,896,828 of bonus shares was granted to retail investors in Norway leaving 28,103,172 of treasury shares owned by Telenor. At the general meeting held on May 10, 2001, our board of directors was given the authority to use the treasury shares upon our board's decision.

On June 14, 2000 the Storting (the Norwegian parliament) authorized the Norwegian government to sell the Kingdom of Norway's shares in Telenor, provided that it ensures that the Kingdom of Norway's ownership level in Telenor amounts to at least 51%. The Storting has in 2001 decided to authorize that the Kingdom of Norway's ownership level can be reduced down to 34%

As the Kingdom of Norway owns in excess of two-thirds of the shares in Telenor, it has the sole power to amend our articles of association. In addition, as long as the Kingdom of Norway owns more than one-third of the shares in Telenor, it will be able to prevent any amendments to our articles of association. In addition, as a majority shareholder, the Kingdom of Norway will have the power to control any decision at a meeting of our shareholders requiring a majority vote, including electing a majority of the corporate assembly which in turn has the power to elect our board of directors, as well as approval of the payment of dividends.

The Norwegian government has noted that as one of several shareholders in Telenor, the Kingdom of Norway will foremost concentrate on issues relating to return on capital, capital structure and dividend policy, emphasizing long-term profitable business development and the creation of value for all shareholders. The Norwegian government plans to ensure that the Kingdom of Norway's ownership position will be exercised professionally and in accordance with usual businesslike practices. Telenor will be expected to generate capital returns consistent with those of other European companies in the same industry and with an equivalent positioning to that of Telenor. The capital structure and the dividend policy should be conducive to the creation of shareholder value.

The Kingdom of Norway as a Regulator

Our telecommunications activities are regulated primarily by the Telecommunications Act and the secondary regulations promulgated thereunder. Under the Telecommunications Act, the PT is the agency of the Norwegian government with day-to-day responsibility for overseeing the telecommunications sector. The PT reports to the Ministry of Transport and Communications.

The question of the organization of ownership and regulatory roles in the telecommunications sector has been considered in numerous proposals before the Storting. In order to be conducive to market confidence that the ownership and regulatory roles in the telecommunications sector are organized in an acceptable manner, among other reasons, the Norwegian government transferred the administration of the Kingdom of Norway's ownership interest in Telenor to the Ministry of Trade and Industry on September 8, 2000.

The Kingdom of Norway as a Customer

The departments and agencies of the Kingdom of Norway in the aggregate comprise our largest customer. Generally, we deal with the various departments and agencies of the Kingdom of Norway as separate customers, except that the terms upon which we offer services to government entities are periodically established through a tender process in order to comply with the procurement rules to which the government entities are subject. The provision of services to any one department or agency does not constitute a material part of our revenues. You should read Note 26 to the consolidated financial statements for additional information on our relationship with the Kingdom of Norway.

OTHER RELATED PARTY TRANSACTIONS

Telenor has entered into arrangements with a number of subsidiaries and affiliated companies in the course of its business. Transactions between Telenor and these subsidiaries and affiliated companies are conducted at arms' length, meaning on commercially reasonable terms that would also have been agreed by unrelated third parties. Telenor provides a variety of services to these companies, including network services, invoicing and collection services, treasury services, administrative and managerial services. For a description of certain of these related party transactions, you should read Note 26 to the consolidated financial statements. Short and long term receivable from associated companies and joint ventures are set out in Notes 16 and 17 to the consolidated financial statements.

OTHER INFORMATION

As of March 18, 2002, 398,560 ADSs equivalent to 1,105,680 ordinary shares, or approximately 0.07% of the total ordinary shares in issue, were outstanding and were held by five holders.

As of March 18, 2002, there were a total of 56,385 record holders of ordinary shares, of whom 92 had registered addresses in the United States and held a total of 31,156,080 ordinary shares (1.73% of the total issued). Since certain ordinary shares are registered in the names of nominees, the number of shareholders of record may not be representative of the number of beneficial owners.

The number of shares owned by the members of the board of directors, the corporate assembly and the group management as of March 18, 2002 is shown above. Shares owned by the board of directors and the group managements include closely related parties.

ITEM 8: FINANCIAL INFORMATION

Financial Statements

See ''Item 18: Financial Statements''.

Legal Proceedings

We are involved in a number of judicial and regulatory proceedings (including those described below) concerning matters arising in connection with the conduct of our business. Provisions have been made to cover the expected outcome of the proceedings to the extent that negative outcomes are likely and reliable estimates can be made. While acknowledging the uncertainties of litigation, we believe that, based on the information available to date, these matters will be resolved without any material effect on our financial position. You should read "— Regulation" for a more detailed description of regulatory proceedings.

New Proceedings

In April 2001, the company S&A Telecom Cyprus Ltd. initiated legal proceedings against Telenor before the civil court of Athens, Greece, for a compensation claim of approximately NOK 444 million related to disputes under several agreements entered into in connection with ownership interests in Cosmote. The company WR Com Ltd. also indicated its intention to commence arbitration proceedings in Oslo based on similar grounds in the same complex of cases. The arbitration panel has been established, but a date for hearing has not yet been set.

In October 2000, Tele Danmark, Telia, Sonera, and Iceland Telecom first gave notice of a claim against us for NOK 435 million relating to the alleged co-ownership of Telenor Satellite Mobile's operations at the Eik earth station between us and the plaintiffs. The plaintiffs have based their claim on their contribution to paying for the depreciation of the investments made at Eik. We expect the plaintiffs to claim compensation for such payments. We and the plaintiffs agreed to resolve this dispute by arbitration. We have received no detailed claims yet.

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

Update on Previously Disclosed Proceedings

The following is an update on the legal proceedings which we disclosed in our Annual Report on Form 20-F for the fiscal year ended December 31, 2000.

In December 1997, Teletopia AS brought legal proceedings against Telenor AS (now Telenor Communication AS) before the Oslo County Court with a claim that, among other things, our termination of agreements entered into with Teletopia in 1995 was invalid and that we should be ordered to pay compensation as determined by the court. In its ruling of April 2001, the Oslo County Court held that our termination was invalid and we were ordered to pay compensation of NOK 23.5 million to Teletopia. We appealed the decision and Teletopia cross-appealed demanding additional compensation to be determined by the court. The main hearing before the Court of Appeal is scheduled to be held in autumn 2002.

In August 1998, Telenor Nett AS (now Telenor Telecom Solutions AS) brought legal proceedings against Nesset Kommune, a Norwegian municipality, in the local city court of Romsdal Herredsrett claiming that the municipality's resolution on property tax levied on the company's infrastructure had not been duly authorized and was therefore null and void. On November 1, 2000, the Court of Appeal ruled in our favour after we had initially lost in the lower court. Nesset Kommune applied for a review of the Court of Appeal's decision, which was granted by the Appeal Committee of the Norwegian Supreme Court. In January 2002, the Norwegian Supreme Court ruled in favour of the municipality.

In March 1998, NetCom ASA filed a complaint against Telenor Nett AS (now Telenor Telecom Solutions AS) at Oslo County Court, claiming reimbursement based on the fact that in the years 1993 through 1996 our prices for leased lines were allegedly not in accordance with the stipulation for cost-oriented pricing under applicable regulations. The claim amounted to approximately NOK 97 million plus interest on arrears from January 1997. In its ruling of June 19, 2001, the Oslo County Court ordered us to pay NOK 51.5 million plus interest as a result of overcharging in 1995 and 1996. We appealed this decision and NetCom cross-appealed claiming additional reimbursement for 1993 and 1994. We expect the Borgarting Court of Appeal to hear and to decide on the appeals in autumn 2002.

In October 2000, Tele 2 Norge AS filed a complaint against Telenor Nett AS before an arbitration court claiming damages of approximately NOK 70 million based on our allegedly delayed implementation of carrier preselection, a requirement which the Norwegian Post and Telecommunications Authority (*Post-og teletilsynet,* PT) introduced in 1999. The hearing was held in May 2001. The claim against Telenor Nett AS was dismissed. In addition, in July 2000, Tele 2 Norge AS filed complaints against Telenor Bedrift AS, Telenor Privat AS and Telenor Communications AS before the Oslo City Court alleging unjust enrichment which these companies derived from the alleged late introduction of carrier preselection by us. Tele 2 Norge AS claimed approximately NOK 15.8 million in damages. On November 27, 2001, the court ruled in our favour. In December 2001, Tele2 appealed this decision.

In May 2001, Song Networks AS brought proceedings against Telenor Telecom Solutions AS before an arbitration tribunal, claiming compensation for our the allegedly delayed implementation of carrier preselection. The compensation claim amounts to approximately NOK 52 million. The main hearing was held in January 2002 and a ruling is expected in March 2002.

ITEM 9: THE OFFER AND LISTING

The principal trading market for Telenor's ordinary shares is the Oslo Stock Exchange on which they have been listed since the initial public offering of Telenor in December 2000. The ordinary shares are also listed on the NASDAQ National Market trading in the form of ADSs evidenced by ADRs. Each ADS represents three ordinary shares. Telenor has a sponsored ADR facility with Morgan Guaranty Trust Company of New York as Depositary.

The following table gives, for the periods indicated, the reported high and low market quotations for the ordinary shares on the Oslo Stock Exchange, as derived from its Daily Official List, and the highest and lowest sales prices of the ADSs as reported on the NASDAQ National Market composite tape.

	NOK per ordinary share		$ per ADS	
	High	**Low**	**High**	**Low**
2001	45.40	28.00	15.625	9.000

	NOK per ordinary share		$ per ADS	
	High	**Low**	**High**	**Low**
2001				
First Quarter	45.40	34.80	15.625	11.500
Second Quarter	44.40	35.70	14.600	11.500
Third Quarter	40.90	28.00	13.449	9.000
Fourth Quarter	40.00	32.20	13.400	10.650

	NOK per ordinary share		$ per ADS	
	High	**Low**	**High**	**Low**
October 2001	35.20	32.20	12.20	10.65
November 2001	37.40	38.70	12.85	11.36
December 2001	40.00	36.50	13.40	12.005
January 2002	39.30	34.50	13.83	11.24
February 2002	36.40	31.90	12.23	10.45
March 2002 (through March 18)	37.30	34.30	13.05	11.75

ITEM 10: ADDITIONAL INFORMATION

MEMORANDUM AND ARTICLES OF ASSOCIATION

Summary of our Articles of Association

Name of the Company

Our registered name is Telenor ASA. We are a public limited company.

Registered Office

Our registered office is in Oslo, Norway.

Object of the Company

The objects of our company are telecommunications activities and other related activities. The activities may be conducted by the company itself, by subsidiaries or through participation in or in cooperation with other companies.

Share Capital

Our share capital is NOK 10,816,383.912 divided into 1,802,730,652 ordinary shares.

Nominal Value of Shares

The nominal value of each ordinary share is NOK 6.

Board of Directors

Our articles of association provide that our board of directors shall consist of between five and eleven members.

Corporate Assembly

We have a corporate assembly of 15 members who are elected for two-year terms. Ten members with three alternates are elected by the general meeting and five members and two observers, all with alternates, are elected by and among the employees.

Annual General Meeting

Our annual general meeting is held before the end of June, upon two weeks' written notice and will be chaired by the chairman of the corporate assembly. Shareholders wishing to attend the meeting must give us three days' written notice. The meeting will deal with the annual report and accounts, including distribution of dividends, and any other matters as required by law or our articles of association.

Election Committee

The Company has an election committee. The election committee makes recommendations to the General Meeting regarding the election of shareholder-elected members and alternates to the corporate assembly and makes recommendations to the corporate assembly regarding the election of shareholder-elected members and alternates to the board of directors.

Shareholders' Meetings

In accordance with Norwegian law, our annual general meeting of shareholders is required to be held each year on or prior to June 30. Norwegian law requires that written notice of general meetings be sent to all shareholders whose addresses are known at least two weeks prior to the date of the meeting.
A shareholder may vote at the general meeting either in person or by proxy. Although Norwegian law does

not require us to send proxy forms to our shareholders for general meetings, we plan to include a proxy form with future notices of general meetings.

In addition to the annual general meeting, extraordinary general meetings of shareholders may be held if deemed necessary by the board of directors, the corporate assembly or the Chairman of the Corporate Assembly. An extraordinary general meeting must also be convened for the consideration of specific matters at the written request of our auditors or of shareholders representing a total of at least 5% of the outstanding share capital.

Our general meetings are chaired by the Chairman of the corporate assembly.

Voting Rights

All the ordinary shares carry equal right to vote at general meetings.

Except as otherwise provided, decisions which shareholders are entitled to make pursuant to Norwegian law or our articles of association may be made by a simple majority of the votes cast. In case of elections, the persons who obtain the most votes cast are deemed elected. However, certain decisions, including resolutions to waive preferential rights in connection with any share issue, to approve a merger or demerger, to amend our articles of association or to authorize an increase or reduction in our share capital must receive the approval of at least two-thirds of the aggregate number of votes cast as well as two-thirds of the share capital represented at a shareholder's meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares receive the approval of at least two-thirds of the holders of such shares or class of shares.

