Telenor ASA

372,151,899 Ordinary Shares

in the form of ordinary shares or American Depositary Shares

This is an initial public offering of ordinary shares of Telenor ASA, a public limited company organized under the laws of the Kingdom of Norway. The ordinary shares are being sold in the form of ordinary shares and American Depositary Shares, or ADSs. Each ADS represents three ordinary shares. This offering is part of a global offering of 372,151,899 ordinary shares. In addition to this offering of ordinary shares to institutional investors outside of Norway and the United States, the global offering includes an offering to retail investors in Norway, an offering in the United States and an offering to institutional investors in Norway. The offering to retail investors in Norway includes an offering of ordinary shares to Telenor employees in Norway. All of the 372,151,899 ordinary shares to be sold in the global offering are being offered by Telenor ASA.

Prior to this offering, there has been no public market for the ordinary shares or the ADSs. Retail investors in Norway are entitled to receive a discount from the initial public offering price, with Telenor employees entitled to a further discount, up to specified limits. In addition, retail investors in Norway, including Telenor employees, are entitled to receive one additional ordinary share for every ten ordinary shares that they purchase and hold through December 3, 2001, up to specified limits. The ordinary shares have been approved for listing on the Oslo Stock Exchange under the symbol ''TEL'' and the ADSs have been approved for quotation on the Nasdaq National Market under the symbol ''TELN''.

See ''Risk Factors'' beginning on page 9 to read about factors you should consider before buying the ordinary shares or ADSs.

This prospectus is intended for use only in connection with offers and sales of these securities outside the United States and is not to be sent or given to any person within the United States. These securities are not being registered under the U.S. Securities Act of 1933 for the purpose of sales outside the United States.

Offer price: NOK 42.00 per ordinary share and US$13.625 per ADS

Telenor ASA and the Kingdom of Norway may, in their discretion, pay to some or all of the underwriters (other than the U.S. underwriters) and the managers of the Norwegian retail offering after the closing an additional commission related to pre-pricing performance in an aggregate amount of up to NOK 0.063 times the total number of ordinary shares sold in the global offering.

To the extent that the underwriters sell more than 344,058,509 ordinary shares, the underwriters have the option to purchase from the Kingdom of Norway, acting through the Norwegian Ministry of Trade and Industry, up to an additional 51,608,776 ordinary shares (in the form of ordinary shares or ADSs), which represents 15% of the ordinary shares sold in the global offering (excluding the shares sold in the Norwegian retail offering), at the initial public offering price less the selling concession. Telenor ASA will not receive any of the proceeds from the sale of ordinary shares or ADSs being sold by the Kingdom of Norway.

The underwriters expect to deliver the ordinary shares and ADSs to purchasers against payment on or about December 7, 2000.

Joint Global Coordinators

Goldman Sachs International **DnB Markets**

International Offering

Goldman Sachs International

Merrill Lynch International **Credit Suisse First Boston**
DnB Markets **HSBC**
Dresdner Kleinwort Benson **Schroder Salomon Smith Barney**

Norwegian Institutional Offering

DnB Markets **Christiania Markets**
Goldman Sachs International **Orkla Enskilda** **Sundal Collier**
Fondsfinans **Pareto**

Advisor to the Norwegian Ministry of Trade and Industry
Deutsche Bank

Advisor to Telenor ASA
Lazard

Prospectus dated December 3, 2000

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You should rely only on the information provided in this prospectus. We have not authorized anyone to provide you with different information. We are not offering to sell or soliciting offers to buy the ordinary shares and ADSs in places where such offers are not permitted by applicable law. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this document.

Neither we, the selling shareholder nor any of the underwriters have done anything that would permit a public offering of the ordinary shares or ADSs or possession or distribution of a prospectus in any jurisdiction where action for that purpose is required, other than in the United States and Norway. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus.

There are restrictions on the offer and sale of the ordinary shares and ADSs offered hereby in the United Kingdom. All applicable provisions of the Financial Services Act 1986 of Great Britain and the Public Offers of Securities Regulations 1995 of Great Britain with respect to anything done by any person in relation to ordinary shares or ADSs offered hereby in, from or otherwise involving the United Kingdom must be complied with.

IN CONNECTION WITH THE GLOBAL OFFERING, THE JOINT GLOBAL COORDINATORS OR AFFILIATES OR AGENTS OF THE JOINT GLOBAL COORDINATORS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE ORDINARY SHARES AND/OR ADSS AT LEVELS WHICH MIGHT OR MIGHT NOT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE OSLO STOCK EXCHANGE OR THE NASDAQ NATIONAL MARKET OR OTHERWISE. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME AND, IN ANY EVENT, WILL BE DISCONTINUED 30 DAYS AFTER THE CLOSING OF THE OFFERING.

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PROSPECTUS SUMMARY

This summary highlights selected information from this prospectus and may not contain all of the information that is important to you. You should read the entire prospectus carefully.

Telenor

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 among the highest penetration rates of mobile phone, fixed line digital telephony, personal computer and Internet usage worldwide. We also have substantial international operations and investments, particularly in mobile communications, Internet and Internet protocol-based communications services, satellite services and pay television services. In 1999, we had consolidated total revenues of NOK 33.5 billion and net income of NOK 2.0 billion.

We operate in the following core business areas:

- *Mobile Communications.* We are the leading provider of mobile telecommunications services in Norway with an estimated market share of 69% for digital service as of September 30, 2000. We also have extensive interests internationally with strategic investments in a number of mobile operators abroad, located in the Nordic region, the rest of Europe and Southeast Asia. Including our proportionate share of subscriptions of our associated companies, we had 5.3 million mobile subscriptions at September 30, 2000.

- *Telecom.* We are the leading provider of fixed network telecommunications services in Norway, offering a full range of services to residential, business and wholesale customers. We have the highest penetration rate of digital, or ''ISDN'', access channels in the world. We also provide businesses with a range of managed telecommunications and information technology services.

- *Broadband Services.* We are the leading provider of television-based broadband services to consumers in the Nordic region, through home satellite dish (known as direct-to-home or ''DTH''), cable and terrestrial broadcast transmission. We are also the leading provider of satellite broadcasting services in the Nordic region. In addition, we are among the leading providers of global satellite-based mobile communications within both the maritime and land mobile markets and the largest individual shareholder in the satellite operator INMARSAT.

- *Internet.* We are the leading Internet service provider in Norway within both the residential and business segments. Under the ''Nextra'' brand, we provide Internet and other Internet protocol, or ''IP'', -based communications services in Norway and twelve other European countries (including sales offices in two countries), with a focus on small and medium-sized businesses.

We also have significant operations in three related business areas:

- *Media* (on-line and printed directory services)

- *Bravida* (supplier of telecommunications installation, maintenance and operating services)

- *EDB Business Partner* (a leading information technology company in Norway)

Our Competitive Strengths

We benefit from a number of competitive strengths, including:

- *We are an innovator with technologically-advanced networks and services. In our international expansion, we seek to build upon the capabilities we have developed in our home market.*
- *We operate in a highly advanced home market, with high per capita income and telecommunications spending.*
- *In mobile communications, we are the market leader in Norway and have strategic interests in a number of mobile operators internationally.*
- *We are in a strong position to capitalize on the development of television-based broadband services in the Nordic region and selected other European markets.*
- *We have already established a significant presence in several European countries in the market for Internet and IP-based communications services for businesses.*
- *We are the leading Internet service provider in Norway with a strong market share.*
- *In our Telecom business area, we have already substantially re-balanced our domestic tariffs and operate profitably in a low-tariff environment.*

Our Strategy

Our strategy is to increase shareholder value by focusing on the core business areas in which we believe we have competitive advantages. In particular, we intend to focus on businesses offering the potential for strong growth and international expansion. We have made international activities a key element of our strategy.

Our principal strategic objectives are to:

- *Be a leading provider of mobile voice and mobile Internet services in the Nordic region and in selected countries elsewhere in Europe and in Southeast Asia. In our home market of Norway, we intend to maintain and build upon our leading position in mobile communications and introduce new services, including third generation mobile communication services.*
- *Be the leading provider of pay television and television-based interactive broadband services in the Nordic region and selected other European markets.*
- *Become a leading pan-European provider of Internet and IP-based communications services to small and medium-sized businesses.*
- *Maintain and expand our position as a leading provider of global mobile satellite communications services worldwide.*
- *Build on our strong position in telecommunications and information technology services for businesses in the Nordic region by focusing on growing market segments.*
- *Maintain our leading position in Norway for fixed network telecommunications services by strengthening our customer relationships and focusing on new service offerings.*
- *Enhance and realize value from our non-core operations.*

Ownership by the Kingdom of Norway

Prior to the global offering, the Kingdom of Norway owned 100% of our outstanding ordinary shares. After completion of the global offering, the Kingdom of Norway will own 79.00% of our outstanding ordinary shares, or 76.09% if the underwriters exercise the over-allotment option in full.

Our principal executive offices are located at Universitetsgaten 2, P.O. Box 6701, St. Olavs Plass, N-0130, Oslo, Norway. Our telephone number is (+47) 22 77 60 60.

The Global Offering

The global offering .... consists of 372,151,899 ordinary shares.

344,058,509 ordinary shares are being offered through the underwriters:

- in a public offering in the United States in the form of ordinary shares or ADSs
- in an offering to institutional investors outside of the United States and Norway in the form of ordinary shares or ADSs and
- in an offering to institutional investors in Norway in the form of ordinary shares.

28,093,390 ordinary shares are being offered in an offering to retail investors in Norway. As a part of the offering to retail investors in Norway, we are offering ordinary shares to employees of Telenor and its 90% or greater owned subsidiaries and certain affiliates in Norway. The offering to retail investors in Norway will not be underwritten by the underwriters.

Shares offered .... All of the 372,151,899 ordinary shares are being offered by Telenor.

Over-allotment option .... The Kingdom of Norway, as selling shareholder, has granted the underwriters an option, exercisable by Goldman Sachs International and DnB Markets, as joint global coordinators of the global offering, within 30 days from the date of this prospectus, to purchase up to an additional 51,608,776 ordinary shares, in the form of ordinary shares or ADSs.

Offering price .... NOK 42.00 per ordinary share. This is equivalent to US$13.625 per ADS at a ratio of three ordinary shares per ADS and an exchange rate of NOK 9.2475 = US$1.00.