In order to attend and vote at our annual or extraordinary general meetings, shareholders must notify us of their attendance at least three days prior to the meeting. In general, in order to be entitled to vote, a shareholder must be registered as the owner of shares in the share register kept by the Norwegian Central Securities Depositary, referred to as the VPS System (described below), or, alternatively, report and show evidence of its share acquisition to us prior to the general meeting. Beneficial owners of shares which are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor are any persons who are designated in the register as holding such shares as nominees. The beneficial owners of ADSs are therefore only able to vote at meetings by surrendering their ADSs, withdrawing their ordinary shares from the ADS depositary and registering their ownership of such ordinary shares directly in our share register in the VPS System.

The VPS System and Transfer of Shares

The VPS System is Norway's paperless centralized securities registry. It is a computerized bookkeeping system operated by an independent body in which the ownership of, and all transactions relating to, Norwegian listed shares must be recorded. Our share register is operated through the VPS System.

All transactions relating to securities registered with the VPS are made through computerized book entries. The VPS System confirms each entry by sending a transcript to the registered shareholder regardless of beneficial ownership. To effect these entries, the individual shareholder must establish a share account with a Norwegian account agent. Norwegian banks, the central bank of Norway, authorized securities brokers in Norway, bond issuing mortgage companies, unit trust managing companies and Norwegian branches of credit institutions established within the European Economic Area are allowed to act as account agents.

The entry of a transaction in the VPS System is prima facie evidence in determining the legal rights of parties as against the issuing company or a third party claiming an interest in the subject security.

The VPS System is strictly liable for any loss resulting from an error in connection with registering, altering or canceling a right, except in the event of contributory negligence, in which event compensation owed by the VPS System may be reduced or withdrawn.

A transferee or assignee of shares may not exercise the rights of a shareholder with respect to such shares unless such transferee or assignee has registered such shareholding or has reported and shown evidence of such share acquisition and the acquisition of such shares is not prevented by law, our articles of association or otherwise.

Amendments to our Articles of Association, including Variation of Rights

The affirmative vote of two-thirds of the votes cast as well as two-thirds of the aggregate share capital represented at the general meeting is required to amend our articles of association. Any amendment, which would reduce any shareholder's right in respect of dividend payments or rights upon liquidation, or restrict the transferability of shares requires a majority vote of at least 90%. Any amendment which will alter the legal relationship between shares that were previously equal or make any issued shares redeemable need the consent of all shareholders affected thereby.

Additional Issuances and Preferential Rights

Any issuances of shares by us, including bonus issues, require an amendment to our articles of association, which requires the same vote as other amendments to our articles of association. In addition, under Norwegian law, our shareholders have a preferential right to subscribe to issues of new shares by us. The preferential rights to subscribe to an issue may be waived by a resolution in a general meeting by the same majority required to approve amendments to our articles of association. A waiver of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding shares, regardless of class.

The general meeting may, with a majority vote as described above, authorize the board of directors to issue new shares, and to waive the preferential rights of shareholders in connection with such issuances. Such authorization may be effective for a maximum of two years, and the par value of the shares to be issued may not exceed 50% of the share capital when the authorization was granted.

The issuance of shares to holders who are citizens or residents of the United States upon the exercise of preferential rights may require us to file a registration statement in the United States under United States securities laws. If we decide not to file a registration statement, these holders may not be able to exercise their preferential rights and therefore would be required to sell these rights to eligible Norwegian persons or other eligible non-U.S. holders to realize the value of these rights.

Under Norwegian law, bonus issues may be distributed, subject to shareholder approval, by transfer from Telenor's free equity or from our share premium reserve. Any bonus issues may be effected either by issuing shares or by increasing the par value of the shares outstanding.

Minority Rights

Norwegian law contains a number of protections for minority shareholders against oppression by the majority. Any shareholder may petition the courts to have a decision of the board of directors or general meeting declared invalid on the grounds that it unreasonably favors certain shareholders or third parties at the detriment of other shareholders or the company itself. In certain grave circumstances shareholders may require the courts to dissolve the company as a result of such decisions. Minority shareholders holding 5% or more of our share capital have a right to demand that we shall hold an extraordinary general meeting to discuss specific matters. In addition, any shareholder may demand that we shall place an item on the agenda for any shareholders' meeting if we are notified in time for such item to be included in the notice of the meeting.

Mandatory Bid Requirement

Norwegian law requires any person, entity or group acting in concert that acquires more than 40% of the voting rights of a Norwegian company listed on the Oslo Stock Exchange, or OSE, to make an unconditional general offer to acquire the whole of the outstanding share capital of that company. The offer is subject to approval by the OSE before submission of the offer to the shareholders. The offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered. The offering price per share must be at least as high as the highest price paid by the offeror in the six-month period prior to the date the 40% threshold was exceeded, but equal to the market price if the market price was higher when the 40% threshold was exceeded. A shareholder who fails to make the required offer must within four weeks dispose of sufficient shares so that the obligation ceases to apply. Otherwise, the OSE may cause the shares exceeding the 40% limit to be sold by public auction. A shareholder who fails to make such bid cannot, as long as the mandatory bid requirement remains in force, vote his shares or exercise any rights of share ownership unless a majority of the remaining shareholders approve, other than the right to receive dividends and preferential rights in the event of a share capital increase. In addition, the OSE may impose a daily fine upon a shareholder who fails to make the required offer.

Compulsory Acquisition

If a shareholder, directly or via subsidiaries, acquires shares representing more than 90% of the total number of issued shares as well as more than 90% of the total voting rights attached to those shares, then the majority shareholder would have the right (and each remaining minority shareholder of that company would have the right to require the majority shareholder) to effect a compulsory acquisition for cash of any shares not already owned by the majority shareholder (Section 4-25 of the Norwegian Public Limited Companies Act 1997 No. 45). The compulsory acquisition would result in the majority shareholder becoming the owner of the shares of the minority shareholders with immediate effect.

Upon effecting the compulsory acquisition, the majority shareholder would have to offer the minority shareholders a specific price per share. The determination of the price per share would be at the discretion of the majority shareholder. Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified period of not less than two months, request that the price be set by the Norwegian courts. The cost of such court procedure would normally be charged to the account of the majority shareholder, and the courts would have full discretion in determining the consideration due to the minority shareholder as a result of the compulsory acquisition.

Election and Removal of Directors and Corporate Assembly

The general meeting of shareholders elects two thirds of the members of the corporate assembly, together with alternate members, while the remaining one third, together with alternate members, is elected by and among our employees. There is no quorum requirement, and nominees who receive the most votes are elected. Any shareholder at the meeting may place nominations before the meeting. In practice, it is expected that nominations will be proposed by our management and directors and placed before the meeting by the chairman of the meeting. A member of the corporate assembly (other than a member elected by employees) may be removed by the shareholders at any time without cause.

Our directors are elected and may be removed from office by our corporate assembly. The corporate assembly makes decisions by majority vote, and more than half must be present for a quorum. If votes are tied, the chairman casts the deciding vote. However, half of the members elected by the employees may demand that the board members shall be elected by members of the assembly elected by shareholders and members elected by employees of the assembly, each voting as a separate group. A director (other than a director elected directly by the employees members) may be removed at any time by the corporate assembly without cause.

The members of the corporate assembly and the board of directors have fiduciary duties to the shareholders, see "Item 6: Directors, Senior Management and Employees — Corporate Assembly" and "— Liability of Directors" below.

Payment of Dividends

For a discussion of the declaration and payment of dividends on our ordinary shares, see "Dividends and Dividend Policy".

Rights of Redemption and Repurchase of Shares

Our articles of association do not authorize the redemption of shares. In the absence of authorization, the redemption of shares may still be decided by a general meeting of shareholders by a two-thirds majority under certain conditions, but the redemption would, for all practical purposes, depend on the consent of all shareholders whose shares are redeemed.

A Norwegian company may repurchase its own shares if their purchase has been authorized in advance by a general meeting with the approval of at least two-thirds of the aggregate number of votes cast as well as two-thirds of the share capital represented at the meeting. The aggregate par value of the repurchased shares held must not exceed 10% of the share capital and such repurchase may only take place if, according to the latest adopted balance sheet, we have distributable equity exceeding the amount to be paid for the shares. The authorization by the general meeting must be for a period not exceeding 18 months.

Shareholders' Votes on Certain Reorganizations

If we were to merge with another company or to demerge, such decision requires a resolution of our shareholders at a general meeting passed by a two-thirds majority of the aggregate votes cast as well as two-thirds of the aggregate share capital represented at the general meeting. A merger plan or demerger plan signed by the board of directors as well as certain other required documentation must be sent to all shareholders at least one month prior to the shareholders' meeting.

Any agreement by which we acquire assets or services from a shareholder or a related party against a consideration exceeding the equivalent of 5% of our share capital at such time is only binding if approved by the general meeting. This does not apply to acquisition of listed securities at market price and to agreements in the ordinary course of business entered into on normal commercial terms.

Liability of Directors

Our directors, the President and Chief Executive Officer and the members of the corporate assembly owe a fiduciary duty to the company and its shareholders. Their principal task is to safeguard the interest of shareholders. In addition, they may also have duties to other third parties, such as employees and creditors.

Our directors, the President and Chief Executive Officer and the members of the corporate assembly can each be held liable for any damage they negligently or willfully cause us. Norwegian law permits the general meeting to exempt any such person from liability, but the exemption is not binding if substantially correct and complete information was not provided to the general meeting when the decision was taken. In addition, if our general meeting has exempted such a person from liability or decided not to hold such a person liable for a certain matter, shareholders representing more than 10% of the share capital or (if there are more than 100 shareholders) more than 10% of the number of shareholders can raise the claim on our behalf and in our name. The cost of any such action is not our responsibility, but can be recovered by any proceeds we receive as a result of the action. If the decision not to hold such person liable was adopted by the same majority as required for amending the articles of association, such decision is binding on the minority shareholders.

Indemnification of Directors and Officers

Neither Norwegian law nor our articles of association contain any provision concerning indemnification by us of our board of directors.

Disclosures of Interests

A person, entity or group acting in concert that acquires or disposes of shares, options for shares or other rights to shares resulting in its beneficial ownership, directly or indirectly, in the aggregate, exceeding or falling below the respective thresholds of 1/10, 1/5, 1/3, 1/2, 2/3 or 9/10 of our share capital has an obligation under Norwegian law to notify the Oslo Stock Exchange immediately. A corresponding disclosure obligation applies with respect to any holder of ADSs who is entitled upon surrender of the ADRs to acquire directly or indirectly the beneficial ownership of a number of shares that, together with any other shares, additional ADSs representing shares or options to acquire shares held by such holder, in the aggregate, meets, exceeds or falls below these thresholds.

Distribution of Assets on Liquidation

Under Norwegian law, a company may be wound-up by a resolution of the company's shareholders in a general meeting passed by both a two-thirds majority of the aggregate votes cast and two-thirds of the aggregate share capital represented at the meeting. The shares rank equal in the event of a return on capital by the company upon a winding-up or otherwise.

MATERIAL CONTRACTS

None.

EXCHANGE CONTROLS

Under Norwegian foreign exchange controls currently in effect, transfers of capital to and from Norway are not subject to prior government approval except for the physical transfer of payments in currency, which is restricted to licensed banks. This means that non-Norwegian resident shareholders may receive dividend payments without a Norwegian exchange control consent as long as the payment is made through a licensed bank.

There are presently no restrictions affecting the rights of non-residents or foreign owners to hold or vote our shares. However, in accordance with Norwegian law, the acquisition of shares or other ownership interests in companies in Norway exceeding certain thresholds, including Telenor, must be notified to the Norwegian Ministry of Trade and Industry if a purchaser or group of purchasers acting in concert, regardless of nationality, becomes the owner of shares, other ownership interests or voting rights in the aggregate meeting or exceeding the respective thresholds of one-third, one-half or two-thirds of the shares, other ownership interests or voting rights in such company. For acquisitions requiring notifications, the Norwegian Ministry of Trade and Industry may refuse to approve the acquisition or may approve it subject to certain conditions. These notification requirements apply to the acquisition of our shares.

TAXATION

Norwegian Tax Matters

This section describes the material Norwegian tax consequences that apply to shareholders resident in Norway as well as non-resident shareholders in connection with the acquisition, ownership, and realization of our ordinary shares. This section does not provide a complete description of all tax regulations, which might be relevant (i.e., for investors for whom special regulations may be applicable). This section is based on current law and practice. Shareholders should contact their professional tax advisors for advice concerning individual tax consequences.

Taxation of Dividends

Dividends distributed are subject to taxation in Norway as general income at a flat rate, currently 28%. According to an imputation method, shareholders who are residents of Norway for tax purposes will effectively not be subject to tax on dividend distributions from Norwegian companies, as there will be available as a credit (''godtgjørelse'') against the Norwegian tax in an amount equal to the tax to be levied on the dividends received. The temporary reduced credit for individuals introduced in 2000 has been abolished, enabling the individual shareholders to enjoy full tax credit as from 2002.

Non-Norwegian shareholders are subject to a withholding tax at a rate of 25% on dividends distributed from Norwegian companies, unless the shareholder is carrying on business activities in Norway and such shares are effectively connected to such activities. In that case the rules described in the foregoing paragraph are applicable. In other cases the withholding rate of 25% is normally lower according to tax treaties between Norway and the country in which the shareholder is resident. Generally, the treaty rate does not exceed 15%, and in cases where a corporate shareholder holds a qualifying percentage of the shares of the distributing company, the withholding tax rate on dividends is in most cases reduced to 5% or even to zero. The treaty rate in the U.S.-Norwegian treaty is 15% in all cases.