Investors in the retail offering in Norway will receive a discount of NOK 2.00 per ordinary share on purchases up to an aggregate purchase amount of NOK 25,000, or, for Telenor employees up to an aggregate purchase amount of NOK 75,000, rounded down to the nearest multiple of 10 ordinary shares.

Telenor employees purchasing ordinary shares in the retail offering in Norway will receive a further discount of up to 20% of the purchase price, limited to a total additional discount of NOK 1,500 per employee.

Bonus share plan for retail investors in Norway .... Retail investors in Norway, including Telenor employees, are entitled to receive from us one additional ordinary share for every ten ordinary shares they purchase (up to an aggregate purchase amount of NOK 25,000, or in the case of Telenor employees, up to

	an aggregate purchase amount of NOK 75,000) and continue to hold through December 3, 2001, for no additional consideration.
American Depositary Shares	Investors may also purchase ordinary shares in the form of American Depositary Shares. Each ADS represents three ordinary shares and is evidenced by an American Depositary Receipt, or ADR. We are offering ADSs as well as ordinary shares so that our company's ordinary shares can be listed on the Nasdaq National Market and investors will be able to trade our securities and receive any dividends payable on them in US dollars if they wish. The ADR depositary is Morgan Guaranty Trust Company of New York.
Shares outstanding after the global offering	1,772,151,899 ordinary shares.
Share ownership	79.00% of our outstanding share capital will be owned by the Kingdom of Norway following the global offering or approximately 76.09% if the underwriters exercise the over-allotment option in full.
Use of proceeds	The net proceeds to us from the global offering, after expenses, are estimated to be approximately NOK 15.1 billion. We expect to apply the net proceeds principally to repay outstanding long and/or short-term debt. If the underwriters exercise their over-allotment option, we will not receive any proceeds from the sale of ordinary shares or ADSs by the selling shareholder.
Lock-up agreement	We and the selling shareholder each have agreed with the underwriters that neither of us will offer, sell, contract to sell, or otherwise dispose of, other than in the global offering, any of Telenor's securities that are substantially similar to the ordinary shares or ADSs, including but not limited to any security convertible into or exchangeable for or which represents the right to receive, ordinary shares or such substantially similar securities, during the period from the date of this prospectus through the date 180 days after the date of this prospectus, except with the prior written consent of the joint global coordinators, subject to certain exceptions.
Expected timetable	We expect the timetable for the global offering to be as follows: December 4, 2000: Commencement of trading of the ordinary shares on the Oslo Stock Exchange and the ADSs on the Nasdaq National Market. December 7, 2000: Closing of the global offering.
Payment and settlement	Delivery of the ordinary shares and ADRs is expected to take place against payment therefor in immediately available funds on or about December 7, 2000. The ordinary shares will be delivered in book-entry form through the facilities of the Norwegian Central

Securities Depositary (known as the *Verdipapirsentralen* or VPS System), Euroclear and Clearstream Banking, SA (formerly Cedelbank, SA). The ADRs will be delivered through the facilities of The Depository Trust Company.

The identification numbers for the ordinary shares and the ADSs are:

Ordinary shares:
Common code: 012076436
ISIN: NO 0010063308
Sedol: 4732495
CUSIP: 9EQ00ECGS

ADSs:
CUSIP: 87944W105
ISIN: US87944W1053

Summary Consolidated Financial and Statistical Data

The following tables set forth summary consolidated financial and statistical data of Telenor.

You should read the following data together with ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and our consolidated financial statements, including the notes to those financial statements included in this prospectus.

Solely for the convenience of the reader, the financial data at and for the twelve months ended December 31, 1999 and at and for the nine months ended September 30, 2000 has been translated into US dollars at the rate of NOK 9.0725 to US$ 1.00, the noon buying rate on September 29, 2000.

	Year ended December 31,						(unaudited) Nine months ended September 30,		
	1995	1996	1997	1998	1999	1999	1999	2000	2000
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK)	(US$)	(NOK)	(NOK)	(US$)
	(in millions, except per share amounts)								
Income Statement Data									
Norwegian GAAP									
Revenues	—(1)	—(1)	25,692	28,662	32,685	3,603	24,295	26,650	2,937
Gain on sale of fixed assets and operations	—(1)	—(1)	177	248	783	86	57	594	66
Total revenues	19,983	22,382	25,869	28,910	33,468	3,689	24,352	27,244	3,003
Operating expenses	17,416	19,785	23,212	25,113	29,466	3,248	21,528	24,027	2,648
Operating profit	2,567	2,597	2,657	3,797	4,002	441	2,824	3,217	355
Share of profit (loss) in associated companies	(57)	(175)	(534)	(1,097)	(1,239)(2)	(137)	(815)	(767)(2)	(85)
Net income	1,484	1,784	1,389	1,710	2,035(2)	224	1,212	596 (2)	66
Net income per share	1.484	1.622	1.157	1.293	1.454	0.160	0.866	0.426	0.047
US GAAP									
Revenues	—	—	—	28,670	32,716	3,606	24,334	26,673	2,940
Net income	—	—	—	1,578	2,188(2)	241	1,352	720(2)	79
Net income per share	—	—	—	1.194	1.563	0.172	0.966	0.514	0.057

	At December 31,						(unaudited) At September 30,	
	1995	1996	1997	1998	1999	1999	2000	2000
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK)	(US$)	(NOK)	(US$)
	(in millions)							
Balance Sheet Data								
Norwegian GAAP								
Fixed assets	21,586	23,017	26,631	31,783	37,617	4,146	78,541	8,657
Current assets	5,973	6,537	7,533	8,967	10,409	1,147	12,622	1,391
Total assets	27,559	29,554	34,164	40,750	48,026	5,293	91,163	10,048
Long-term liabilities and provisions	9,090	7,159	9,985	12,288	15,962	1,759	46,156	5,087
Short-term liabilities	6,576	7,653	8,459	9,708	10,799	1,190	21,437	2,363
Total liabilities	15,666	14,812	18,444	21,996	26,761	2,949	67,593	7,450
Shareholder's equity	11,824	14,647	15,478	18,515	20,033	2,208	20,723	2,284
Minority interests	69	95	242	239	1,232	136	2,847	314
Total equity and liabilities	27,559	29,554	34,164	40,750	48,026	5,293	91,163	10,048
US GAAP								
Total assets	—	—	—	43,728	53,787	5,929	97,214	10,715
Long-term liabilities	—	—	—	12,403	19,252	2,122	19,970	2,201
Shareholder's equity	—	—	—	19,512	21,035	2,318	21,515	2,371

(notes on following page)

	Year ended December 31,						(unaudited) Nine months ended September 30,		
	1995	1996	1997	1998	1999	1999	1999	2000	2000
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK) (in millions)	(US$)	(NOK)	(NOK)	(US$)
Cash Flow and Operating Data									
Norwegian GAAP									
Net cash flow from operating activities	6,284	4,827	5,394	7,042	7,370	812	4,994	4,728	520
Net cash flow from investment activities	(4,920)	(5,701)	(8,140)	(10,019)	(9,205)	(1,015)	(6,474)	(44,218)	(4,874)
Net cash flow from financing activities	(1,936)	398	2,570	3,628	2,914	321	3,004	39,556	4,361
Investments, including capital expenditures(3)	4,646	5,612	8,970	9,428	13,170	1,452	8,494	45,142	4,976
EBITDA(4)	6,136	6,500	6,705	8,258	9,049	997	6,509	7,456	822
EBITDA, excluding gains and losses on sale of fixed assets and operations(4)	—(1)	—(1)	6,568	8,019	8,568	944	6,671	6,872	757

(1) Gain on sale of fixed assets and operations is not available on a comparable basis for 1995 and 1996.

(2) On August 10, 2000, we acquired a 53.5% interest in Sonofon Holding A/S. Because we share control of Sonofon with our joint venture partner, we account for Sonofon as a joint venture using the equity method. Giving effect to the acquisition of our interest in Sonofon as if it had occurred on January 1, 1999, our pro forma share of profit (loss) in associated companies and pro forma net income would have been NOK (1,987) million and NOK 706 million, respectively, for the year ended December 31, 1999 and NOK (1,257) million and NOK (243) million, respectively, for the nine months ended September 30, 2000. Pro forma net income under US GAAP would have been NOK 859 million for the year ended December 31, 1999 and NOK (119) million for the nine months ended September 30, 2000. For more details, see the unaudited pro forma consolidated financial information of Telenor and the consolidated financial statements of Sonofon included in this prospectus.

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

(4) EBITDA consists of earnings before interest, tax, depreciation and amortization. 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 sale 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,						(unaudited) Nine months ended September 30,		
	1995	1996	1997	1998	1999	1999	1999	2000	2000
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK) (in millions)	(US$)	(NOK)	(NOK)	(US$)
Operating profit	2,567	2,597	2,657	3,797	4,002	441	2,824	3,217	355
Depreciation and amortization	3,569	3,903	4,048	4,461	5,047	556	3,685	4,239	467
EBITDA	6,136	6,500	6,705	8,258	9,049	997	6,509	7,456	822
Gains on sale of fixed assets and operations	—	—	177	248	783	86	57	594	66
Losses on sale of fixed assets and operations	—	—	40	9	302	33	219	10	1
EBITDA, excluding gains and losses on sale of fixed assets and operations	—	—	6,568	8,019	8,568	944	6,671	6,872	757

	Year ended December 31,					Nine months ended September 30,	
	1995	1996	1997	1998	1999	1999	2000
Other Operating Data							
Mobile telephony (digital) subscriptions in Norway, period end (000s):							
Contract	259	534	803	944	1,003	982	1,103
Prepaid	—	—	68	316	781	678	967
Mobile telephony churn rates for contract subscriptions	N/A	12.0%	13.9%	13.1%	14.2%	16.7%	14.1%(1)
Total mobile telephony outgoing minutes in Norway (in millions of minutes):							
Digital	132	328	711	1,279	1,801	1,311	1,687
Analog	420	391	331	271	174	140	88
Average monthly revenue per mobile subscription (digital) in Norway (in NOK)(2):							
Total	484	418	400	363	332	334	322(4)
Contract	484	418	400	400	445	439	476
Prepaid	—	—	—(3)	161	131	130	141(4)
Fixed telephony access channels in Norway, period end (000s):							
Analog (PSTN)	2,431	2,441	2,324	2,167	1,908	1,985	1,724
Digital (ISDN)	47	148	410	755	1,228	1,094	1,513
Fixed telephony traffic in Norway (in millions of minutes)(5):							
National calls, excluding Internet traffic	10,562	12,084	11,923(6)	12,911	12,371	9,219	8,671
Internet traffic	—	—	1,079(6)	2,059	4,225	2,948	4,311
International	375	412	379	386	415	312	286
Calls to mobile	442	569	727	967	1,246	928	967
Value-added services and directory calls, etc.	147	146	191	287	447	319	454
Pay television subscribers in the Nordic region, period end (000s):							
Cable TV	220	230	244	270	282	276	350
Small antenna networks (SMATV)	—	—	—	686	937	766	1,066
Home satellite dish (DTH)(7)	135	223	251	352	405	382	452
Total	355	453	495	1,308	1,624	1,424	1,868
Internet, period end (000s):							
Internet access subscriptions and registered users, Norway(8)	10	65	165	260	400	350	548
Internet access subscription churn rates (annualized), Norway	—	—	—	11.7	14.0%	8.9%	21.4%
Nextra business subscriptions, Norway(9)	—	—	2	4	8	7	13
Nextra subscriptions, outside Norway(9)	—	—	—	—	57	34	82

(1) Annualized.