The 15% withholding rate under the tax treaty between Norway and the United States will apply to dividends paid on shares held directly by U.S. Holders properly demonstrating to the company that they are entitled to the benefits of the treaty.

Dividends paid to the depositary for redistribution to shareholders holding ADSs will at the outset be subject to a withholding tax of 25%. The beneficial owners will in this case have to apply for refund of the excess amount of tax with the Norwegian Directorate of Taxes. The bank(s) acting as depositary will, however, provided it is acting as a licensed custodian operating (a) nominee account(s) in the Norwegian Registry of Securities (the VPS System) with approval from the Norwegian Banking, Insurance and Securities Commission and the Norwegian Directorate of Taxes, be entitled to receive dividends from us for redistribution to ADS holders who are beneficial owners at the treaty withholding rate of 15%.

Wealth Tax

The value of the shares is included when computing the wealth tax imposed on individuals who for tax purposes are considered resident in Norway. Norwegian joint stock companies and certain other companies in a similar position are not subject to wealth tax. Currently, the marginal wealth tax rate is 1.1% of the value assessed. The value for assessment purposes for shares listed on the Oslo Stock Exchange is 100% of the listed value of such shares as of January 1 in the year of assessment. Shareholders who are resident outside of Norway are ordinarily not subject to wealth tax in Norway for shares in Norwegian joint stock companies.

Inheritance Tax and Gift Tax

Upon transfer of shares due to inheritance or gifts, such transfer may be subject to inheritance or gift tax. The basis for the computation is the market value at the time the transfer takes place. Still, such transfer is not subject to Norwegian tax if the donor/deceased was neither a national nor resident of Norway for tax purposes.

Taxation upon Realization of Shares and Subscription Rights

A holder of shares who exercises his subscription rights is not considered to realize any gain in connection with such subscription of new shares. The taxable basis for the shares received is the amount paid in connection with the subscription.

Shareholders who sell or otherwise dispose of subscription rights are subject to tax on capital gain obtained from the disposal.

A shareholder who is resident for tax purposes in Norway will realize a taxable gain or loss upon a sale, redemption or other disposition of shares. Such capital gain or loss is included in or deducted from the computation of general income in the year of disposal at a flat tax rate of 28%. The gain is subject to tax and the loss is deductible irrespective of the length of the ownership and the number of shares disposed of.

The taxable gain or loss is computed as the sales price adjusted for transactional expenses less the taxable basis. A shareholder's taxable basis is adjusted according to the so-called RISK-rules (RISK is the Norwegian abbreviation for the variation in the company's retained earnings after tax during the ownership of the shareholder). The RISK amount is computed at the end of each fiscal year. If the shareholder owns shares acquired at different points of time, the shares that were acquired first will be regarded as the first to be sold, on a first-in first-out basis.

Shareholders not resident in Norway are normally not subject to tax in Norway on capital gains, and losses are not deductible upon sale, redemption or other disposition of subscription rights, shares or ADSs in

Norwegian companies, unless the shareholder has been resident for tax purposes in Norway and the disposal takes place within five years after the end of the calendar year in which the shareholder ceased to be a resident of Norway for tax purposes, or, alternatively, the shareholder is carrying on business activities in Norway and such subscription rights, shares or ADSs are or have been effectively connected to such activities.

Transfer Tax

There is no transfer tax imposed in Norway in connection with the sale or purchase of shares.

United States Tax Matters

General

This section describes the material United States federal income tax consequences of owning shares or ADSs. It applies to you only if you hold your shares or ADSs as capital assets for tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- dealers in securities,
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings,
- tax-exempt organizations,
- life insurance companies,
- persons liable for alternative minimum tax,
- persons that actually or constructively own 10% or more of the voting stock of Telenor,
- persons that hold shares or ADSs through a partnership or other pass-through entity,
- persons that hold shares or ADSs as part of a straddle or a hedging or conversion transaction, or
- persons whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, and the Convention between the United States of America and the Kingdom of Norway for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Property (the ''Treaty''). These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the depositary and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms. Taking into account this assumption, for United States federal income purposes, if you hold ADRs evidencing ADSs, you generally will be treated as the owner of the shares represented by those ADSs. Exchanges of shares for ADSs, and ADSs for shares, generally will not be subject to United States federal income tax.

You are a ''U.S. holder'' if you are a beneficial owner of shares or ADSs and you are:

- an individual who is a citizen or resident of the United States,
- a corporation created or organized in or under the laws of the United States or any political subdivision thereof,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

You should consult your own tax advisor regarding the United States federal, state and local and other tax consequences of owning and disposing of shares and ADSs in your particular circumstances.

Taxation of Dividends

Subject to the passive foreign investment company rules discussed below, if you are a U.S. holder, you must include in your gross income the gross amount of any dividend paid by Telenor out of its current or accumulated earnings and profits (as determined for United States federal income tax purposes). You must include any Norwegian tax withheld from the dividend payment in this gross amount even though you do not in fact receive the amount withheld as tax. The dividend is ordinary income that you must include in income when you, in the case of shares, or the depository, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Norwegian Kroner payments made, determined at the spot Norwegian Kroner/U.S. dollar rate on the date the dividend distribution is included in your income, regardless of whether the payment is in fact converted into U.S. dollars. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your tax basis in the shares or ADSs and, to the extent in excess of your tax basis, will be treated as capital gain.

Subject to certain limitations, the 15% Norwegian tax withheld in accordance with the Treaty and paid over to Norway will be creditable against your United States federal income tax liability. Dividends will be income from sources outside the United States, but generally will be ''passive income'' or ''financial services income'' which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to you. Alternatively, you may elect to claim a U.S. tax deduction, instead of a foreign tax credit, for such Norwegian tax, but only for a year in which you elect to do so with respect to all foreign income taxes.

Any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars generally will be treated as ordinary income or loss. Such gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Taxation of Capital Gains

Subject to the passive foreign investment company rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your shares or ADSs. Capital gain of a non-corporate U.S. holder is generally taxed at a maximum rate of 20% where the property has been held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

If you receive any foreign currency on the sale of shares or ADSs, you may recognize ordinary income or loss from sources within the United States as a result of currency fluctuations between the date of the sale of the shares or ADSs and the date the sales proceeds are converted into U.S. dollars.

Passive Foreign Investment Company (PFIC) Rules

We believe that our shares and ADSs should not be treated as stock of a passive foreign investment company, or PFIC, for United States federal income tax purposes. However, this conclusion is a factual determination that is made annually, and may therefore be subject to change.

In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held our ADSs or shares:

- at least 75% of our gross income for the taxable year is passive income, or

- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If we are treated as a PFIC, and you are a U.S. holder that did not make a QEF election or a mark-to-market election, as described below, you will be subject to special rules with respect to:

- any gain you realize on the sale or other disposition of your shares or ADSs, and
- any excess distribution that we make to you (generally, any distributions to you during a single taxable year that are greater than 125% of the average annual distributions received by you in respect of the shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the shares or ADSs).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the shares or ADSs,
- the amount allocated to the taxable year in which you realized the gain or excess distribution will be taxed as ordinary income,
- the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year, and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC or, in certain cases, QEF inclusions.

Holders of ADSs and, if the shares are considered marketable stock for purposes of this election, holders of shares may also make a mark-to-market election. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your shares or ADSs at the end of the taxable year over your adjusted basis in your shares or ADSs. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the shares or ADSs will be adjusted to reflect any such income or loss amounts.

The special PFIC tax rules described above will not apply to you if you elect to have us treated as a qualified electing fund, or QEF, and we provide certain required information to you. We have not yet decided, if we determine that we have become a PFIC, whether we would provide U.S. holders with the information that is required to make a QEF election effective.

If you are a U.S. holder that makes an effective QEF election, you will be currently taxable on your pro rata share of our ordinary earnings and net capital gain, at ordinary income and capital gain rates, respectively, for each of our taxable years, regardless of whether or not you receive distributions. Your basis in the shares or ADSs will be increased to reflect taxed but undistributed income. Distributions of income that had been taxed previously will result in a corresponding reduction of basis in your shares or ADSs and will not be taxed again as a distribution to you.

If you own shares or ADSs during any year that we are a PFIC, you must file Internal Revenue Service Form 8621.

DOCUMENTS ON DISPLAY

It is possible to read and copy documents referred to in this annual report on Form 20-F that have been filed with the SEC at the SEC's public reference room located at 450 Fifth Street, NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges.

ITEM 11: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about market risk

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

Sensitivity analysis

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

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

Interest rate risk is quantified by change in fair value given a 10% parallel shift in interest rate curves. Exchange rate risk is quantified by change in fair value from a 10% change in spot rates against NOK.

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

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

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

2000	Fair value as of 31.12.00	Interest rates -10%	Interest rates 10%	Exchange rates -10%	Exchange rates 10%
Foreign exchange derivatives	1,439	94	(84)	(149)	149
Interest rate derivatives	26	(48)	48	—	—
Net interest-bearing liabilities	(41,287)	(193)	178	3,993	(3,993)
Total	(39,822)	(147)	142	3,844	(3,844)

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

ITEM 12: DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13: DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14: MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

PART III

ITEM 17: FINANCIAL STATEMENTS

Not applicable.

ITEM 18: FINANCIAL STATEMENTS

The consolidated financial statements beginning on page F-1 and the related notes, together with the report thereon of Arthur Andersen & Co., are filed as part of this annual report on form 20-F.

ITEM 19: EXHIBITS

The following exhibits are filed as part of this annual report:

Exhibit 1	Articles of Association for Telenor ASA, as amended on December 10, 2001 (English translation)
Exhibit 2(b)(i)	Instruments defining the Rights of Holders of Long-Term Debt: The total amount of long-term debt securities of Telenor authorized under any instrument, does not exceed 10% of the total assets of Telenor on a consolidated basis. Telenor agrees to furnish copies of any or all such instruments to the Securities and Exchange commission upon request.
Exhibit 4(c)	Form of Director/Group Management Employment Contract(*)
Exhibit 8	Subsidiaries
Exhibit 99	Letter of Telenor ASA dated March 21, 2002, pursuant to General Instruction A-T2 to Form 20-F

(*) Incorporated by reference to our annual report on Form 20-F for the year ended December 31, 2000.

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report hereby on its behalf.

Telenor ASA
(Registrant)

By: /s/ TORSTEIN MOLAND

Torstein Moland
Chief Financial Officer

Date: March 22, 2002

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Consolidated Statement of Profit and Loss

	Note	1999	2000	2001	2001
		Year ended December 31,			
		NOK	NOK	NOK	USD
		(in millions, except per share amounts)			
Revenues	2	32,784	36,530	40,604	4,525
Gains on disposal of fixed assets and operations	2	783	1,042	5,436	606
Total revenues		33,567	37,572	46,040	5,131
Operating expenses					
Cost of materials and traffic charges	4	9,007	9,606	10,204	1,137
Own work capitalized	5	(1,773)	(1,544)	(1,002)	(112)
Salaries and personnel costs	6,7	8,961	10,513	10,128	1,129
Other operating expenses	8,9	8,021	9,376	12,397	1,382
Loss on disposal of fixed assets and operations		302	58	63	7
Depreciation and amortization	14,15	4,934	5,821	7,251	808
Write-downs	14,15	113	113	3,822	426
Total operating expenses		29,565	33,943	42,863	4,777
Operating profit		4,002	3,629	3,177	354
Associated companies	16	(1,239)	(692)	8,237	918
Financial income and expenses					
Financial income		573	828	897	100
Financial expenses		(761)	(1,921)	(1,396)	(156)
Net currency gain/loss		104	(64)	(402)	(45)
Net gain/loss and write-downs of financial items		635	223	(258)	(28)
Net financial items	12	551	(934)	(1,159)	(129)
Profit before taxes and minority interests		3,314	2,003	10,255	1,143
Taxes	13	(1,323)	(861)	(3,897)	(434)
Profit before minority interests		1,991	1,142	6,358	709
Minority interests		44	(66)	721	80
Net income		2,035	1,076	7,079	789
Net income per share in NOK (basic), excluding treasury shares		1.454	0.754	3.994	0.445
Net income per share in NOK (diluted), excluding treasury shares		1.454	0.754	3.990	0.445

TELENOR ASA

Consolidated Balance Sheet

	Note	At December 31 2000 NOK	2001 NOK (in millions)	2001 USD
Assets				
Intangible assets	14	7,209	10,200	1,137
Tangible assets	15	29,770	37,608	4,192
Financial assets	16	43,902	18,287	2,038
Total fixed assets		80,881	66,095	7,367
Inventories		655	513	57
Current receivables, etc	17	9,365	9,701	1,081
Short-term investments	18	478	475	53
Cash and cash equivalents	27	2,306	5,839	651
Total current assets		12,804	16,528	1,842
Total assets		93,685	82,623	9,209
Equity and liabilities				
Equity and minority interests				
Shareholder's equity		35,474	42,144	4,697
Minority interests		2,706	3,539	394
Total equity and minority interests		38,180	45,683	5,091
Liabilities				
Provisions	19	413	761	85
Long-term interest-bearing liabilities	20, 21	42,069	18,497	2,062
Long-term non-interest-bearing liabilities	22	426	388	43
Total long-term liabilities		42,495	18,885	2,105
Short-term interest-bearing liabilities	20	743	672	75
Short-term non-interest-bearing liabilities	22	11,854	16,622	1,853
Total short-term liabilities		12,597	17,294	1,928
Total equity and liabilities		93,685	82,623	9,209
Contingent liabilities				
Mortgages	23	1,991	5,000	557
Guarantee liabilities	23	3,598	2,719	303
Contingent liabilities	24			