(2) 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. The division of incoming traffic fees between contract and prepaid is based on management estimates.

(3) The average monthly revenue for digital prepaid services in 1997 is not meaningful as this service was launched in September 1997.

(4) Due to a one-time adjustment to reflect a change in the methodology used to estimate traffic revenues, our revenues for the nine months ended September 30, 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 the nine months ended September 30, 2000 would have been NOK 9 lower for prepaid subscriptions and NOK 4 lower for total digital subscriptions.

(5) Number of minutes for 1995 and 1996 are based on management estimates.

(6) Number of minutes is based on management estimates.

(7) Includes all subscribers in Canal Digital, a joint venture in which we have a 50% ownership interest.

(8) Based on management's estimates for 1995, 1996 and 1997.

(9) Based on management's estimates, except for the nine months ended September 30, 2000.

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 the Norwegian regulator has recently awarded licenses to our competitors to provide wireless access service.

In the mobile market, the regulator has recently announced the award of licenses for third generation mobile services to us and three other operators, which will increase the number of operators providing service and open the market to more competition. In addition, several mobile service providers utilizing our infrastructure, or that of our primary competitor, have recently entered the market and others are expected to follow in the near future.

As competition continues to intensify, we expect market pressures may require us to reduce tariffs further and we also may lose further market share. Furthermore, 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.

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

Our growth strategy in mobile communications depends to a large extent upon the ability to obtain licenses for third generation mobile services in markets in which we have 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.

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

We have made major investments in international mobile communications companies, and our strategy is to continue to aggressively expand our international mobile activities. In most of our investments, we have a minority participation and the mobile companies rely on us and the other shareholders for strategic and financial support. In particular, in many cases these companies will need to obtain funding from their shareholders in order to finance the license fees, infrastructure and other costs required to launch 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 third generation mobile services. 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 Krone and the currencies in which our international operations or investments operate could adversely affect our reported earnings and the value of these businesses.

Russia has been an area of focus of our international investment. Since August 1998, Russia has been undergoing a period of increased economic and political instability, marked by a currency devaluation, hyperinflation, a severe banking crisis and changes of government. We also have 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 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 in 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.

Failure to retain and recruit skilled personnel would impair our ability to expand our business and remain competitive in our traditional business areas.

In order to develop, market and support our services, we must hire and retain highly skilled employees with particular expertise. Competition for qualified telecommunications and information technology personnel is intense. To a considerable extent, our ability to hire and retain skilled personnel in high growth businesses will depend on our ability to offer them competitive incentive programs. We do not currently have a stock option program in place and after this offering may continue not to have such a program. Although we plan to implement an incentive program for our senior management, our program does not extend to all employees and may not be perceived as competitive with stock-based incentive programs offered by our competitors or other employers. As a result, we may be unable to hire and retain skilled employees, which would limit our ability to develop new business areas or remain competitive in our traditional business areas.

A delay in the adoption of a Nordic open broadcasting standard based on Multimedia Home Platform could impair our development and marketing of a broad range of new television-based broadband services on a timely basis.

Our strategy in developing and marketing new television-based broadband services, such as Zonavi, depends partly on broadcast-based application environments converging towards an open standard, in particular the Multimedia Home Platform standard. This will enable us to distribute interactive services in the same format through all of our available access technologies that possess sufficient bandwidth. A standardization committee in the Nordic region, Nordig, has been formed by representatives of the national broadcasters and access providers, including us, to determine an open standard. A delay in the adoption of an open standard could impair our ability to develop a broad range of services and market these services on a timely basis.

In-orbit satellite failure, or a launch delay or failure of a new satellite, 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.

In addition, the deployment of a new satellite is subject to a risk of launch failure or delay. While our policy has been to procure launch insurance sufficient to substantially recover our investment in a new satellite, it is not practicable to obtain insurance to recover lost revenues or business opportunities.

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 leaching 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

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

Our fixed and mobile telecommunications operations, as well as our broadband services businesses, are subject to regulation under Norwegian law, and our international operations and investments are subject to the regulatory requirements of the countries in which they operate. As a member of the European Economic Area, Norway is additionally 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.

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

In particular, we must offer these services to our competitors and the public in general at cost-oriented prices. The requirement for cost-orientation means that prices must be 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 report we are required to provide to the PT. Following its review of our 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 report is 1998. For 1998, the PT calculated our permitted rate of return to be 14%. The services subject to this restriction amounted to 62% of our revenues and 94% of our operating profits in 1999. Telenor submitted the report for 1999 in August 2000. Telenor expects the PT to complete its review of the report for 1999 by the end of 2000 or early 2001.

The rate of return on the services that are subject to this restriction 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. The PT has, however, to a large extent focused on the interconnection and wholesale market and less on the end-user market to ensure the promotion of competition.

In this respect, the PT, in a letter dated July 3, 2000, announced its intention to impose on Telenor Mobile a reduction of 15% of the mobile termination charge based on the PT's view that certain expenses may not be included in the calculation of the termination charges. We have filed a response challenging the proposed decision. We intend to reduce our mobile termination interconnection fees effective January 1, 2001.

On September 14, 2000, the PT decided that interconnection charges in our fixed network system must be reduced by 7%. We have filed an appeal with respect to this decision. The final outcome is still not clear.

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.

The effect of 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 as a result of our obligation to provide cost-oriented pricing for interconnection, our competitors may be advantaged, depending on the services provided.

In addition, our principal mobile competitor in Norway has instituted a legal action claiming that it is entitled to damages, in the amount of approximately NOK 97 million, for fees paid to us in past years for leased capacity that were allegedly in excess of cost-oriented prices.

The Ministry of Transport and Communications is currently preparing revisions to its regulations which will require us to offer other operators unbundled access to our local loop. The local loop refers to the infrastructure that connects subscribers to our network. Since April 1, 2000, we have been offering competitors the ability to lease capacity in our local loop, and we allow competing operators to deploy technical equipment in connection with our installations. Our pricing structure for these services is based on costs. However, the revised regulatory requirements may require us to change the terms on which we provide local loop unbundling, which may provide a significant advantage to our competitors.

Changes in laws, regulation or government policy affecting our business activities could affect us. A review of telecommunications regulation is currently underway by both EU and Norwegian regulators. It is uncertain what the result of these reviews will be. In particular, our ability to compete effectively in our existing or new markets could be adversely affected if regulators decide to extend to new services and markets the restrictions to which we are currently subject or if regulators decide to subject telecommunications companies to more burdensome, sector-specific regulation in the face of continuing convergence of information and communications services. Finally, changes in tax laws in Norway or in other countries in which we operate could adversely affect our results of operations.

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.

After the completion of the offering, the Kingdom of Norway will continue to hold more than a two-thirds majority of our shares. Accordingly, the Kingdom of Norway will continue 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 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 the Global Offering

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 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. The initial offering price of the ordinary shares and ADSs has been determined, based on the factors described in the section ''Underwriting'', by negotiation among the underwriters, the selling shareholder and us. You may not be able to resell your ordinary shares or ADSs at or above this price.

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 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 to 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.

Forward-looking Statements

This prospectus contains forward-looking statements, including statements about our beliefs and expectations. These statements are based on our current plans, estimates and projections, as well as our expectations of external conditions and events. Therefore, you should not place too much reliance on them. Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. We will not necessarily update any of them in light of new information or future events. We caution you that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements. These factors could 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.

DIVIDENDS AND DIVIDEND POLICY

The newly issued ordinary shares will rank equal with our outstanding ordinary shares for any dividends that may be declared and paid in respect of 2000 and in any future years. Dividends in respect of 2000, if any, will be declared at our annual general meeting in 2001. 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. 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 our unconsolidated financial statements.

The following table shows the dividends we paid on each Telenor ordinary share (calculated prior to the November 10, 2000 share capital split), and in the aggregate, for each of the past five fiscal years.

	Per ordinary share		Total (in millions)	
Year	(NOK)	($US)	(NOK)	($US)
1995	917	143	550	86
1996	1,439	190	950	125
1997	792	104	570	75
1998	882	112	700	89
1999	595	69	500	58

Dividends we paid in the past 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 to 30% of our 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 US dollar amounts received by holders of ADSs after the ADR depositary converts cash dividends into US dollars.

EXCHANGE RATES

The table below shows the high, low, average and period end 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 US$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,	Low	High	Average	End of period
1995	6.1155	6.8110	6.3121	6.3210
1996	6.3000	6.6130	6.4492	6.3750
1997	6.3420	7.7564	7.0953	7.3740
1998	7.3130	8.3200	7.5549	7.5800
1999	7.3970	8.0970	7.8350	8.0100
2000 (through December 1, 2000)	7.9340	9.5890	8.7838	9.2475

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

Year 2000	Low	High
May	8.9050	9.1530
June	8.5730	8.9400
July	8.5825	8.8640
August	8.8550	9.0845
September	9.0108	9.4300
October	9.1269	9.5890
November	9.2020	9.5600

On December 1, 2000, the noon buying rate for Norwegian Kroner was US$1.00 = NOK 9.2475.

Fluctuations in the exchange rate between the Norwegian Krone and the US dollar will affect the US 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 US dollar price of the ADSs on the Nasdaq National Market.

USE OF PROCEEDS

We expect to receive approximately NOK 15.1 billion (US$1.6 billion) in net proceeds from our issue of 372,151,899 ordinary shares, after deducting underwriting discounts and commissions and estimated expenses payable by us.

We intend to use the net proceeds we receive in the global offering to repay outstanding long and/or short-term debt. We expect to repay debt as follows:

- approximately NOK 9.3 billion (US$1.0 billion) of the net proceeds to reduce the outstanding indebtedness under our syndicated multi-currency revolving credit facility of DKK 14.0 billion which has a 364 day maturity (with an option to extend one year) and an interest rate of 5.44% at September 30, 2000;
- the remaining approximately NOK 5.8 billion (US$0.6 billion) of net proceeds to reduce outstanding indebtedness under the following commercial paper programs:
  - a portion of our US$500 million short-term Euro commercial paper program, which had an average maturity of four months and an average interest rate (across five currencies) of 6.25% at September 30, 2000;
  - a portion of our US$1,000 million US commercial paper program, which had an average maturity of four months and an average fixed interest rate of 6.57% at September 30, 2000; and
  - a portion of our Norwegian commercial paper program, which had an average maturity of five months and an average interest rate of 7.0% at September 30, 2000.

This debt has been incurred primarily to finance strategic investments.

We will not receive any proceeds from the sale of the ordinary shares or ADSs by the selling shareholder.

CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents, consolidated short-term interest-bearing liabilities and consolidated capitalization as of September 30, 2000, on an actual basis in accordance with Norwegian GAAP and as adjusted to reflect the net proceeds we expect to receive from the global offering. These amounts are also presented in US dollars at the noon buying rate in effect on September 29, 2000 of US$1.00 = NOK 9.0725.

	At September 30, 2000			
	Actual		As adjusted for the global offering	
	NOK	US$	NOK	US$
	(in millions)			
Cash and cash equivalents	2,207	243	2,207	243
Short-term interest-bearing liabilities	9,558	1,054	258	28
Long-term interest-bearing liabilities	44,368	4,890	38,545	4,248
Minority interests	2,847	314	2,847	314
Shareholder's equity	20,723	2,284	35,846	3,951
Total capitalization	67,938	7,488	77,238	8,513

SELECTED CONSOLIDATED FINANCIAL AND STATISTICAL DATA

The following tables set forth selected consolidated financial and statistical data of Telenor. The selected financial data in the table for the five years ended December 31, 1999 is derived from our annual consolidated financial statements, which have been audited by Arthur Andersen & Co., independent auditors.

Our consolidated financial statements have been prepared in accordance with Norwegian GAAP. Our consolidated financial statements include a discussion of the principal differences between Norwegian GAAP and US GAAP and a reconciliation of net income and shareholder's equity under Norwegian GAAP to US GAAP in note 29 to our annual consolidated financial statements and in note 13 to our unaudited interim consolidated financial statements.

The interim financial information included in these financial statements is unaudited but, in the opinion of management, reflects normal and recurring adjustments that are necessary for a fair presentation of the results for the interim periods presented. The results of operations for these interim periods are not indicative of the results for the entire year.

You should read the following data together with ''Management's Discussion and Analysis of Financial Condition and Results of Operations'' and our consolidated financial statements, including the notes to those financial statements included in this prospectus.

Solely for the convenience of the reader, the financial data at and for the twelve months ended December 31, 1999 and at and for the nine months ended September 30, 2000 have been translated into US dollars at the rate of NOK 9.0725 to US$1.00, the noon buying rate on September 29, 2000.

	Year ended December 31,						(unaudited) Nine months ended September 30,		
	1995	1996	1997	1998	1999	1999	1999	2000	2000
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK)	(US$)	(NOK)	(NOK)	(US$)
	(in millions, except per share amounts)								
Income Statement Data									
Norwegian GAAP									
Revenues	—(1)	—(1)	25,692	28,662	32,685	3,603	24,295	26,650	2,937
Gain on sale of fixed assets and operations	—(1)	—(1)	177	248	783	86	57	594	66
Total revenues	19,983	22,382	25,869	28,910	33,468	3,689	24,352	27,244	3,003
Operating expenses	17,416	19,785	23,212	25,113	29,466	3,248	21,528	24,027	2,648
Operating profit	2,567	2,597	2,657	3,797	4,002	441	2,824	3,217	355
Share of profit (loss) in associated companies	(57)	(175)	(534)	(1,097)	(1,239)(2)	(137)	(815)	(767)(2)	(85)
Net financial items	(380)	(175)	(69)	208	551(2)	61	(75)	(479)(2)	(53)
Profit before taxes and minority Interests	2,130	2,247	2,054	2,908	3,314	365	1,934	1,971	217
Taxes	(627)	(460)	(729)	(1,242)	(1,323)	(146)	(772)	(1,380)	(152)
Minority interests	(19)	(3)	64	44	44	5	50	5	1
Net income	1,484	1,784	1,389	1,710	2,035	224	1,212	596(2)	66
Net income per share	1.484	1.622	1.157	1.293	1.454	0.160	0.866	0.426	0.047
US GAAP									
Revenues	—	—	—	28,670	32,716	3,606	24,334	26,673	2,940
Net income	—	—	—	1,578	2,188(2)	241	1,352	720(2)	79
Net income per share	—	—	—	1.194	1.563	0.172	0.966	0.514	0.057

(notes on following page)

	At December 31,						(unaudited) At September 30,	
	1995	1996	1997	1998	1999	1999	2000	2000
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK) (in millions)	(US$)	(NOK)	(US$)
Balance Sheet Data								
Norwegian GAAP								
Assets:								
Total fixed assets	21,586	23,017	26,631	31,783	37,617	4,146	78,541	8,657
Total current assets	5,973	6,537	7,533	8,967	10,409	1,147	12,622	1,391
Total assets	27,559	29,554	34,164	40,750	48,026	5,293	91,163	10,048
Liabilities:								
Long-term interest-bearing liabilities	6,848	5,527	9,035	11,300	14,942	1,647	44,368	4,890
Long-term non-interest bearing liabilities and provisions	2,242	1,632	950	988	1,020	112	1,788	197
Short-term interest-bearing liabilities	58	333	189	153	127	14	9,558	1,054
Short-term non-interest bearing liabilities	6,518	7,320	8,270	9,555	10,672	1,176	11,879	1,309
Shareholder's equity	11,824	14,647	15,478	18,515	20,033	2,208	20,723	2,284
Minority interests	69	95	242	239	1,232	136	2,847	314
Total equity and liabilities	27,559	29,554	34,164	40,750	48,026	5,293	91,163	10,048
US GAAP								
Total assets	—	—	—	43,728	53,787	5,929	97,214	10,715
Long-term obligations	—	—	—	12,403	19,252	2,122	19,970	2,201
Shareholder's equity	—	—	—	19,512	21,035	2,318	21,515	2,371

	Year ended December 31,						(unaudited) Nine months ended September 30,		
	1995	1996	1997	1998	1999	1999	1999	2000	2000
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK) (in millions)	(US$)	(NOK)	(NOK)	(US$)
Cash Flow and Operating Data									
Norwegian GAAP									
Net cash flow from operating activities	6,284	4,827	5,394	7,042	7,370	812	4,994	4,728	520
Net cash flow from investment activities	(4,920)	(5,701)	(8,140)	(10,019)	(9,205)	(1,015)	(6,474)	(44,218)	(4,874)
Net cash flow from financing activities	(1,936)	398	2,570	3,628	2,914	321	3,004	39,556	4,361
Investments, including capital expenditures(3)	4,646	5,612	8,970	9,428	13,170	1,452	8,494	45,142	4,976
EBITDA(4)	6,136	6,500	6,705	8,258	9,049	997	6,509	7,456	822
EBITDA, excluding gains and losses on sale of fixed assets and operations(4)	—	—	6,568	8,019	8,568	944	6,671	6,872	757

(1) Gain on sale of fixed assets and operations is not available on a comparable basis for 1995 and 1996.

(2) On August 10, 2000, we acquired a 53.5% interest in Sonofon Holding A/S. Because we share control of Sonofon with our joint venture partner, we account for Sonofon as a joint venture using the equity method. Giving effect to the acquisition of our interest in Sonofon as if it had occurred on January 1, 1999, our pro forma share of profit (loss) in associated companies and pro forma net income would have been NOK (1,987) million and NOK 706 million, respectively, for the year ended December 31, 1999 and NOK (1,257) million and NOK (243) million, respectively, for the nine months ended September 30, 2000. Pro forma net income under US GAAP would have been NOK 859 million for the year ended December 31, 1999 and NOK (119) million for the nine months ended September 30, 2000. For more details, see the unaudited pro forma consolidated financial information of Telenor and the consolidated financial statements of Sonofon included in this prospectus.

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

(4) EBITDA consists of earnings before interest, tax, depreciation and amortization. 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 sale 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,						(unaudited) Nine months ended September 30,		
	1995	1996	1997	1998	1999	1999	1999	2000	2000
	(NOK)	(NOK)	(NOK)	(NOK)	(NOK)	(US$)	(NOK)	(NOK)	(US$)
				(in millions)					
Operating profit	2,567	2,597	2,657	3,797	4,002	441	2,824	3,217	355
Depreciation and amortization	3,569	3,903	4,048	4,461	5,047	556	3,685	4,239	467
EBITDA	6,136	6,500	6,705	8,258	9,049	997	6,509	7,456	822
Gains on sale of fixed assets and operations	—	—	177	248	783	86	57	594	66
Losses on sale of fixed assets and operations	—	—	40	9	302	33	219	10	1
EBITDA, excluding gains and losses on sale of fixed assets and operations	—	—	6,568	8,019	8,568	944	6,671	6,872	757