TELENOR ASA

Consolidated Cash Flow Statement

	Year ended December 31,			
	1999	2000	2001	2001
	NOK	NOK (in millions)	NOK	USD
Proceeds from sale of goods and services	31,926	35,684	39,771	4,433
Payments to suppliers of goods and services	(8,511)	(8,819)	(10,670)	(1,189)
Payments to employees, pensions, social security tax, tax deductions	(8,104)	(9,919)	(9,186)	(1,024)
Payment of other operating expenses	(6,384)	(7,962)	(11,564)	(1,289)
Interest etc. received	619	658	739	82
Interest etc. paid	(892)	(1,950)	(1,405)	(157)
Other proceeds and payments related to operating activities	(137)	439	366	41
Payment of taxes and public duties	(1,465)	(2,216)	(1,058)	(118)
Net cash flow from operating activities(1)	7,052	5,915	6,993	779
Proceeds from sale of tangible and intangible assets	204	435	1,413	157
Purchase of tangible and intangible assets	(6,443)	(8,566)	(11,558)	(1,288)
Cash receipts from sale, of subsidiaries and associated companies, net of cash sold	1,063	3,032	37,919	4,226
Cash payments on purchase of subsidiaries and associated companies, net of cash received	(4,501)	(39,289)	(6,125)	(683)
Proceeds from sale of other investments	1,350	759	314	35
Purchase of other investments	(560)	(3,679)	(1,072)	(119)
Net cash flow from investment activities	(8,887)	(47,308)	20,891	2,328
Proceeds from long-term liabilities	7,844	43,948	4,199	468
Proceeds from short-time liabilities	5,649	14,974	442	49
Payments on long-term liabilities	(4,251)	(18,512)	(28,103)	(3,132)
Payments on short-time liabilities	(5,689)	(15,027)	(482)	(54)
Paid in equity from minorities in subsidiaries	74	1,589	89	10
Paid in equity	—	15,168	21	2
Purchase of own shares from and dividend paid to minorities in subsidiaries	(13)	(82)	—	—
Payment of dividends	(700)	(500)	(532)	(59)
Net cash flow from financing activities	2,914	41,558	(24,366)	(2,716)
Effect on cash and cash equivalents of changes in foreign exchange rates	2	17	15	2
Net change in cash and cash equivalents	1,081	182	3,533	394
Cash and cash equivalents at January 1	1,043	2,124	2,306	257
Cash and cash equivalents at December 31	2,124	2,306	5,839	651

	Year ended December 31,			
	1999	2000	2001	2001
	NOK	NOK (in millions)	NOK	USD
Reconciliation(1):				
Net income	2,035	1,076	7,079	789
Minority interests	(44)	66	(721)	(80)
Taxes	1,323	861	3,897	434
Profit before taxes and minority interests	3,314	2,003	10,255	1,143
Taxes paid	(1,107)	(1,643)	(1,173)	(131)
Net gain/loss including write-downs of financial items	(1,116)	(1,207)	(5,115)	(570)
Depreciation, amortization and write-downs	5,047	5,934	11,073	1,234
Associated companies	1,239	692	(8,237)	(918)
Changes in inventories	77	(38)	32	4
Changes in accounts receivable and prepayments from customers	(646)	(207)	(368)	(41)
Changes in accounts payable and prepaid expenses	536	529	(436)	(49)
Difference between expensed and paid pensions	(129)	(111)	(106)	(12)
Currency gain/loss not relating to operating activities	(86)	48	367	41
Change in other accruals	(77)	(85)	701	78
Net cash flow from operating activities	7,052	5,915	6,993	779

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

TELENOR ASA

Consolidated Statements of Shareholder's Equity

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

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

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

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

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

Minority Interests

	Minority share in % at December 31, 2001	Minority part of result - 99	Minority part of result - 00	Minority part of result - 01	Minority interests at December 31, 2000	Minority interests at December 31, 2001
			(in NOK millions)			
Telenor Venture AS	36.3	23	22	(83)	76	71
Telenor Venture II ASA	49.0	—	—	(7)	143	136
OJSC Comincom/Combellga	32.5	—	3	6	174	192
Grameen Phone Ltd.(1)	53.6	(52)	53	126	126	247
EDB Business Partner ASA	47.1	16	13	(764)	2,146	1,469
Nextra SPA	11.2	(3)	(20)	(11)	14	3
DiGi.Com bhd	39.0	—	—	44	—	1,386
Other	—	(28)	(5)	(32)	27	35
Total		(44)	66	(721)	2,706	3,539

(1) Telenor has a voting interest of 51% in Grameen Phone Ltd.

Summary of Significant Accounting Principles

General

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

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

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

All amounts are presented in millions of NOK or other specified currency unless otherwise stated. Solely for the convenience of the reader, the accompanying consolidated financial statements as of and for the year ended December 31, 2001 have been translated into U.S. dollars, using the noon buying rates in The City of New York for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York for Norwegian Kroner, which was NOK 8.9724 per U.S. dollar, as of December 31, 2001. The translations should not be construed as a representation that the amounts could have been or could be converted into U.S. dollars at that or any other rate.

Consolidation principles

The Group consolidated accounts include Telenor ASA and subsidiaries in which Telenor ASA has effective control, which generally exists where Telenor ASA has more than 50% ownership.

All significant intercompany transactions and balances have been eliminated.

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

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

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

Net income per share

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

Goodwill

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

Revenues

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

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

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

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

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

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

Pensions

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

Research and development costs

Research and development costs are expensed as incurred.

Software costs

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

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

Leases

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

Foreign currency transactions

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

Foreign currency translation and hedge accounting for net investments

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

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

Derivatives and hedge accounting for interest-bearing liabilities and firm commitments

For interest-bearing liabilities Telenor does not recognize changes in fair value due to changes in interest rates.

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

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

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

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

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

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

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

Taxes

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

Cash and cash equivalents

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

Investments

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

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

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

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

Inventories

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

Advertising costs, marketing and sales commissions

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

Tangible assets, intangible assets, depreciation and amortization

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

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

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

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

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

Use of estimates

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

Actual results could differ from those estimates.

Changes in classification

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

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

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

1 ACQUISITIONS AND DISPOSALS

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

Significant Acquisitions in 2001:

Acquisitions in 2001

Company	Country	Change in interest %	Business	Purchase price	Excess value(***)	Amortization period
				(in NOK millions)		
DiGi.Com bhd	Malaysia	28.1	Mobile Communication	3,223	3,003	4-20 years
VimpelCom	Russia	(*)	Mobile Communication	255	—	—
Otrum Electronics ASA	Norway	33.1	TV distribution	266	91(**)	10 years
Sweden On-Line AB	Sweden	100.0	TV distribution	165	130	10 years
Telenordia AB	Sweden	50.0	Telecommunication	130	115	0.5-2 years
SAIT Communications S.A.	Belgium	100.0	Satellite Mobile Communications	189	180	10 years
DnB IT-operations	Norway	100.0	Operation services	597	390	7 years
Unigrid AB	Sweden	100.0	Operation services	122	97	10 years
Accept Data AS	Norway	100.0	Information technology	65	56	10 years
Wireless Matrix Corporation	Canada	30.8	Mobile Communication	317	225(**)	3 years

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

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

(***) Preliminary evaluations and allocations.

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

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

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

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

	DiGi.Com September 1, 2001	Pannon GSM February 4, 2002
Goodwill	3,835	6,348
Intangible assets	773	1,826
Tangible assets and financial assets	4,271	2,577
Current assets	794	1,025
Total assets acquired	9,673	11,776
Long-term liabilities	1,727	2,910
Short-term liabilities	968	178
Total liabilities	2,695	3,088
Minority interest	1,316	—
Net assets at the date of consolidation	5,662	8,688

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

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

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

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

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

Pro forma information (unaudited)

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

	At December 31,	
	2000	2001
	(in NOK millions, except per share data)	
Pro forma revenues	39,403	47,678
Result before taxes and min.int	1,809	10,122
Pro forma net income	830	6,922
Pro forma net income per share in NOK	0.582	3.905

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

Significant Disposals in 2001

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

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

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

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

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

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

	At December 31,		
	1999	2000	2001
	(in NOK millions except per share data)		
Net income for Telenor Media	942	228	187
Gain on sale of Telenor Media	—	—	5,000
Tax on gain on sale of Telenor Media	—	—	(72)
Effect on net income of discontinued operations	942	228	5,115
Net income for Telenor	2,035	1,076	7,079
Net income from discontinued operations (excluding Telenor Media)	1,093	848	1,964
Net income per share in NOK from discontinued operations (Telenor Media)	0.673	0.160	2.886
Net income per share in NOK from discontinued operations (excluding Telenor Media)	0.781	0.594	1.108

Significant Acquisitions in 2000

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

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

Significant Disposals in 2000

Telenor disposed of its ownership in Storm Communications Ltd. in the beginning of 2000 and recorded a gain of NOK 309 million before taxes. Telenor Inkasso AS and Telenor Finans AS were also sold for total gains of NOK 138 million.

Telenor reduced the ownership in the associated company Cosmote S.A. to 18% and recorded a gain of NOK 913 million before tax. In connection with this transaction Telenor increased its ownership in Telenor B-Invest to 100%. Telenor B-Invest owns Telenor's shares in Cosmote.

Telenor reduced its ownership interest in Scandinavian Online AB and recorded a gain of NOK 205 million before taxes.

Bravida AS was merged with a holding company of BPA AB and is being accounted for as an associated company with effect from November 1, 2000. Telenor's ownership interest was 49.71% at the end of 2000. No gain was recorded in this transaction.

Significant Acquisitions in 1999

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

(1) Net excess value/goodwill of equity investments is included in the book value of associated companies and joint ventures

Significant Disposals in 1999

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

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

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

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

Pro forma information (unaudited)

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

	At December 31,	
	1999	2000
	(in NOK millions, except per share data)	
Pro forma revenues	35,970	38,277
Pro forma net income	1,516	788
Pro forma net income per share in NOK	1.083	0.553

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

2 REVENUES

	At December 31,		
	1999	2000	2001
	(in NOK millions)		
Analog (PSTN)/digital (ISDN and ADSL)	13,313	12,802	13,668
Mobile telephony	5,468	7,197	9,531
Leased lines	810	902	1,065
Satellite and TV-distribution	2,584	3,245	3,879
Other network based activities	1,593	2,215	2,633
Customer equipment	2,940	2,836	2,165
IT service and installations	3,501	4,738	5,009
Advertising, etc	1,588	1,555	1,266
Other	987	1,040	1,388
Revenues	32,784	36,530	40,604
Gain on disposal of fixed assets and operations	783	1,042	5,436
Total revenues	33,567	37,572	46,040

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

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

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

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

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

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

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

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

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

Other includes revenues from contracting, rent, etc.

3 BUSINESS AREAS

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

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

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

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

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

Profit and loss 2001

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

(1) Revenues include gains on disposal of fixed assets and operations.

Balance and investments at December 31, 2001

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

Profit and loss 2000

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

(1) Revenues include gains on disposal of fixed assets and operations.

Balance and investments at December 31, 2000

	Fixed Assets	Associated companies	Current assets	Total assets	Long-term liabilities incl. provisions	Short-term liabilities	Investments
				(in NOK millions)			
Mobile	6,261	36,426	8,633	51,320	24,384	20,303	32,843
Networks	13,720	—	5,137	18,857	5,159	6,039	3,603
Plus	7,603	706	1,905	10,214	6,624	1,934	2,113
Business Solution	4,881	1,582	3,733	10,196	2,277	7,424	4,664
EDB Business Partner	4,286	83	1,489	5,858	1,438	1,291	3,270
Media	273	52	1,224	1,549	14	960	102
Bravida	—	167	—	167	—	—	158
Other business units	666	69	1,542	2,277	658	824	2,276
Corporate functions and group activities	43,357	—	13,597	56,954	37,153	8,592	1,643
Elimination	(39,348)	97	(24,456)	(63,707)	(34,799)	(34,770)	—
Total	41,699	39,182	12,804	93,685	42,908	12,597	50,672

Profit and loss 1999

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

(1) Revenues include gains on disposal of fixed assets and operations.

Geographic distribution of revenues based on customer location(1)

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

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

Geographic distribution of revenues based on company location(1)

	At December 31,		
	1999	2000	2001
	(in NOK millions)		
Norway	29,961	34,235	39,453
Other Nordic	1,595	641	878
Western Europe	1,140	1,246	2,144
Central Europe	248	337	505
Eastern Europe	82	286	705
Asia	205	537	2,088
Other countries	336	290	267
Total revenues	33,567	37,572	46,040

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

Assets by geographical location of the company

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

4 COST OF MATERIALS AND TRAFFIC CHARGES

	At December 31,		
	1999	2000	2001
	(in NOK millions)		
Traffic charges — network capacity	3,235	3,688	4,853
Traffic charges — satellite capacity	623	805	1,190
Cost of materials etc	5,149	5,113	4,161
Total cost of materials and traffic charges	9,007	9,606	10,204

5 OWN WORK CAPITALIZED

	At December 31,		
	1999	2000	2001
	(in NOK millions)		
Cost of materials etc.	493	367	220
Salary and personnel costs	796	667	396
Other operating expenses	484	510	386
Total own work capitalized	1,773	1,544	1,002

6 SALARIES AND PERSONNEL COSTS

	At December 31,		
	1999	2000	2001
	(in NOK millions)		
Salaries and holiday pay	7,016	8,109	7,897
Social security tax	991	1,212	1,132
Pension costs including social security tax	428	538	591
Other personnel costs	526	654	508
Total salaries and personnel costs	8,961	10,513	10,128

The average number of employees was 22,400 in 2001, 24,950 in 2000 and 22,460 in 1999.