	Year ended December 31,					Nine months ended September 30,	
	1995	1996	1997	1998	1999	1999	2000
Other Operating Data							
Mobile telephony (digital) subscriptions in Norway, period end (000s):							
Contract	259	534	803	944	1,003	982	1,103
Prepaid	—	—	68	316	781	678	967
Mobile telephony churn rates for contract subscriptions	N/A	12.0%	13.9%	13.1%	14.2%	16.7%(1)	14.1%(1)
Total mobile telephony outgoing minutes in Norway (in millions of minutes):							
Digital	132	328	711	1,279	1,801	1,311	1,687
Analog	420	391	331	271	174	140	88
Average monthly revenue per mobile subscription (digital) in Norway (in NOK)(2):							
Total	484	418	400	363	332	334	322(4)
Contract	484	418	400	400	445	439	476
Prepaid	—	—	—(3)	161	131	130	141(4)
Fixed telephony access channels in Norway, period end (000s):							
Analog (PSTN)	2,431	2,441	2,324	2,167	1,908	1,985	1,724
Digital (ISDN)	47	148	410	755	1,228	1,094	1,513
Fixed telephony traffic in Norway (in millions of minutes)(5):							
National calls, excluding Internet traffic	10,562	12,084	11,923(6)	12,911	12,371	9,219	8,671
Internet traffic	—	—	1,079(6)	2,059	4,225	2,948	4,311
International	375	412	379	386	415	312	286
Calls to mobile	442	569	727	967	1,246	928	967
Value-added services and directory calls, etc	147	146	191	287	447	319	454
Pay television subscribers in the Nordic region, period end (000s):							
Cable TV	220	230	244	270	282	276	350
Small antenna networks (SMATV)	—	—	—	686	937	766	1,066
Home satellite dish (DTH)(7)	135	223	251	352	405	382	452
Total	355	453	495	1,308	1,624	1,424	1,868
Internet, period end (000s):							
Internet access subscriptions and registered users, Norway(8)	10	65	165	260	400	350	548
Internet access subscription churn rates (annualized), Norway	—	—	—	11.7%	14.0%	8.9%	21.4%
Nextra business subscriptions, Norway(9)	—	—	2	4	8	7	13
Nextra subscriptions, outside Norway(9)	—	—	—	—	57	34	82
Number of employees (full-time equivalents)	17,406	18,113	19,598	20,226	21,968	21,800	25,600

(1) Annualized.

(2) 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. The division of incoming traffic fees between contract and prepaid is based on management estimates.

(3) The average monthly revenue for digital prepaid services in 1997 is not meaningful as this service was launched in September 1997.

(4) Due to a one-time adjustment to reflect a change in the methodology used to estimate traffic revenues, our revenues for the nine months ended September 30, 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 the nine months ended September 30, 2000 would have been NOK 9 lower for prepaid subscriptions and NOK 4 lower for total digital subscriptions.

(5) Number of minutes for 1995 and 1996 are based on management estimates.

(6) Number of minutes is based on management estimates.

(7) Includes all subscribers of Canal Digital, a joint venture in which we have a 50% ownership interest.

(8) Numbers for 1995, 1996 and 1997 are based on management estimates.

(9) Based on management's estimates, except for the nine months ended September 30, 2000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion together with our consolidated financial statements, including the notes to those financial statements, included in this prospectus. We have prepared our financial statements under Norwegian generally accepted accounting principles. These differ in some respects from US generally accepted accounting principles. We have described the principal differences between Norwegian GAAP and US GAAP as they relate to us and we have prepared a reconciliation of net income and shareholder's equity to US GAAP. These are included in note 29 to our annual consolidated financial statements and in note 13 to our unaudited interim consolidated financial statements.

Overview

Group Structure

We have reorganized our group structure into seven business areas. The following four business areas are core to our operations:

- *Mobile Communications* — includes our mobile operations in Norway and our strategic investments in a number of foreign mobile communications companies, primarily in the Nordic region, Europe and Southeast Asia. Of our business areas, we consider Mobile Communications to comprise the largest part of our value.
- *Telecom* — includes network-based services for the business and residential market, network services for the wholesale market and advanced value-added services for businesses, such as application service provisioning, or "ASP", and managed services.
- *Broadband Services* — consists of providing television services to consumers, primarily in the Nordic region, through home satellite dish (direct to home or DTH), cable and terrestrial transmission. This business area also provides satellite services to broadcasters in the Nordic region and terrestrial transmission services to broadcasters in Norway. Our Broadband Services business area also provides global satellite-based mobile communications services and satellite network services.
- *Internet* — includes our Internet service for the consumer market in Norway, our Internet and Internet protocol, or IP, -based communications services targeted primarily to small and medium-sized businesses in Norway and a number of other European countries, as well as our interests in leading Norwegian and Scandinavian Internet portals.

We have also defined three additional business areas that are related to our core businesses. Our *Media* business area comprises our directory operations in Norway and nine other European countries. *Bravida* is our installation and service operation, which in October 2000 we merged with another company and in which, at the completion of this transaction, we will have a 48% stake and account for as an associated company. Our publicly-listed subsidiary, *EDB Business Partner ASA*, provides operating services, software and systems and consulting services in the field of information technology.

We designed our organizational structure to concentrate our business activities on areas where our core competencies enhance our opportunities to achieve revenue growth and increase shareholder value. One objective of reorganizing our group structure was to allow us to provide to external customers services that were historically provided only between our own operations, such as our Bravida operations and our wholesale network services. We also believe that our business structure provides us with better opportunities to enter into arrangements, particularly in our non-core business areas, with partners that provide opportunities to increase the overall value of a particular business.

The following provides external revenue information for each of our core business areas and our non-core business areas for the years ended December 31, 1998 and 1999 and the nine months ended September 30, 1999 and 2000. Each business area is discussed in greater detail under ''— Results of Operations by Business Area''.

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
External revenues:				
Core Business Areas:				
Mobile Communications	5,448	6,540	4,770	5,956
Telecom	14,528	15,921	11,974	12,525
Broadband Services	2,356	2,655	1,868	2,313
Internet	342	566	388	605
Non-Core Business Areas:				
Media	1,495	2,277	1,351	1,224
Bravida	2,743	2,912	2,212	1,613
EDB Business Partner	855	1,508	995	1,950
Other	1,143	1,089	794	1,058
Total	28,910	33,468	24,352	27,244

Competitive and Regulatory Environment

Since the early 1980s, the Norwegian telecommunications market has been gradually opened to competition, and by January 1, 1998, the Norwegian market was fully liberalized. Generally, the Norwegian regulatory regime poses few barriers to entry for new service providers. To promote competition in the market, Norwegian regulation, in the same manner as EU regulation, imposes special requirements on operators with significant market power. As an operator considered to have significant market power, we have adopted a number of measures in our fixed network services, pursuant to regulatory requirements. These include:

- allowing subscribers to select other operators to handle their calls since January 1, 1998;
- allowing subscribers to chose one pre-selected carrier since June 1, 1999 and two pre-selected carriers, one for national and the other for international calls, since November 1, 2000; and
- allowing subscribers to keep their telephone numbers when changing service providers since June 1, 1999.

In addition, we are required to provide interconnection services to other operators. These services allow other operators to make partial use of our network in providing their own services as well as to secure a connection between any users in the relevant networks. On April 1, 2000, we started offering our competitors the ability to have physical access to, or lease capacity in, our fixed access network, or ''local loop''. We provide these services at prices related to our costs of providing them.

Since the telecommunications market in Norway was fully liberalized, many new service providers have entered the market and competition continues to intensify. Over the past several years, we have taken a number of steps to prepare for and to meet the increased competition, including making substantial reductions in the prices we charge for our services. As a result, our tariffs for both fixed line and mobile telephony services are among the lowest in the OECD countries. We also substantially rebalanced our tariffs by reducing traffic charges relative to subscription charges. In July 1999, we eliminated our national long-distance tariff for fixed telephony. All calls within Norway are now charged at a ''local'' tariff rate.

As a consequence of being considered to have significant market power in the markets for public telephony, interconnection and transmission capacity (such as leased lines), we are obligated to follow certain principles regarding pricing, accounting separation and reporting. These services must be offered at cost-oriented prices determined in an objective and non-discriminatory manner. The requirement for cost-orientation means that prices must be based on costs, plus a reasonable rate of return. 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. For a more detailed discussion of the regulatory environment in which we operate as well as prospects for future regulatory reform, see ''Regulation''.

As competition intensifies, other service providers represent a growing share of the traffic volume on our fixed network. In September 2000, approximately 22% of the traffic volume in minutes on our network was attributable to other service providers, compared to approximately 13% in December 1999. At the same time, the market as a whole has experienced strong volume growth, in particular from Internet and data traffic and traffic to and from mobile telephones.

We are currently one of two licensed providers of digital mobile telephony services in Norway; the other licensed provider is NetCom GSM ASA. Both mobile operators have introduced wholesale services for mobile service providers this year, and to date we have entered into ten mobile service provision agreements. NetCom was recently acquired by Telia of Sweden, which at the time held a third digital mobile telephony license but had not yet constructed a network. Due to regulatory requirements, Telia was not permitted to have an interest in both licenses and Telia's license was withdrawn. The additional frequencies that have become available as a consequence are expected to be sold at auction in 2001.

On November 29, 2000, the Ministry of Transport and Communications announced that it has awarded licenses for third generation mobile networks in Norway to us and three other operators. We expect that the introduction of third generation mobile services in Norway during the next several years will intensify competition in mobile services.

Areas of Strategic Focus

Over the past several years, we have pursued growth by focusing on advanced voice and data services and broadband services in the Norwegian market, as well as international expansion, primarily in the areas of mobile telephony and Internet services.

In mobile telephony, we have continued to improve on our strong market position in Norway. Our market share of digital telephony subscriptions has risen to approximately 69% at September 30, 2000 from 45% at January 1, 1995, while the total penetration rate of mobile subscriptions in Norway rose to approximately 71% from 14% over the same period. Due to our high market share and the current high penetration rate, we expect that further revenue growth in mobile communications will depend on our ability to develop and market new applications and services.

We have also sought to expand our market for more advanced services. We have focused on expanding the use of fixed line digital telephony or ISDN services. We believe that through our efforts, Norway currently has the highest ISDN penetration rate in the world and that our rapid deployment of ISDN is now contributing to strong Internet penetration. By familiarizing our customers with higher bandwidth services and as a result of our investments in the roll out of ISDN and the resulting increased capacity in the access network, we expect to have a more effective roll out of broadband asymmetrical digital subscriber lines, or ADSL, services. We expect that increasing revenues from broadband ADSL services will help offset reductions in prices and our market share due to increased competition in the Norwegian fixed line market.

A particular focus for us has been and continues to be our international investments, particularly in mobile telephony companies, and to a lesser extent in our Internet and Internet protocol-based communications business. These investments have accounted for an increasingly large proportion of our business over the past several years. For a discussion of significant investments we have made during the last three years, see ''— Liquidity and Capital Resources — Capital Expenditure and Investments''.

The table below illustrates the revenues we derived from our operations based in Norway and our operations based outside of Norway. To illustrate the growing importance of our international investments, we have also set forth our proportionate share of revenues earned by our associated companies and joint ventures although we do not consolidate these revenues in our financial statements. Revenues set forth in the table exclude gains from the sale of fixed assets and operations.

	Year ended December 31,			Nine months ended September 30,		Increase (decrease)		
	1997	1998	1999	1999	2000	1998/1997	1999/1998	9mo 2000/9mo 1999
	(NOK in millions)					%	%	%
Consolidated revenues under Norwegian GAAP(1):								
Norway	24,494	26,694	29,762	22,223	24,442	9.0	11.5	10.0
Outside Norway	1,198	1,968	2,923	2,069	2,208	64.3	48.5	6.7
Revenues	25,692	28,662	32,685	24,292	26,650	11.6	14.0	9.7
Our proportionate share of revenues in unconsolidated associated companies and joint ventures(1):								
Norway	579	560	748	627	627	(3.4)	33.6	0.0
Outside Norway(2)	996	2,303	5,167	3,488	6,496	131.2	124.4	86.2
Total proportionate revenues — associated companies and joint ventures	1,575	2,863	5,915	4,115	7,123	81.7	106.6	73.1

(1) Excluding gain on sale of fixed assets and operations.

(2) Based in part upon management's estimates used in the preparation of the consolidated financial statements.

Results of Operations — Group

Revenues

We recorded total revenues of NOK 33.5 billion in 1999, a 15.8% increase over the NOK 28.9 billion we recorded in 1998. The following table breaks down our revenues by category of service for each of the three years in the period ended December 31, 1999 and the nine months ended September 30, 1999 and 2000.

	Year ended December 31,						Nine months ended September 30,			
	1997		1998		1999		1999		2000	
	NOK	% of revenues	NOK	% of revenues	NOK	% of revenues	NOK	% of revenues	NOK	% of revenues
	(NOK in millions)									
Net revenues by service:										
Network based services:										
Analog (PSTN)/digital (ISDN)	11,696	45.2	12,272	42.5	13,355	39.9	9,914	40.7	9,604	35.2
Mobile telephony	3,526	13.6	4,429	15.3	5,426	16.2	3,999	16.4	5,121	18.8
Leased lines	820	3.2	866	3.0	810	2.4	632	2.6	671	2.5
Satellite and TV-distribution	1,551	6.0	2,229	7.7	2,485	7.4	1,730	7.1	2,258	8.3
Other network based activities	1,106	4.3	1,291	4.5	1,593	4.8	1,251	5.2	1,592	5.8
Total network based services	18,699	72.3	21,087	73.0	23,669	70.7	17,526	72.0	19,246	70.6
Non-network based services:										
Customer equipment	2,360	9.1	2,265	7.8	2,940	8.8	2,146	8.8	1,983	7.3
IT service and installations	2,609	10.1	3,004	10.3	3,501	10.5	2,632	10.8	3,404	12.5
Advertising etc.	1,259	4.9	1,456	5.0	1,588	4.7	1,351	5.6	1,224	4.5
Other	765	2.9	850	2.9	987	3.0	640	2.6	793	2.9
Total non-network based services	6,993	27.0	7,575	26.0	9,016	27.0	6,769	27.8	7,404	27.2
Gain on sale of fixed assets and operations	177	0.7	248	0.9	783	2.3	57	0.2	594	2.2
Total revenues	25,869	100.0	28,910	100.0	33,468	100.0	24,352	100.0	27,244	100.0

Analog (PSTN)/Digital (ISDN) Services

Analog (PSTN)/digital (ISDN) services revenues include monthly subscription fees for providing analog (PSTN) or digital (ISDN) access lines to residential and business customers, one-time fees charged for establishing or connecting an access line, and call initiation and traffic fees charged for making domestic or international calls from a fixed network access line. These revenues are recognized primarily in our Telecom business area. In addition, revenues from these services include revenues from other operators for international calls we terminate on or transfer through our fixed line network and for domestic fixed line interconnection services. In 1998 and 1999, we also recorded revenues for wholesale carrier operations outside of Norway through Clarion Inc., our wholly-owned US subsidiary, and Storm Communications Ltd, our majority-owned U.K. subsidiary, both of which provided wholesale network capacity internationally. We sold Clarion in September 1999 and our interest in Storm in February 2000 following a determination that these operations were no longer part of our strategy and in view of both companies' poor financial performance.

Revenues from analog (PSTN)/digital (ISDN) services reached NOK 9,604 million in the nine months ended September 30, 2000, a decrease of NOK 310 million, or 3.1%, over the same period in 1999. After adjusting for revenues of NOK 442 million attributable to our subsidiaries Storm and

Clarion in the nine months ended September 30, 1999, revenues increased by NOK 132 million, or 1.4%, in the nine months ended September 30, 2000 from the same period in 1999. Decreased revenues from traffic in the business and residential markets due to lower tariffs and a change in traffic patterns were partially offset by increased subscriptions and connection fees and increased revenues in the wholesale market.

Revenues from analog (PSTN)/digital (ISDN) services increased by NOK 1,083, or 8.8%, to NOK 13,355 million in 1999 from NOK 12,272 million in 1998. Of this increase, NOK 419 million was related to Storm and Clarion. The remaining growth in revenues resulted from increased ISDN subscriptions, which have higher subscription fees, higher revenues from international interconnection, increased fixed to mobile traffic and Internet traffic, as well as increased domestic interconnection revenues. These increases were offset in part by lower traffic tariffs for domestic and international telephony.

In 1998, analog (PSTN)/digital (ISDN) services revenues increased by NOK 576 million, or 4.9%, to NOK 12,272 million in 1998 from NOK 11,696 million in 1997. The increase was due primarily to the increase in ISDN subscriptions, a higher volume of traffic on the fixed line network, especially Internet traffic, and increased revenues from domestic interconnection. In addition, of this amount, NOK 133 million of the increase was related to Storm and Clarion.

Mobile Telephony

Revenues from mobile telephony include monthly subscription fees, one-time fees for establishing or connecting a new contract subscription, and call initiation and traffic fees charged to our customers for making domestic or international calls from a mobile phone (including through the use of prepaid cards). These revenues also include national incoming traffic, charges to mobile service providers for network services, international roaming charges and fees charged for providing short text messaging services, Mobile-Info services, a general information retrieval service that allows a user to request and receive specific information in the form of a short text message over the mobile phone, and other services. Revenues from national interconnection are the total amount we bill to other domestic operators for calls made by customers of these operators that are incoming in our mobile network. International roaming revenues consist of the total amount we bill for calls made outside Norway by our customers using another network and amounts paid to us by foreign mobile network operators for calls made by customers of these operations within Norway. Revenues from our paging operations are also included under mobile telephony. Mobile telephony revenues are recognized in our Mobile Communications business area.

Revenues from mobile telephony reached NOK 5,121 million in the nine months ended September 30, 2000, an increase of NOK 1,122 million, or 28.1%, over the same period in 1999. The increase in revenues reflects higher traffic minutes resulting from an increase in the number of digital mobile telephony subscriptions as well as increased short text messaging revenues. Average revenues per subscription in mobile telephony, including incoming and outgoing traffic, declined compared to the nine months ended September 30, 1999 largely due to the higher proportion of prepaid subscriptions, which have lower usage levels than contract subscriptions. Revenues from roaming agreements increased due primarily to the increased traffic and number of subscriptions. In addition, external service providers who were given access to our mobile network for the first time in 2000 contributed NOK 78 million to the increase in revenues.

Revenues from mobile telephony increased 22.5% to NOK 5,426 million in 1999 after increasing 25.6% in 1998 from NOK 3,526 million in 1997. The increases reflected strong growth in revenues from traffic charges and charges for short text messaging services due to higher numbers of digital mobile telephony subscriptions as well as the increase in the use of short text messaging services, particularly from prepaid mobile subscriptions. Revenues from subscriptions were up only slightly, reflecting the transition toward a higher proportion of prepaid subscriptions. Traffic minutes per subscription, including incoming and outgoing traffic, were at the same level in 1999 as in 1998.

Average monthly revenue per subscription for outgoing and incoming traffic decreased due to tariff reductions and an increased number of prepaid subscriptions. Roaming revenues increased steadily over the period, from NOK 432 million in 1997 to NOK 741 million in 1998 and NOK 824 million in 1999.

Leased Lines

Revenues from leased lines consist of charges for the initial establishment/connection of leased lines and subscription fees for analog or digital circuits. These revenues are recognized in our Telecom business area.

Revenues from leased lines increased to NOK 671 million in the first nine months of 2000 from NOK 632 million in the nine months ended September 30, 1999. The increase was due to an increased number of digital leased lines that was only partly offset by lower prices on high capacity lines. In 1999, revenues from leased lines declined 6.5% to NOK 810 million compared to the previous year, after having increased 5.6% in 1998 compared to 1997. In general, over this period, the number of analog leased lines decreased as customers migrated to digital leased lines, in particular higher capacity leased lines. At the same time, prices for leased lines declined significantly. We have also actively sought to migrate leased line customers to data services, which are included in other network-based revenues.

Satellite and TV-Distribution

Revenues from satellite and TV-distribution include revenues from satellite broadcasting and television distribution in the Nordic market, as well as revenues from payments by subscribers to our cable television and small antenna network television services. We also realize revenues through the sale of program cards and the operation of Norkring, the terrestrial broadcasting network in Norway, as well as from satellite-based networks and mobile satellite services. We acquired control of Norkring in June 1999. These revenues are recognized primarily in our Broadband Services business area.

Revenues from satellite and TV-distribution increased NOK 528 million, or 30.5%, to NOK 2,258 million in the nine months ended September 30, 2000 from NOK 1,730 million in the same period in 1999. Our acquisition of Norkring accounted for NOK 171 million of our increased revenues in the period. Our revenues in the 9 months ended September 30, 2000 included a one-time termination payment of NOK 50 million received from a customer. Our revenues were also enhanced by changes in traffic agreements with business partners. Increased revenues also reflect the higher number of subscriber-based contracts and small antenna network television subscribers in the nine months ended September 30, 2000. At September 30, 2000, our total number of subscribers had increased to 1.9 million (including total subscribers in Canal Digital).