7 PENSION OBLIGATIONS

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

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

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

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

	At December 31, 2000	At December 31, 2001
	(in NOK millions)	
Change in benefit obligation		
Benefit obligation at the beginning of the year	2,836	2,945
Service cost	375	435
Interest cost	189	186
Actuarial gains and losses	106	106
Acquisitions and sale	(336)	(108)
Benefits paid	(225)	(229)
Benefit obligations at the end of the year	2,945	3,335
Change in plan assets		
Fair value of plan assets at the beginning of the year	1,779	2,052
Actual return on plan assets	32	7
Acquisitions and sale	(153)	(88)
Pension premium	478	549
Benefits paid	(84)	(120)
Fair value of plan assets at the end of the year	2,052	2,400
Funded status	893	935
Unrecognized prior service costs	(251)	(233)
Unrecognized net actuarial loss	(431)	(644)
Prepaid social security tax	16	6
Total provision for pensions	227	64

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

Components of net periodic benefits cost

	At December 31,		
	1999	2000	2001
	(in NOK millions)		
Service cost	288	375	435
Interest cost	158	189	186
Expected return on plan assets	(111)	(148)	(164)
Amortization of prior service costs	24	23	23
Amortization of actuarial gains and losses	—	25	16
Social security tax	45	59	68
Net periodic benefit costs	404	523	564
Contribution schemes	24	15	27
Total pension costs charged to profit for the year	428	538	591

8 OTHER OPERATING EXPENSES

	At December 31,		
	1999	2000	2001
	(in NOK millions)		
Cost of premises, vehicles, office equipment, etc	1,416	1,939	2,437
Operation and maintenance	415	954	2,503
Travel and travel allowances	641	772	750
Marketing and sales commission	1,347	1,582	1,787
Advertising	423	596	598
Bad debt	351	191	362
Consultancy fees and external personnel(1)	2,259	2,222	2,246
Other(2)	1,169	1,120	1,714
Total other operating expenses	8,021	9,376	12,397

(1) Includes fees for consultants and external personnel, which perform services that are sold to external customers or capitalized on fixed assets.

(2) In 2001 includes NOK 625 million in restructuring costs and other accruals and NOK 136 million related to legal disputes in Networks.

9 BAD DEBT

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

10 RESEARCH AND DEVELOPMENT COSTS

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

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

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

11 BUSINESS RESTRUCTURING AND OTHER ACCRUALS

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

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

	Year ended December 31,									
	Dec 31, 1998 balance	1999 additions	1999 amounts utilized	Dec 31, 1999 balance	2000 additions	2000 amounts utilized	Dec 31, 2000 balance	2001 additions	2001 amounts utilized	Dec 31, 2001 balance
	(NOK in millions)									
Restructuring and other accruals	46	69	41	74	9	25	58	667	209	489

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

12 FINANCIAL INCOME AND EXPENSES

	Year ended December 31,		
	1999	2000	2001
	(in NOK millions)		
Dividends from satellite organizations	235	196	97
Interest income	245	573	740
Other financial income	93	59	60
Total financial income	573	828	897
Interest expenses	(812)	(1,965)	(1,638)
Other financial expenses	(63)	(96)	(53)
Capitalized interest	114	140	295
Total financial expenses	(761)	(1,921)	(1,396)
Net foreign currency gain/loss	104	(64)	(402)
Gain on sale of financial assets	680	376	491
Loss and write-downs of financial assets	(45)	(153)	(749)
Net gain/loss and write-downs of financial assets	635	223	(258)
Net financial items	551	(934)	(1,159)

During 2001, write-downs of NOK 599 million were made on shares for diminution in values other than temporary. The write-downs were triggered by a fall in market values for listed shares and by weak profit performance for non-listed shares. Listed shares were written down to the quoted prices at the relevant dates. For non-listed shares the values were based on individual estimates of the fair values, based on evaluations of future profitability and transactions in the market.

13 TAXES

Income tax expenses

	Year ended December 31,		
	1999	2000	2001
	(in NOK millions)		
Profit before taxes and minority interests			
Norway	4,720	3,300	2,683
Outside Norway(1)	(1,406)	(1,297)	7,572
Total profit before taxes and minority interest	3,314	2,003	10,255
Current taxes			
Norway	1,638	1,184	1,826
Outside Norway	20	12	1,758
Total current taxes	1,658	1,196	3,584
Deferred taxes			
Norway	(289)	81	(555)
Outside Norway	(46)	(416)	868
Total deferred taxes	(335)	(335)	313
Total income tax expense	1,323	861	3,897

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

Effective tax rate

	Year ended December 31,		
	1999	2000	2001
	(in NOK millions)		
Expected income taxes according to statutory tax rate (28%)(1)	928	561	2,871
Net losses from associated companies and subsidiaries outside Norway(2)	380	674	1,778
Non-taxable income and non-deductible expenses	2	(79)	(1,404)
Amortization and write-downs of goodwill	58	100	399
Previous not recognized deferred tax assets	(24)	(410)	(205)
Not recognized tax assets current year			470
Other	(21)	15	(12)
Income tax expense	1,323	861	3,897
Effective tax rate in %	39.9	43.0	38.0

(1) Norwegian nominal statutory tax rate is 28%

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

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

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

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

Tax losses carried forward

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

Deferred taxes

	Assets 2000	Liabilities 2000	Assets 2001	Liabilities 2001
	Year ended December 31, (in NOK millions)			
Tangible and intangible assets	551	(916)	1,716	(1,113)
Associated companies	1,185	(15)	4,228	(932)
Other long-term items	269	(162)	210	(170)
Total long-term assets and liabilities	2,005	(1,093)	6,154	(2,215)
Current assets	140	(99)	290	(136)
Current liabilities	150	(4)	315	(86)
Total current assets and liabilities	290	(103)	605	(222)
Tax losses carried forward	786	—	1,430	—
Deferred tax/tax assets	3,081	(1,196)	8,189	(2,437)
Valuation allowances	(1,443)	—	(5,647)	—
Net deferred tax/tax assets	442		105	

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

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

14 INTANGIBLE ASSETS

	Accumul. cost 01.01.01	Additions 2001	Foreign exchange adjustm. 2001	Disposals 2001	Amortization and write-downs 2001	Acc. amort. and write-downs 31.12.01	Book value 31.12.01	Book Value 31.12.00
	Year ended December 31, (in NOK millions)							
Goodwill	6,453	5,879	78	(1,440)	(2,934)	(3,531)	7,439	5,181
Other intangible assets	1,838	1,026	18	(202)	(443)	(519)	2,161	1,586
Total	8,291	6,905	96	(1,642)	(3,377)	(4,050)	9,600	6,767
Deferred tax assets							600	442
Total intangible assets							10,200	7,209

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

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

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

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

Goodwill relates to the following subsidiaries and operations(*):

	Book value 12.31.01	Amortization period	Year of purchase
	(in NOK millions)		
DiGi.Com bhd	3,832	20 years	2001
Sweden On-Line AB	130	10 years	2001
Unigrid AB	126	10 years	2001
Accept Data AS	53	10 years	2001
SAIT Communications S.A	160	10 years	2001
DnB IT Operations	420	7 years	2001
Telenordia AB	80	0.5-1 year	2001
Fellesdata AS	1,173	20 years	2000
EDB Stradec AS	58	20 years	2000
OJSC Comincom/Combellga	447	10 years	2000
alfaNETT AS	188	10 years	2000
Nextra Czech Republic s.r.o — purchase of operations	103	5 years	2000
Telesciences Inc	51	20 years	1999
EDB Business Partner ASA	63	20 years	1999
Other	555	3-20 years	
Total	7,439		

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

15 TANGIBLE ASSETS

	Accumul. cost 01.01.01	Additions 2001	Foreign exchange adjustm. 2001	Disposals 2001	Depreciations and write downs 2001	Acc. depr. and write-downs 12.31.01	Book value 12.31.01	Book value 12.31.01
				(in NOK millions)				
Local, regional & trunk networks	31,091	3,921	6	(50)	(2,220)	(24,968)	10,000	8,501
Mobile telephone network and switches	7,085	4,564	(14)	(3)	(997)	(4,873)	6,759	3,205
Subscriber equipment	309	7	—	(1)	(43)	(211)	104	138
Switches & equipment	14,423	952	5	(307)	(1,352)	(10,970)	4,103	4,702
Radio installations	1,648	20	1	—	(15)	(629)	1,040	1,033
Cable TV equipment	1,063	645	—	(13)	(137)	(555)	1,140	644
Land	674	79	—	(43)	(2)	(6)	704	674
Buildings	7,502	1,257	—	(1,009)	(292)	(3,568)	4,182	3,848
Support systems	5,877	4,134	(8)	(1,307)	(1,989)	(5,000)	3,696	2,053
Satellites	2,178	9	—	(11)	(649)	(1,385)	791	1,439
Total(1)	71,850	15,588	(10)	(2,744)	(7,696)	(52,165)	32,519	26,237
Work in progress(2)	3,533	1,554	2	—	—	—	5,089	3,533
Total	75,383	17,142	(8)	(2,744)	(7,696)	(52,165)	37,608	29,770

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

(2) Net additions.

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

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

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

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

16 FINANCIAL ASSETS

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

(*) Long-term receivables

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

(**) Shares and other investments:

	2000	2001
	(in NOK millions)	
Satellite organizations(1)	524	—
Other shares and investments(2)	2,813	3,076
Total shares and other investments	3,337	3,076

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

(2) Specification of other shares and investments in 2001:

	No. of shares Owned by Telenor	Share owned in %	Book value
		(in NOK thousand)	
Inmarsat Ventures Plc	1,500,000	15.00	1,857,098
Intelsat Ltd	20,566,590	4.11	441,544
New Skies Satellites N.V.	4,709,400	3.65	224,901
Eutelsat S.A.	4,127,130	0.04	35,458
Expert Eilag ASA	3,190,000	9.97	116,435
Sponsorservice ASA	700,000	12.72	56,020
Cosmoholding Albania	48,000	3.00	23,281
Næringslivets Kompetansesenter AS	4,115	15.91	12,960
A-team International AS	209,976	17.70	10,000
Carrot Communication AS	1,162,791	5.30	10,000
Intergame AS	33	13.75	9,900
Extend AS	119	18.40	6,567
GolfaXess ASA	249,000	12.50	4,980
Bank VPB	220,000	19.80	3,992
Bank Rosprombasnk		5.00	3,722
Norsk Helseinformatikk AS	40	18.00	3,500
N3 Sport AS	189,000	13.70	3,336
IT Fornebu	92,770	11.28	1,657
Essnet AB	330,000	8.09	1,646
Sørlandets Teknologisenter AS	1,300	18.00	1,300
Smart Club AS	2,500,000	2.14	1,200
Tæl AS	1,000	10.80	1,030
Capital contribution to Telenor Pensjonskasse			228,000
Other			17,313
Total other shares and investments			3,075,840

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

(***) Associated companies and joint ventures

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

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

(1) Specification of gains and loss from disposal:

	2000	2001
	(in NOK millions)	
VIAG Interkom	—	10,705
Esat Digifone	—	10,740
Ephorma AS	—	101
European Medical Solutions Group AS	—	40
Cosmote S.A.	913	—
Scandinavia Online AB & Schibsted Interactive AB	223	—
Other	34	(7)
Total	1,170	21,579

Specifications of investments in associated companies and joint ventures:

Company	Share owned in %	Book value 12.31.2000	Investments /disposals during 2001	Share of result(1)(2)	Amortization of net excess values	Equity and translation adjustments	Book value 12.31.2001	Net excess values 12.31.2001
				(in NOK thousands)				
Pannon GSM RT(7)	25.8	568,689	26,533	145,499	(40,146)	28,564	729,138	277,872
Esat Digfone Ltd(8)	—	551,227	(11,308,516)	10,783,292	(9,733)	(16,270)	—	—
Connect Austria GmbH	17.5	738,055	264,041	(169,404)	—	(10,800)	821,892	—
Cosmote S.A.	18.0	608,553	—	226,752	(5,299)	(26,817)	803,188	109,028
VIAG Intercom GmbH & Co(8)	—	9,500,719	(20,110,564)	10,704,528	—	(94,683)	—	—
Kyivstar J.S.C(11)	45.4	313,275	254,119	15,585	(33,695)	4,849	554,133	383,118
European Telecom S.A, (ProMonte)(5)	44.1	89,909	—	58,952	—	(4,026)	144,835	—
StavTeleSot J.S.C	49.0	(35,222)	—	33,666	—	661	(894)	—
Extel Kaliningrad J.S.C	49.0	(21,699)	379	15,626	(872)	(449)	(7,016)	4,292
VimpelCommunication(10)	29.0	1,589,609	262,294	(33,544)	(46,797)	35,200	1,806,760	317,628
Sonofon Holding A/S(3)(6)	53.5	14,218,300	4,000	93,715	(8,165,893)	(594,193)	5,555,929	5,791,785
DTAC(6)(12)	40.3	4,368,330	—	11,848	(2,535,862)	5,049	1,849,365	491,090
UCOM(6)	24.9	1,532,613	—	16,428	(1,165,308)	2,028	385,761	83,070
DiGi.Com bhd(4)	—	2,434,880	(2,423,019)	92,756	(107,967)	3,350	—	—
Telenordia AB(4)(6)	—	1,573,809	(598,676)	(86,935)	(740,519)	(147,678)	—	—
Bravida ASA	48.0	167,091	(2,127)	(29,268)	—	—	135,697	—
Canal Digital AS (Group)(9)	50.0	140,621	377,740	(356,281)	(17,359)	—	144,721	146,102
World Wide Mobile Communications AS	40.0	61,914	—	(441)	—	—	61,474	—
A-pressen ASA	29.2	535,221	—	3,789	(30,828)	(10,338)	497,844	269,778
Ephorma AS(8)	—	31,082	(135,500)	105,559	(1,140)	—	—	—
European Medical Solutions Group AS(8)	—	3,015	(47,183)	44,168	—	—	—	—
Axon AS	30.0	25,091	—	(2,994)	(13,579)	—	8,518	737
TIBE Reklame Holding AS	34.0	14,399	—	804	(2,857)	—	12,346	9,977
Atento AS	28.0	—	20,054	(18,730)	—	—	1,324	—
Metropol (NYTV Oslo ASA)	23.4	—	29,138	(5,964)	(23,174)	—	—	—
Visiworld AS	50.0	—	28,121	(13,255)	(3,633)	—	11,233	14,534
Etellus AS	33.0	10,291	—	(10,291)	—	—	—	—
Televenture Management AS	23.9	12,168	—	470	—	—	12,638	—
Smart Club Telecom AS	48.9	(5,919)	25,401	(19,481)	—	—	—	—
Nordialog AS	48.0	7,129	—	1,298	—	—	8,427	—
Triggerduck AS	33.5	—	10,000	(927)	(1,296)	—	7,777	5,172
ZebSign AS	50.0	—	29,348	(2,448)	—	—	26,901	—
OniWay	20.0	—	324,455	(51,853)	—	(5,178)	267,423	—
Wireless Matrix Corporation	30.8	—	316,662	(77,829)	(62,954)	(2,688)	173,191	159,651
Doorstep AS	50.0	(3,065)	20,171	(9,570)	—	—	7,537	—
Ajourit AS	29.5	—	31,298	(21,875)	—	—	9,423	—
Oslo Lufthavn Tele & Data AS	50.0	3,900	573	2,306	—	—	6,779	—
Otrum Electronics ASA	33.1	—	272,678	(81,400)	(6,797)	—	184,481	83,831
Care for You AS	18.0	—	15,000	(2,175)	(1,992)	—	10,833	11,280
Other	—	54,085	6,999	(101,610)	(6,066)	1,322	(45,269)	11,039
Total		39,088,069	(32,306,782)	21,260,966	(13,023,766)	(832,099)	14,186,388	8,169,983

(1) Includes pretax gains on disposal and Telenor's share of the companies' net income after taxes.

(2) Share of net income after taxes are partly based on preliminary results from some of the companies. Actual figures may deviate from the preliminary figures.

(3) Jointly controlled according to a shareholders agreement.

(4) During 2001 the ownership interest in DiGi.Com increased to 61%, and the company became a subsidiary with effect from September 1, 2001. With effect from October 1, 2001 Telenordia became a wholly-owned subsidiary of Telenor.

(5) European Telecom S.A. has an ownership share of 91.1% in ProMonte GSM and Telenor owns 44% of European Telecom.

(6) In 2001 the following significant write-downs of excess values were recorded; Sonofon NOK 7,500 million, DTAC NOK 2,290 million, UCOM NOK 1,110 million and Telenordia NOK 665 million. The write-downs were triggered by a significant fall in the market values for telecommunication companies. For DTAC and UCOM the write-downs were made to the quoted market price as of December 31, 2001. The fair values for Sonofon and Telenordia were estimated based on estimates of the earnings potential and comparison to similar companies and estimates from external parties.

(7) On February 4, 2002 Pannon GSM became a wholly-owned subsidiary of Telenor.

(8) Telenor's ownership interests in VIAG Interkom, Esat Digifone, Ephorma and European Medical Solutions Group were sold in 2001.

(9) Telenor signed an agreement with Canal+ in 2001 for the acquisition of the remaining 50% of Canal Digital for a cash payment of NOK 2.4 billion, of which NOK 0.5 billion is dependent on future profits of Canal Digital and will be paid within 2008. The transaction is pending regulatory approval and is expected to be completed during 2002.

(10) Telenor has a voting interest of 25% in VimpelCommunication.

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

(12) Ownership interest in DTAC includes indirect ownership through UCOM.

Summary financial information for our investment in Sonofon Holding AS accounted for by the equity method is as follows based on Norwegian GAAP (100% basis):

	Year ended December 31,		
	1999	2000	2001
	(in NOK millions)		
Fixed assets	2,860	3,149	3,466
Current assets	723	865	897
Long-term liabilities	2,496	2,593	3,146
Short-term liabilities	1,839	2,058	1,654
Revenues	3,258	3,373	3,821
Operating profit	436	344	426
Net income for the year	201	105	155

17 CURRENT RECEIVABLES

Accounts receivables

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

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

Other current receivables:

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

Prepaid expenses and accrued revenues:

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

18 SHORT TERM INVESTMENTS

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

(1) Specification of shares classified as current assets:

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

(1) Includes companies where Telenor owns more than 10% with insignificant book values.

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

19 PROVISIONS

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

(1) Provisions for restructuring, workforce reduction, onerous contracts, exit costs and legal disputes.

20 INTEREST-BEARING LIABILITIES

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

A short-term Euro Commercial Paper program (ECP) was established in 1996, with a USD 500 million limit. In 2000 Telenor established a U.S. Commercial Paper Program (USCP), which has a USD 1,000 million limit. Telenor issued commercial paper in the Norwegian market during 2001, which as of December 31, 2001 had an average maturity of 2.3 months.

In 2000 Telenor established a syndicated USD revolving credit facility maturing in 2005, limited to USD 1,000 million. In addition to this, a syndicated EUR revolving credit facility of EUR 1,000 million was established in December 2001. This facility matures in December 2002; however, Telenor has a one year term-out option provided that, if the credit rating is equal to or less than either BBB or Baa2, Telenor must maintain a net debt to EBITDA ratio equal to or less than 3.5:1.

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

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

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

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

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

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

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

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

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

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

	Average weighted fixed interest rate in % 12.31.01	Foreign currency 12.31.01	NOK 12.31.01	NOK 12.31.00
	(in millions except percentages)			
Commercial paper (ECP and USCP)				
GBP	—	—	—	132
USD	—	—	—	6,928
Norwegian commercial paper				
NOK	6.90	—	1,930	1,065
EMTN loans				
AUD	4.31	36	170	182
CHF	3.21	798	4,292	5,184
EUR	4.20	183	1,460	16,707
JPY	2.47	26,000	1,785	1,696
USD	5.50	350	3,154	4,859
Loans from Japanese investors				
JPY	3.85	6,000	412	1,304
Loans from Norwegian investors				
NOK	7.61	700	700	—
Satellite leasing				
GBP	7.50	94	1,228	1,362
Other				
Other liabilities in subsidiaries	Between 7-16	—	3,366	2,650
Total long-term interest-bearing liabilities			18,497	42,069

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

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

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

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

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

Exchange rate risk

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

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

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

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

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

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

Interest rate risk

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

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

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

Liquidity and credit risk

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

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

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

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

Interest rate instruments as of December 31, 2001

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

Cross currency interest rate instruments as of December 31, 2001

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

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

Fair value of financial instruments

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

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

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

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

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

22 NON-INTEREST-BEARING LIABILITIES

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

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

23 MORTGAGES AND GUARANTEES

	2000	2001
Mortgages		
Inventories, receivables, tangible assets, etc	1,991	5,000
Total mortgages	1,991	5,000
Guarantees		
Satellite organizations	2,117	—
Other guarantees	1,481	2,719
Total guarantees	3,598	2,719

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

24 COMMITMENTS AND CONTINGENCIES

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

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

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

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

25 CONTRACTUAL OBLIGATIONS

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

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

(1) Committed investments do not include future investments due to the UMTS license in Norway awarded to Telenor.

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

The high level of other contractual obligations in 2002 compared to subsequent years relates mainly to the one-year framework agreement with Bravida for installation and service work. Other contractual obligations do not include licence fee payments.

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

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

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

26 RELATED PARTIES

Telenor ASA is 77.7% owned by the Norwegian state.

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

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

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

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

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

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

27 ADDITIONAL INFORMATION ABOUT CASH FLOW

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

Restricted bank accounts

	1999	2000	2001
	(in NOK millions)		
For employees' tax deduction	35	24	114
Other	55	52	179
Total	90	76	293

Material non-monetary transactions

	1999	2000	2001
	(in NOK millions)		
Investments in businesses	—	—	678
Issuance of shares in subsidiaries in a business combination	619	—	—
Purchase of software license	—	1,006	—
Total	619	1,006	678

28 MANAGEMENT COMPENSATION ETC.

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

Remuneration to the board of directors and the corporate assembly for 2001 was NOK 1,443,750 and NOK 408,000, respectively.

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

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

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

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

On February 21, 2002 Telenor ASA introduced a share option program granting options to 85 managers and key personnel to subscribe for up to 2,520,000 shares in Telenor ASA. The option program partly replaces existing bonus and incentive agreements for managers and key personnel.

One third of the options may be exercised in each of the three years subsequent to the date of grant. The latest possible exercise date is seven years subsequent to the date of grant. The exercise price corresponds to the average closing price on the Oslo Stock Exchange five trading days prior to the date of grant, increasing with an interest per commenced month corresponding to $\frac{1}{12}$ of 12 months NIBOR (Norwegian Interbank interest rate). The options may only be exercised four times a year, during a ten-day period after the publication of the company's quarterly results. Upon the exercise of options Telenor maintains the right to redeem options by paying an amount in cash corresponding to the difference between exercise quotation price and closing price on the day the notification reached the company.

The following members of the group management were on February 21, 2002 granted options according the above mentioned option-program.

Name	Granted options as of February 21, 2002
Jon Fredrik Baksaas	100,000
Torstein Moland	100,000
Berit Svendsen	100,000
Arve Johansen	100,000
Bjørn Formo	100,000
Jan Edvard Thygesen	75,000
Stig Eide Sivertsen	75,000
Morten Lundal	75,000
Henrik Torgersen	75,000
Gun Bente Johansen	50,000

Members of group management have the right to retire at the age of 60/62 years with a supplementary pension, making their pension 66% of their salary at the date of retirement.

The suggested audit fee for 2001 to the auditor of the Group (Arthur Andersen & Co, Norway) is NOK 0.9 million for the parent company (Telenor ASA) and NOK 12.4 million for the subsidiaries. For other services the auditor of the Group (Arthur Andersen & Co, Norway) have invoiced NOK 32.5 million, of which NOK 13.8 million relates to the parent company.

Total loans to employees were NOK 38 million as of December 31, 2001. The loans were mainly given to finance cars purchased by the employees, as an alternative to company cars, and loans provided in connection with the purchase of shares in the Employee Stock Ownership Program in December, 2001 (NOK 15.6 million). The loans for purchase of shares was limited to NOK 5,987 per employee after discount. The board of directors will decide whether a similar Employee Stock Ownership Program is going to be established in 2002. Loans for share purchase are non-interest-bearing and have terms of one year. The remaining loans are established at normal market conditions. As of December 31, 2001, the three employee representatives in the board of directors, in addition to Tormod Hermansen, Jon Fredrik Baksaas and Jan Edvard Thygesen had outstanding loans of NOK 5,987 each, related to this share purchase arrangement.

The number of shares owned by the members of the board of directors, the corporate assembly and the group management as of December 31, 2001 is shown below. Shares owned by the board of directors and the group management includes closely related parties.

	No. of shares owned as of December 31, 2001
Board of Directors	
Tom Vidar Rygh	15,000
Åshild Marianne Bendiktsen	682
Thorleif Enger	2,000
Bente Neegård Halvorsen	682
Harald Stavn	2,992
Per Gunnar Salomonsen	1,160
Irma Tystad	478

	No. of shares owned as of December 31, 2001
Corporate Assembly	
Ragnar Klevaas	682
Eystein Gjelsvik	275
Stein Erik Olsen	478
Berit Kopren	275
Ole Morten Olsen	478
Jan Riddervold	1,303
Group Management	
Tormod Hermansen	10,407
Jon Fredrik Baksaas	11,364
Torstein Moland	11,364
Berit Svendsen	3,745
Henrik Torgersen	2,057
Arve Johansen	24,280
Gun Bente Johansen	3,624
Jan Edvard Thygesen	14,426
Morten Lundal	7,417
Stig Eide Sivertsen	27,913
Bjørn Formo	682

29 NUMBER OF SHARES, SHAREHOLDERS ETC.

Telenor ASA has a share capital of NOK 10,816,383,912 divided into 1,802,730,652 ordinary shares with a nominal value of NOK 6 each. All shares have equal voting rights and the right to receive dividends. As of December 31, 2001 the company had remaining 28,103,172 treasury shares of the total of 30,000,000, which were issued to Telenor as treasury shares to be used to grant additional bonus shares to retail investors in Norway pursuant to the global offering in December 2000. On December 4, 2001, 1,896,828 treasury shares were transferred as additional bonus shares to retail investors. The general meeting held in 2001 granted an authority to the board of directors that the remaining shares could be used for other purposes.