Revenues from satellite and TV-distribution increased NOK 256 million, or 11.5%, to NOK 2,485 million in 1999, from NOK 2,229 million in 1998. Of this amount, NOK 255 million is attributable to Norkring, which we began to consolidate in June 1999. Increased sales in satellite networks contributed to increased revenues. The higher revenues also reflect growth in cable subscribers by 4.4% to 282,000 at December 31, 1999 compared with the prior year, and a 36.6% increase in the number of small antenna network television services to 850,000 households and 87,000 hotel rooms. These factors more than offset the decrease in our revenues in 1999 which resulted from the transfer of our DTH business, Telenor CTV, from our consolidated operations at year end 1998 to our joint venture, Canal Digital, which we account for as an associated company.

Revenues from satellite and TV-distribution increased by NOK 678 million, or by 43.7%, to NOK 2,229 million in 1998 from NOK 1,551 million in 1997. The launch of our satellites Thor II (May 1997) and Thor III (June 1998) increased broadcasting revenues. The number of cable subscribers increased by 10.7% to 270,000 at December 31, 1998, compared to the prior year. Global mobile satellite service revenues increased due to strong growth in traffic minutes. Higher traffic volumes via

INMARSAT were offset by lower prices for these services. Satellite networks also increased revenues related to acquired companies and increased sales in existing subsidiaries. Telenor Vision, which was acquired as of January 1, 1998, contributed revenues of NOK 126 million in 1998.

Other Network-Based Activities

Other network-based activities include revenues from value-added network services, data network services and Internet subscriptions.

Revenues from other network-based activities increased by NOK 341 million, or 27.2%, to NOK 1,592 million in the nine months ended September 30, 2000 compared to NOK 1,251 million in the nine months ended September 30, 1999. This increase was primarily due to Internet business outside Norway and, to a lesser extent, increased revenues in the domestic Internet market. Revenues from value added network services and data network services also increased.

Revenues from other network-based activities increased by NOK 302 million, or 23.4%, to NOK 1,593 million in 1999 compared to NOK 1,291 million in the previous year. Revenues from other network-based activities increased by 16.7% to NOK 1,291 million in 1998, compared to NOK 1,106 million in 1997. The increase in both periods was due to strong growth in both our Internet business and data network services.

Customer Equipment

Revenues from customer equipment consist of the sale of equipment to customers for use on customer premises, such as telephones, mobile handsets, private automated branch exchanges and computer equipment.

Revenues from the sale of customer equipment totaled NOK 1,983 million in the nine months ended September 30, 2000, a decrease of NOK 163 million, or 7.5%, from the nine months ended September 30, 1999. Decreased revenues reflect the period of low demand following the turn of the millennium, especially during for the first half of 2000. This decline was partly offset by increased sales of customer equipment by the companies acquired in EDB Business Partner from May 1, 1999.

Customer equipment revenues increased NOK 675 million, or 29.8%, to NOK 2,940 million in 1999 due to higher demand in all areas. Revenues of NOK 307 million were related to the new EDB companies. In 1998, revenues from the sale of customer equipment declined NOK 95 million, or 4.1%, to NOK 2,265 million from NOK 2,360 million in 1997. This reduction was partly due to the fact that 1997 revenues benefited from sales of home PCs to Statoil for an employee program.

Information Technology Service and Installations

Revenues from Information Technology (IT) service and installations consist primarily of revenues from installations, operational and support services connected to the remote operation of telephony and data networks, consultancy and system integration.

In the nine months ended September 30, 2000, revenues from IT service and installations were NOK 3,404 million, an increase of NOK 772 million, or 29.3%, over the nine months ended September 30, 1999. This increase mainly related to acquired businesses in EDB Business Partner and increased revenues from ASP and managed services in Business Solutions, which was partly offset by a decrease in market demand for traditional installation activities, combined with increased competition among providers of installation services.

Revenues from IT service and installations increased by NOK 497 million, or 16.5%, to NOK 3,501 million in 1999 compared to 1998. Approximately NOK 340 million of the increase resulted from the consolidation of the results of EDB ASA, which was acquired in May 1999 and merged with our Telenor Programvare subsidiary. Excluding the effect of the EDB ASA acquisition, revenues from IT service and installations increased by 5% in 1999 compared to 1998.

In 1998, revenues from IT service and installations increased NOK 395 million, or 15.1%, to NOK 3,004 million from NOK 2,609 million in 1997. The growth was due to a higher volume of outsourcing services and higher sales activity as well as greater focus on installation services, including high voltage installations.

Advertising and Related Services

This item relates to revenues from directory advertising and related services, which are recognized in our Media business area. All advertising revenues related to a directory are recorded when the directory is published.

Revenues from advertising and related services were NOK 1,224 million in the nine months ended September 30, 2000, a decrease of NOK 127 million compared to the same period in 1999. We sold our Swedish subsidiaries, Lokaldelen AB and Telenor Företagsinfo AB, in October 1999. These companies together contributed revenues of NOK 221 million in the nine months ended September 30, 1999. Revenues in the nine months ended September 30, 2000 were negatively impacted by the postponement of the publication of a large annual directory until the fourth quarter of 2000. Increased sales of printed and on-line products resulted in increased revenues from Norwegian directories in the nine months ended September 30, 2000.

In 1999, revenues from advertising and related services increased by NOK 132 million, or 9.1%, to NOK 1,588 million compared with the prior year, notwithstanding the sales of businesses which had the effect of reducing revenues by NOK 126 million in 1999. The increase in revenues is primarily related to our directory activities in the Norwegian market. Revenues from advertising and related services increased by NOK 197 million, or 15.6%, in 1998 to NOK 1,456 million. We experienced revenue growth both in our foreign subsidiaries and from printed and electronic media in Norway during this period.

Other

Other revenues include revenues from build, operate and transfer services, maritime radio services, rent and other services.

Gain on Sale of Fixed Assets and Operations

Under Norwegian GAAP, gain on sale of fixed assets and operations are recorded as a part of revenues and losses on such sale are recorded as operating expenses.

We realized gain of NOK 594 million from the sale of fixed assets and operations in the nine months ended September 30, 2000, compared to gain of NOK 57 million in the same period in 1999. Gain in the nine months ended September 30, 2000 included NOK 309 million from our sale of Storm in February and NOK 75 million from our sale of Telenor Inkasso AS.

Gain on sale of fixed assets and operations totaled NOK 783 million in 1999, of which NOK 683 million related to the sale in October 1999 of our interests in Lokaldelen AB and Telenor Företagsinfo AB, which we sold in connection with our abandoned merger with Telia. In 1998 and 1997, we realized gain on sale of fixed assets and operations of NOK 248 million and NOK 177 million, respectively, mainly related to the sale of other operating assets.

Operating Expenses

The following table sets forth the major components of our operating expenses and percentage changes in each of the three years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,		Increase (decrease)		
	1997	1998	1999	1999	2000	1998/1997	1999/1998	9mo 2000/9mo 1999
	(NOK in millions)					%	%	%
Cost of materials and traffic charges	6,581	7,355	9,016	6,722	6,898	11.8	22.6	2.6
Own work capitalized	(791)	(1,219)	(1,773)	(1,115)	(1,110)	(54.1)	(45.4)	0.4
Salaries and personnel costs	7,130	7,880	8,961	6,429	7,691	10.5	13.7	19.6
Other operating expenses	6,204	6,627	7,913	5,588	6,299	6.8	19.4	12.7
Loss on sale of fixed assets and operations	40	9	302	219	10	—	—	(95.4)
Depreciation and amortization	4,048	4,461	5,047	3,685	4,239	10.2	13.1	15.0
Total operating expenses	23,212	25,113	29,466	21,528	24,027	8.2	17.3	11.6

In the nine months ended September 30, 2000, our total operating expenses increased NOK 2,499 million, or 11.6%, compared to the same period in 1999. The increase was a result of higher salaries and personnel costs, higher depreciation and amortization and other operating expenses, which were partially offset by decreased losses of the sale of fixed assets and operations.

In 1999, our operating expenses increased NOK 4,353 million, or 17.3%, compared to 1998. Higher cost of materials and traffic charges, higher salaries and personnel costs, higher other operating expenses and higher depreciation and amortization expenses all contributed to the increase.

In 1998, our operating expenses were NOK 1,901 million, or 8.2% higher than in 1997. Higher cost of materials and traffic charges and increased salaries and personnel costs were the principal reasons for the increase, and to a lesser extent higher depreciation and amortization and higher other operating expenses.

Cost of Materials and Traffic Charges

The following table sets forth information regarding our cost of materials and traffic charges for the three years ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,		Increase (decrease)		
	1997	1998	1999	1999	2000	1998/1997	1999/1998	9mo 2000/9mo 1999
	(NOK in millions)					%	%	%
Cost of materials	4,194	4,073	5,138	3,737	3,642	(2.9)	26.1	(2.5)
Traffic charges — network capacity	1,859	2,560	3,255	2,544	2,660	37.7	27.1	4.6
Traffic charges — satellite capacity	528	722	623	441	596	36.7	(13.7)	35.1
Total costs of materials and traffic charges	6,581	7,355	9,016	6,722	6,898	11.8	22.6	2.6

Total cost of materials and traffic charges increased by NOK 176 million, or 2.6%, in the nine months ended September 30, 2000 compared to the same period in 1999. Lower cost of materials is mainly related to lower external sales of customer equipment and installation services. The sale of the subsidiaries Storm and Clarion resulted in decreased costs of network capacity of NOK 352 million. This decrease was more than offset by the increased traffic in our Mobile

Communications and Internet business areas, which increased cost of network capacity. Increased satellite charges were related to increased satellite revenues.

In 1999, cost of materials and traffic charges increased 22.6% compared to 1998. The increase reflected higher cost of materials, and higher leased network capacity. The higher cost of materials in 1999 was attributable to increased sales of customer equipment and the effect of the consolidation in part of 1999 of acquired companies. In addition, the higher cost of materials, which included capitalized amounts for the purchase of home PCs for group employees, was offset in the income statement by an equivalent amount in ''own work capitalized''. The increased costs in 1999 from the traffic charges for network capacity reflected expenses of our Clarion and Storm wholesale traffic operations in the U.S. and the U.K., respectively. The increased costs also reflected the higher costs for interconnection traffic resulting from increased traffic to other operators. We realized savings in the cost of leasing satellite capacity in 1999 compared to 1998 due to the launch of the Thor III satellite in autumn 1998, which reduced our requirements to lease transponder capacity externally.