At the extraordinary general meeting held on November 10, 2000 it was resolved to grant authority to the board of directors to increase the share capital up to NOK 1,063,291,134 through the issuance of up to 177,215,189 ordinary shares of NOK 6 nominal value each in connection with possible future investments. Such authority lasts until July 1, 2002. The board of directors may waive the pre-emptive rights of shareholders to such shares. The authority includes the issuance of shares against consideration other than cash and the issuance of shares in a merger. This will place the company in a better position for future growth. The general meeting in 2001 granted permission that such an increase in share capital may be used in share option plans and stock ownership programmes for employees as well. An employee stock ownership program took place in December 2001. A total of 578,753 shares at a nominal value of NOK 6 each were subscribed for. Telenor ASA established an option plan on February 21, 2002, see Note 28.

The following shareholders had 1% or more of the total number of 1,774,727,480 outstanding shares (excluding the 28,103,172 million treasury shares) as of December 31, 2001.

Name of shareholders	Number of shares	%
Ministry of Trade and Industry	1,400,000,000	78.86
National Insurance Scheme Fund	29,000,000	1.63
State Street Bank (nominee)	17,837,100	1.01

30 UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Group's consolidated financial statements have been prepared under Norwegian GAAP, which differs in certain respects from U.S. GAAP. The principal differences between the Group's accounting principles under Norwegian GAAP and U.S. GAAP are set out below:

Reconciliation of net income from Norwegian GAAP to U.S. GAAP

	Note	1999	2000	2001
		(in NOK millions, except per share amounts)		
Net income in accordance with Norwegian GAAP		2,035	1,076	7,079
Adjustments for U.S. GAAP:				
Depreciation of capitalized interest associated companies	1	(5)	(4)	(38)
Pensions	2	(18)	(25)	(25)
Amortization of license costs and related goodwill	3	(3)	(3)	(27)
Temporary investments in entities	4	(53)	(38)	43
Gains on subsidiaries equity transactions and disposal of shares in subsidiary	5	307	393	—
Stock compensation	7	(30)	(194)	52
Sale and lease back of properties	8	—	(153)	36
Derivative financial instruments	9	—	—	171
Goodwill amortization	10	—	—	39
Tax effect of U.S. GAAP adjustments	11	(64)	(48)	(56)
Minority interests	7	19	78	(270)
Net income in accordance with U.S. GAAP		2,188	1,082	7,004
Net income from continuing operations (excluding Telenor Media)		1,246	854	1,889
Net income per share from continuing operations (excluding Telenor Media) in accordance with U.S. GAAP		0.89	0.599	1.066
Net income per share cumulative effect on prior years (prior to December 31, 2000) of change in accounting principle		—	—	0.033
Net income (basic) per share in accordance with U.S. GAAP		1.563	0.759	3.952
Net income (diluted) per share in accordance with U.S. GAAP		1.563	0.759	3.948
Revenues in accordance with U.S. GAAP		32,716	36,481	40,581

Reconciliation of shareholder's equity from Norwegian GAAP to U.S. GAAP

	Note	2000	2001
		(in NOK millions)	
Shareholder's equity in accordance with Norwegian GAAP		35,474	42,144
Adjustments for U.S. GAAP:			
Dividends	10	532	621
Gains on subsidiaries' equity transactions and disposal of shares in subsidiary	5	700	700
Capitalized interest associated companies	1	66	28
Pensions	2	165	140
Amortization of license costs and related goodwill	3	49	22
Temporary investments in entities	4	(153)	(110)
Equity and debt securities net of tax	6	(82)	27
Stock compensation	7	(224)	(172)
Sale and lease back of properties	8	(153)	(117)
Derivative financial instruments	9		(30)
Goodwill amortization	10		39
Tax effect of U.S. GAAP adjustments	11	(188)	(188)
Minority interests	5	118	(160)
Shareholder's equity in accordance with U.S. GAAP		36,304	42,944
Total assets in accordance with U.S. GAAP		99,776	90,129
Long-term interest-bearing liabilities in accordance with U.S. GAAP		46,972	24,758

The following table reflects the components of comprehensive income under U.S. GAAP

	1999	2000	2001
		(in NOK millions)	
Net income in accordance with U.S. GAAP	2,188	1,082	7,004
Other comprehensive income			
Unrealized gain/loss on available for sale securities	52	(210)	99
Translation adjustment	(17)	(349)	47
Total other comprehensive income	35	(559)	146
Comprehensive income	2,223	523	7,150

(1) Capitalized interest

Under Norwegian GAAP the Group has expensed interest incurred in connection with the financing of associated companies.

Under U.S. GAAP interest incurred on equity funds, loans and advances to associated companies, under a period which the associated company is undergoing activities necessary to start its planned principal operations and such activities include the use of funds to acquire qualifying assets for its operations, shall be capitalized. Depreciation started in 1998 since those companies started their principal operations in 1998.

(2) Pensions

In 1995 the Group began to account for pensions according to the accounting standard which is substantially consistent with U.S. GAAP. The change in accounting principle was offset directly against shareholder's equity.

Under U.S. GAAP the effect of adopting SFAS 87 would be amortized over the remaining average service period.

(3) Amortization of license costs and related goodwill

Up to the end of 1997 the Group amortized license costs and goodwill related to acquired licenses over a period not exceeding 10 years. With effect from 1998 the amortization period has been changed to the term of the license. In accordance with Norwegian GAAP this change has been accounted for as a change of estimate, with no retroactive restatement of prior periods.

Under the U.S. GAAP reconciliation, this revision in the amortization period was accounted for retroactively.

(4) Temporary investment in entities

Investments in entities in which the Group has an ownership that are considered to be temporary in nature are recorded at cost or written down to fair value. The Group invests periodically in companies for the purpose of making profits.

Under U.S. GAAP, all temporary investments with an ownership greater or equal to 20% are accounted for under the equity method or consolidated. The effect on the financial statements of temporary investments consolidated under U.S. GAAP are immaterial.

Total assets accounted for under the equity method for U.S. GAAP was NOK 39,361 million for the year ended December 31, 2000 and NOK 14,389 million for the year ended December 31, 2001

Total assets accounted for under the cost method for U.S. GAAP was NOK 104 million for the year ended December 31, 2000 and NOK 95 million for the year ended December 31, 2001.

(5) Gain from subsidiaries equity transactions, disposal of shares in a subsidiary and minority interest

Under Norwegian GAAP, no gains from subsidiary's equity transactions and disposal of shares in a subsidiary are recognized.

Under U.S. GAAP, the Group records gains from subsidiary equity transactions (SAB 51 transactions) and disposal of shares in a subsidiary through income.

Under Norwegian GAAP, the minority interest is measured at fair value of the consideration paid from the minority. The difference between the recorded equity in the subsidiary and value of the consideration paid by the minority will be amortized or written down through allocating results to minority.

This allocation is not consistent with U.S. GAAP.

The following information relates to the issuance of subsidiary shares under U.S. GAAP:

Telenor's 100% owned subsidiary Telenor Programvare AS (now EDB Business Partner ASA) and the listed company EDB ASA merged in a purchase business combination in 1999, where the shareholders in EDB ASA received 34% of the shares in Telenor Programvare AS in exchange for its ownership in EDB AS. The total consideration was NOK 547 million based on the quoted price of EDB ASA at the date the transaction was announced. Recognized gain was NOK 192 million. In September 1999 Telenor sold 4.1 million of its shares in EDB Business Partner ASA. The total consideration was NOK 144 million. The resulting gain was NOK 94 million. In November 1999, Telenor B Invest issued shares to a minority shareholder for cash, reducing Telenor's ownership stake in the company by 26.67%. The total consideration was NOK 230 million. Recognized gain was NOK 21 million.

Telenor reduced its ownership stake in EDB Business Partner ASA when EDB Business Partner ASA issued shares to minority shareholders for cash in two transactions in February and May 2000, reducing Telenor's ownership by 7.3%. In particular, EDB Business Partner ASA issued 6.9 million shares in February 2000 at a price per share of NOK 137. Telenor did not participate in this issue, and Telenor's ownership was reduced from 59.6% to 54.2%. EDB Business Partner ASA issued another 10 million shares in May 2000 at a price per share of NOK 100. Also during May 2000, 2.7 million share option subscriptions by employees took place at an average price per share NOK 37.73. Telenor's ownership was thereby reduced from 54.2% to 52.6%. Total consideration received from minority shareholders was NOK 1,449 million and recognized gain under U.S. GAAP was NOK 393 million. Taxes have been accrued in the tax effect line item of U.S. GAAP adjustments.

(6) Marketable equity securities

For investments in marketable equity securities classified as current assets that are managed as a portfolio, adjustment in the book value are only made if the aggregate holdings have a lower estimated fair value than the original cost. Other marketable shares are valued at the lower of cost or fair market value. Investment in marketable equity securities classified as long-term are valued at historical cost or possibly fair value if the decline in value is not temporary.

Under U.S. GAAP, marketable equity securities are valued at their fair value for each security. For marketable equity securities classified as available for sale, unrealized gains and losses after tax are recorded directly to shareholder's equity. All listed shares are classified as available for sale in accordance with SFAS 115.

As of December 31, 2000 and 2001, available for sale securities at cost amounted to NOK 561 million and NOK 466 million, respectively, with unrealized holding loss of NOK 114 million for December 31, 2000 and a unrealized holding gain of NOK 38 million for December 31, 2001 respectively. For the years ended December 31, 2000 and 2001, proceeds from the sale of available for sale securities was NOK 660 million and NOK 94 million, respectively, and the gross realized gain from such sales was NOK 509 million in for the year ended December 31, 2000 and a realised loss of NOK 238 million for the year ended December 31, 2001

(7) Stock compensation

The subsidiary EDB Business Partner ASA has stock compensation plans for its employees. The exercise price is based on the share price when the option was granted and is increased by 1% for each subsequent month until the date of exercise. Most of the options that are not exercised according to the plan can be carried forward to the next year.

In accordance with Norwegian GAAP, the Group did not recognize expense for stock options with no intrinsic value that were granted to employees.

In accordance with U.S. GAAP, the measurement date for determining compensation costs for stock options is the first date at which the number of shares the employee is entitled to receive and the exercise price of the options are known. When EDB Business Partner ASA granted stock options, the number of shares was known at the grant date; however, the exercise price to be paid was not known because it was not known when the employee would exercise the option. Accordingly, variable plan accounting for these options would apply under U.S. GAAP and the intrinsic value of the options at the end of each reporting period, based on the presumed exercise price and the quoted market price of EDB Business Partner's stock, would be calculated and recorded as compensation expense over the vesting period.

The following information relates to the stock compensation plans for EDB Business Partner:

EDB Business Partner operates a stock incentive plan for all its employees, which was established in 1999.

The share option plan has the approval of the shareholders of EDB Business Partner to grant options for the year ended December 31, 2001. The continuation of the plan for 2002 and 2003 requires, and is subject to, additional shareholders approval. Norwegian law requires shareholder approval of share issues, and the board of directors can not obtain power of attorney to execute such plan due to the longevity of the exercise period. For the purpose of the financial statements these grants should be considered effective.

As of December 31, 2001, EDB Business Partner's stock incentive plans have authorized the grant of options to employees for up to 9,955,850 shares of EDB Business Partner's common shares. Options granted had one to four year terms, where one-third of vested options become exercisable each year. Options vest over a one to three year period of continued employment. Vested but unexercised options can be carried forward to May 2004 or expire. Of the total options outstanding at year-end, options for 1.7 million shares have been accounted for as fixed plan awards. In fixed plan awards, the measurement date occurs on the grant date when both the number of shares of stock that may be acquired and the price to be paid by the employee are known. The options for the remaining 8.3 million shares of stock are considered variable plan grants because terms do not define the ultimate exercise price of the options.

EDB Business Partner has elected to continue to follow Accounting Principles Board Opinion No. 25, ''Accounting for Stock Issued to Employees'' (APB 25) and related interpretations in accounting for its employee stock options. However, pro forma information regarding net income and earnings per share is required by FASB Statement No. 123, ''Accounting for Stock-Based Compensation'' (SFAS 123), and has been determined as if EDB Business Partner had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions. The assumptions for 2001 were risk-free interest rates of 5.85%; dividend yield of zero; volatility factor of the expected market price of EDB Business Partner's common shares of 30%; and a weighted-average expected life of the options of 2.3 years. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because EDB Business Partner's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. Had compensation cost for these plans been determined consistent with SFAS 123, the group's net income would have been the following:

	1999	2000	2001
	(in NOK millions)		
Pro forma net income based on U.S. GAAP	2,199	1,143	6,858

EDB Business Partner recognized NOK 94 million in pro forma compensation expense under SFAS 123 for 2001.

The possible exercise of the stock options will have no dilutive effect on earnings per share since the options are only exercisable for EDB Business Partner ASA's shares. Thus, the exercise of options could not change the number of Telenor shares outstanding.

A summary of EDB Business Partner's stock option program and related information for the years ended December 31 follows:

Options Outstanding

	Options	Weighted Average Exercise Price (in NOK)
Balance as of December 31, 1998	—	—
Option of the date of acquisition,	1,976,821	26.28
Options granted 1999	7,383,739	62.00
Balance as of December 31, 1999	9,360,560	54.46
Options granted in 2000	6,277,134	179.07
Options exercised in 2000	2,722,448	30.79
Options forfeited in 2000	590,768	53.45
Balance as of December 31, 2000	12,324,478	121.62
Options granted in 2001	699,070	106.33
Options exercised in 2001	1,667,104	62.90
Options forfeited in 2001	1,400,594	134.00
Balance as of December 31, 2001	9,955,850	126.72

The table below details EDB Business Partner's options outstanding by related option exercise price as of December 31, 2001 and is based on the final exercise dates. Some options under the new plan may be exercised prior to the termination of the plan.

Weighted Average Exercise Price	Options Outstanding	Weighted Average Remaining Life	Options Exercisable
	(in NOK)		
62,00	4,015,760	2.3	—
106.33	699,070	2.3	—
137,60	447,879	2.3	—
182,93	4,793,141	2.3	—
	9,955,850	2.3	—

(8) Sale and lease back of properties

Under Norwegian GAAP the Group recognized gains from sale and lease back of properties when the lease back agreement is an operating lease agreement. Under U.S. GAAP only gain from sale and lease back of properties that exceed the net present value of the lease back agreement can be recognized as gains. The remaining gains must be deferred over the lease periods.

(9) Derivative financial instruments

Effective January 1, 2001, U.S. GAAP introduced Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138. This new accounting standard requires that all derivative instruments be recorded on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships for which hedge accounting is applied. Interest rate derivatives not held for trading purposes are carried at cost under

Norwegian GAAP. Under U.S. GAAP all derivatives are now recorded marked-to-market and recognized on the balance sheet at fair value.

Translation adjustments related to hedging of net investments in foreign currencies are recorded through equity both in U.S. GAAP and Norwegian GAAP. Under Norwegian GAAP we may combine more than one instrument in our hedging of net investments. Under U.S. GAAP there are more stringent requirements of what instruments can be designated as hedging instruments, and foreign exchange gains or losses are to a greater extent reported through earnings under U.S. GAAP than Norwegian GAAP. Telenor's policy is to use instruments that may be used as hedging under both Norwegian GAAP and U.S. GAAP, as long as this is cost effective.

The following information relates to derivative financial instruments under SFAS 133:

Transition effect

Telenor recognized an expense through earnings for the transition effect of NOK 80 million at January 1, 2001, mainly due to fair value accounting for interest rate derivatives that were previously carried at cost. There was no transition effect charged to equity (Other comprehensive income).

Derivative (and nonderivative) instruments designated as fair value hedging instruments

A significant portion of the debt issued by Telenor is fixed rate bonds (57% of outstanding bonds as of December 31, 2001). Fixed rate bonds with long maturities impose a greater interest rate risk — in terms of mark-to-market risk — than management wishes to take on. As such the interest rate exposure on these bonds is often altered through entering into a derivative instrument that allows Telenor to receive a fixed interest and pay a specified floating interest rate. Telenor has designated these derivatives as fair value hedging relationships.

A common strategy for Telenor is to issue a fixed rate bond in the currency in which funding is to be raised and consequently enter into a "receive fixed/pay floating" interest rate swap. These fair value hedging relationships typically qualify for short cut treatment, as the requirements set out in paragraph 68 of SFAS 133(1) are met.

A second hedging strategy for Telenor is to hedge a fixed rate bond issued in currency other than Norwegian Kroner with a receive "fixed non base/pay floating" base cross currency interest rate swap. In these cases the hedged risks would be benchmark interest rates and exchange rates.(2) The swap would be the hedging instrument and the bond would be the hedged object in the fair value hedging relationship. In certain cases a combination of swaps are designated as the hedging instrument. Short cut treatment would not be applicable using this strategy. Still the hedging effectiveness for these hedging relationships has proven to be significantly above the 80/125 offset requirement, which has been in line with management's expectations given the cash flows of the transactions involved.

(1) A number of requirements are outlined in this paragraph. Among others; the notional amount of the swap matches the principal amount of the interest-bearing asset or liability, the fair value of the swap at its inception is zero, the formula for computing net settlements under the interest rate swap is the same for each net settlement.

(2) The benchmark interest rates in this instance would be the swap rates.

Derivative instruments designated as cash flow hedging instruments

Telenor has not designated any cash flow hedging relationships, either at transition January 1, 2001 or during the fiscal year 2001.

Derivative (and nonderivative) instruments designated as hedging instruments of a net investment in a foreign operation

As described in Note 21 to the financial statements Telenor hedges net investments in foreign currency by issuing debt in the various currencies or through entering into derivative transactions. Material hedging positions have been designated as net investment hedges. In 2001 the instruments involved have been bonds and forward contracts. To the extent these hedging relationships have proven to be effective, translation adjustments on these hedging instruments have been reported in the Cumulative Translation Adjustment section of equity.

Derivatives not designated as hedging instruments

Telenor has a duration-based target for interest rate risk management. Interest rate swaps are used to periodically rebalance the portfolio in order to be in line with the duration target. These derivatives do not qualify as hedging instruments, and are marked-to-market-through earnings.

Foreign currency swaps are frequently used for liquidity management purposes. No hedging relationships are designated in relation to these derivatives, and any changes in fair value are recognized through earnings.

Quantitative information

Fair value hedging relationships;	NOK in millions
Net loss recognized in 2001 earnings hedged items:	(510)
Net gain recognized in 2001 earnings hedging instruments:	508
Amount of hedge ineffectiveness	(2)

No components of the derivative instruments' gain or loss have been excluded from the assessment of hedge effectiveness.

Hedges of foreign currency exposure of a net investment in a foreign operation;

Net amount of losses on hedging instruments included in the cumulative translation adjustment during 2001 was NOK 139 million.

For forward contracts the forward points have been excluded in determining hedge effectiveness.

Cash flow hedging relationships;

Not applicable.

(10) Goodwill amortization

Goodwill is no longer amortized for business combinations initiated after July 1, 2001 under U.S. GAAP.

Under Norwegian GAAP, goodwill is still amortized.

(11) Taxes

The income tax effects of U.S. GAAP adjustments are recorded as a deferred tax expense.

(12) Dividends

Under Norwegian GAAP, dividends payable reduce shareholder's equity for the year in which they relate.

Under U.S. GAAP, dividends payable are recorded as a reduction of shareholder's equity when approved.

(13) Cross border tax benefit leases

The Group has offset the future lease obligations under the digital telephone switches and the GSM Mobile telephone network cross border tax benefit lease transaction against the unused prepayments on deposits at financial institutions.

Both under Norwegian GAAP and under U.S. GAAP we have deferred the gain from the transactions since there is more than a remote possibility of loss of the gain due to indemnification or other contingencies.

Under U.S. GAAP, assets and liabilities may not be offset except when there exists the legal right to offset the asset and liability. The legal right to offset the prepaid lease amount against the future lease obligations do not legally exist therefore, under U.S. GAAP, the prepaid lease amounts and the Group's future obligations under the sales-leaseback transactions are recorded gross on the consolidated balance sheet as financial assets and long-term interest-bearing liabilities in the amount of approximately NOK 4,830 million for the year ended December 31, 2001 and financial assets and long-term interest-bearing liabilities of NOK 4,902 million for the year ended December 31, 2001. This does not affect the profit and loss statement or shareholder's equity.

At December 31, 2001 future minimum annual rental commitments under capital lease liability are as follows under U.S. GAAP:

As of December 31,	(in NOK millions)
2002	616
2003	615
2004	774
2005	776
2006	796
Later years through 2016	4,591
Total minimum lease payments	8,168
Less amount representing interest	2,110
Capital lease obligation under U.S. GAAP	6,058
Capital lease obligation under Norwegian GAAP	1,228
Deferred gain (both Norwegian and U.S. GAAP)	220

Capital leases are for switches, GSM mobile telephony network and satellites. Capital lease property is included in tangible assets as follows (at net book value):

	2000	2001
	(in NOK millions)	
Switches	545	355
GSM mobile telephony network	1,066	737
Satellites	1,439	790
Total	3,050	1,882

(14) Revenue recognition

Under Norwegian GAAP gains on the sale of fixed assets and operations are included in total revenues. Under U.S. GAAP such gains would be included below other operating income.

Under Norwegian GAAP revenue from telecommunications installation fees and connection fees are recognized in revenue at the time of the sale and all initial direct costs are expensed as incurred. Under U.S. GAAP, such connection and installation fees that do not represent a separate earnings process should be deferred and recognized over the periods that the fees are earned which is the expected period of the customer relationship. Initial direct costs to the extent of the deferred revenue should also be deferred over the same period that the revenue is recognized. The effect on net income of this difference is not material.

SAB 101

The Company has considered the effect of SAB 101 and determined that it would not have a material effect on net income for any period presented.

New U.S. Accounting Standards

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (“SFAS”) No. 141, Business Combinations and SFAS No. 142, Goodwill and Other Intangible Assets. SFAS No. 141 requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001. SFAS No. 141 requires intangible assets to be recognized if they arise from contractual or legal rights or are “separable”, i.e., it is feasible that they may be sold, transferred, licensed, rented, exchanged or pledged. As a result, it is likely that more intangible assets will be recognized under SFAS No. 141 than its predecessor, APB Opinion No. 16 although in some instances previously recognized intangibles will be subsumed into goodwill.

Under SFAS No. 142, goodwill will no longer be amortized on a straight-line basis over its estimated useful life, but will be tested for impairment on an annual basis and whenever indicators of impairment arise. The goodwill impairment test, which is based on fair value, is to be performed on a reporting unit level. A reporting unit is defined as a SFAS No. 131 operating segment or one level lower. Goodwill will no longer be allocated to other long-lived assets for impairment testing under SFAS No. 121 Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. Additionally, goodwill on equity method investments will no longer be amortized; however, it will continue to be tested for impairment in accordance with Accounting Principles Board Opinion No. 18, The Equity Method of Accounting for Investments in Common Stock. Under SFAS No. 142 intangible assets with indefinite lives will not be amortized. Instead they will be carried at the lower cost or market value and tested for impairment at least annually. All other recognized intangible assets will continue to be amortized over their estimated useful lives.

SFAS No. 142 is effective for fiscal years beginning after December 15, 2001 although goodwill on business combinations consummated after July 1, 2001 will not be amortized. The company adopted SFAS No. 142 on January 1, 2002.

On adoption the company may need to record a cumulative effect adjustment to reflect the impairment of previously recognized intangible assets. In addition, goodwill on prior business combinations will cease to be amortized. Had the company adopted SFAS No. 142 at January 1, 2000 the company would not have recorded a goodwill amortization charge of NOK 2,095 million, of which NOK 1,427 million regards amortization of goodwill in associated companies. The Company has not determined the impact that these Statements will have on intangible assets or whether a cumulative effect adjustment will be required upon adoption.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations (SFAS 143). SFAS 143 establishes accounting requirements for retirement obligations associated with tangible long-lived assets, including (1) the timing of the liability recognition, (2) initial measurement of the liability, (3) allocation of asset retirement cost to expense, (4) subsequent measurement of the liability and (5) financial statement disclosures. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over the life of the associated fixed asset. An entity shall measure changes in the liability for an asset retirement obligation due to passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period. The interest rate used to measure that change shall be the credit-adjusted risk-free rate that existed when the liability was initially measured. That amount shall be recognized as an increase in the carrying amount of the liability and as an expense classified as an operating item in the statement of income. SFAS 143 is effective for fiscal years beginning after June 15, 2002, with early application encouraged.

The Company expects to adopt SFAS 143 on January 1, 2003 and has not yet determined the impact that it will have on its results of operations, its financial position or its cash flows.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). SFAS 144 establishes a single accounting model for long-lived assets to be disposed of by sale consistent with the fundamental provisions of SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of. While it supersedes portions of APB Opinion 30, Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, it retains the discontinued operations presentation, yet it broadens that presentation to include a component of an entity (rather than a segment of a business).

However, discontinued operations are no longer recorded at net realizable value and future operating losses are no longer recognized before they occur. SFAS 144 also establishes criteria for determining when an asset should be treated as held for sale.

SFAS 144 is effective for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years, with early application encouraged. The provisions of SFAS 144 are generally to be applied prospectively.

The Company adopted SFAS 144 as of January 1, 2002. The adoption did not have a material impact on its results of operations, financial position or cash flows.

Report of Independent Public Accountants

To the Shareholders of Telenor ASA:

We have audited the accompanying consolidated balance sheets of Telenor ASA and its subsidiaries (the "Company") as of December 31, 2000 and 2001, and the related consolidated statements of profit and loss, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and 2001, and the related consolidated statements of profit and loss, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in Norway.

Accounting practices used by the Company in preparing the accompanying financial statements conform with generally accepted accounting principles in Norway, but do not conform with accounting principles generally accepted in the United States. A description of these differences and a complete reconciliation of consolidated net income and shareholders' equity to U.S. generally accepted accounting principles is set forth in Note 30.

ARTHUR ANDERSEN & CO
Oslo, Norway, March 12, 2002