Cost of materials and traffic charges increased NOK 774 million, or 11.8%, in 1998 compared to 1997. The increase resulted from increased traffic charges for network capacity, as interconnection traffic we generated with other mobile, Internet and fixed network operators had higher traffic volumes, and from the activities of the Clarion and Storm wholesale traffic operations. Increased cost of satellite capacity in connection with increased satellite sales also contributed to the increase.

Own Work Capitalized

The following table sets forth information regarding our own work capitalized for the three years ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,		Increase(decrease)		
	1997	1998	1999	1999	2000	1998/1997	1999/1998	9mo 2000/9mo 1999
	(NOK in millions)					%	%	%
Cost of materials, etc.	(181)	(286)	(493)	(334)	(232)	(58.0)	(72.4)	30.5
Salary and personnel costs	(328)	(544)	(796)	(504)	(530)	(65.9)	(46.3)	(5.2)
Other operating expenses	(282)	(389)	(484)	(277)	(348)	(37.9)	(24.4)	(25.6)
Total own work capitalized	(791)	(1,219)	(1,773)	(1,115)	(1,110)	(54.1)	(45.4)	0.4

Own work capitalized is presented as a separate caption and is not netted against the related cost 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, salary and personnel costs, or other operating expenses as appropriate. The costs that are capitalized are then reversed as 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 own work capitalized and the expenses recorded in the selling companies are reversed as own work capitalized for the group. The increase in own work capitalized during the periods 1997 to 1999 reflects increased investment, primarily in our own network. The increase in 1999 in cost of materials was partly related to the implementation of the Telenor home personal computer program under which we bought personal computers for our employees.

Salaries and Personnel Costs

The following table sets forth information regarding our salaries and personnel costs for the three years ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,		Increase(decrease)		
	1997	1998	1999	1999	2000	1998/1997	1999/1998	9mo 2000/9mo 1999
	(NOK in millions)					%	%	%
Salaries and holiday pay	5,700	6,213	7,016	5,045	5,953	9.0	12.9	18.0
Social security tax	777	831	991	715	907	6.9	19.3	26.9
Pension costs including social security tax	380	434	428	344	399	14.2	(1.4)	16.0
Other personnel costs	273	402	526	325	432	47.3	30.8	32.9
Total salaries and personnel costs	7,130	7,880	8,961	6,429	7,691	10.5	13.7	19.6

Total salary and personnel costs increased NOK 1,262 million, or 19.6%, in the nine months ended September 30, 2000 compared to the same period in 1999. There was an increase of 3,800, or 17.4%, in the number of full-time equivalent employees as of September 30, 2000, compared to September 30, 1999. The increase in salaries and personnel costs was primarily due to acquired businesses in EDB Business Partner, an increased number of employees and increased salary levels.

NOK 42 million was accrued for special social security taxes on share options to employees in EDB Business Partner. An increased average social security tax rate in Norway for telecommunications businesses also contributed to the increase in social security tax. Pension costs increased during 2000 in part due to changes in estimates and assumptions. The increase in the number of employees also contributed to an increase in other personnel costs, including education and training.

Telenor expects to recognize compensation expense for the value of the price discounts and bonus shares provided to employees purchasing shares in the global offering that is in excess of the discounts and bonus shares available generally to retail investors in Norway. Telenor estimates that the amount of this expense will be approximately NOK 12.6 million, most of which will be recognized in the fourth quarter of 2000.

Total salary and personnel costs increased NOK 1,081 million, or 13.7%, in 1999 compared to 1998. The number of full-time equivalent employees increased by 1,742 to 21,968, representing an increase of 8.6% from 1998. In addition, the higher salary and personnel costs reflected increased salary levels. The growth in the number of full-time equivalent employees is partly due to the acquisition of EDB ASA, Relab AB and Norkring AS. In addition, there was a significant increase in the number of employees in our Internet operations, both in Norway and internationally.

In 1998, total salary and personnel costs increased NOK 750 million, or 10.5%, from 1997. The higher salary and personnel costs were due to the increased number of full-time equivalent employees as well as increased salary levels. The numbers of full-time equivalent employees increased by 628, or 3.2%, to 20,226 in 1998 compared with 19,598 in 1997.

Other Operating Expenses

The following table sets forth information regarding our other operating expenses for the three years ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,		Increase(decrease)		
	1997	1998	1999	1999	2000	1998/1997	1999/1998	9mo 2000/9mo 1999
	(NOK in millions)					%	%	%
Cost of premises, vehicles, office equipment, etc.	1,005	1,076	1,416	1,149	1,459	7.1	31.6	27.0
Travel and travel allowances	573	607	641	474	535	5.9	5.6	12.9
Marketing and sales commission	1,030	945	1,239	934	977	(8.3)	31.1	4.6
Advertising	493	456	423	274	315	(7.5)	(7.2)	15.0
Bad debt	195	231	351	154	120	18.5	51.9	(22.1)
Consultancy fees and external personnel costs	1,623	1,936	2,259	1,414	1,474	19.3	16.7	4.2
Other	1,285	1,376	1,584	1,189	1,419	7.1	15.1	19.3
Total other operating expenses	6,204	6,627	7,913	5,588	6,299	6.8	19.4	12.7

Other operating expenses increased by NOK 711 million, or 12.7%, in the nine months ended September 30, 2000 as compared to the same period in 1999. Generally increased activity, the development of new products and services in Norway and internationally and the acquisition and the establishment of companies increased operating expenses. Increase in cost of premises, vehicles, office equipment, etc. was partly related to increased expenses for the rent of IT systems, which are invoiced to customers. Reduced commissions in the Norwegian mobile market, due in part to reduced subsidized sales as well as a shift from dealer commissions to free call time in marketing mobile telephone subscriptions, was more than offset by increased advertising, marketing and sales costs mainly in the Mobile Communications and Internet business areas. Consultancy fees related to the development of new IT systems, new operations and products and business acquisitions as well as cost of external personnel increased. This increase was partly offset by reduced consultancy costs related to the sale of consultancy services and the costs incurred in the first nine months of 1999 related to the abandoned merger with Telia in 1999. Payments on previously written-off claims have contributed to the reduction in bad debt.

Other increased cost was partly related to increased expenses for the development and operation of equipment including IT systems, which are to some extent invoiced to customers, increased maintenance, distribution, freight and telecommunications.

Other operating expenses increased by NOK 1,286, or 19.4%, in 1999 compared to 1998. Of this increase NOK 250 million, mainly related to consultancy fees, were incurred in connection with the abandoned merger with Telia. This amount excludes any costs for our own staff for the time spent in the merger preparations. Increases in other consultancy fees, marketing and sales commissions and cost of premises, vehicles, office equipment and similar expenses contributed to the remaining increase. In 1998, other operating expenses increased NOK 423 million, or 6.8%, compared to 1997. A lower level of marketing and sales commissions was more than offset by higher consultancy fees and external personnel costs, among other items.

Cost of premises, vehicles, office equipment, etc., increased by 31.6% in 1999 compared to 1998. This increase is partly related to increased expenses for the rent of IT systems, which are invoiced to customers. Increased rent of premises and cars was due in part to the sale of properties and cars, which were replaced with rented properties and cars. Our fleet of rented company cars also increased reflecting greater activity in 1999.

Marketing and sales commissions increased 31.1% in 1999 compared with 1998. Increased commissions mainly occurred in our Telecom and Mobile Communications business areas. In our

Mobile Communications business area, commissions increased due to higher gross subscription sales, which increased approximately 38% in 1999 compared to 1998. This increase was partly offset by a 25% reduction in the average commission per mobile subscription sold. Higher commissions in the Telecom business area resulted primarily from heavy marketing of ISDN subscriptions during 1999. These expenses fell in 1998 as compared to 1997 due to lower mobile commission fees.

Bad debt increased due to increased revenues and receivables from our customers. The increase is also due to a provision for losses for specific significant accounts receivable in the final quarter of 1999.

Consultancy fees and external personnel costs increased by 16.7% in 1999 compared with 1998. In addition to the amount related to the abandoned Telia merger, some of the remaining increase resulted from increased hiring of consultants in EDB Business Partner, which in turn are charged to external customers, as well as increased investment in IT systems and other work capitalized. These increases were offset in part by a decrease in use of external personnel in Bravida. In 1998, consultancy fees and external personnel costs increased by 19.3% compared to the prior year. The increase includes the costs of external personnel used to develop a new invoicing system, other IT systems and installations work and other work capitalized. To the extent of these amounts capitalized, an equivalent amount was included in "own work capitalized" with no net effect on the profit and loss statement. In 1998, Bravida increased its use of external personnel in connection with higher activities.

We expect that our operating expenses will continue to increase in future periods due to our efforts to develop new products and services as well as our increased international activities.

Loss on Sale of Fixed Assets and Operations

Loss on sale of fixed assets and operations was NOK 10 million in the nine months ended September 30, 2000, compared to a loss of NOK 219 million in the nine months ended September 30, 1999, which mainly related to the disposition of the subsidiary Clarion that was finalized in the final quarter of 1999.

In 1999, we recognized a loss on sale of fixed assets and operations in the amount of NOK 302 million, of which NOK 285 million resulted from the disposition of Clarion. Loss on sale of fixed assets and operations totaled NOK 9 million in 1998 and NOK 40 million in 1997.

Depreciation and Amortization

The following table sets forth information regarding our depreciation and amortization expense for the three years ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,		Increase		
	1997	1998	1999	1999	2000	1998/1997	1999/1998	9 mo 2000/9 mo 1999
	(NOK in millions)					%	%	%
Amortization of goodwill and other intangible assets	242	283	327	187	372	16.9	15.5	98.9
Depreciation and amortization of tangible assets	3,806	4,178	4,720	3,498	3,867	9.8	13.0	10.5
Total depreciation and amortization	4,048	4,461	5,047	3,685	4,239	10.2	13.1	15.0

Depreciation and amortization increased NOK 554 million, or 15.0%, in the nine months ended September 30, 2000 compared to the same period in 1999. The increase was partly attributable to the acquisition of new companies and increased investments, including investments in equipment with relatively short useful economic lives. Increases in amortization reflect the acquisition of new businesses over the period, mainly in our EDB Business Partner and Internet business areas.

Depreciation and amortization increased by NOK 586 million, or 13.1%, in 1999 compared with 1998. The increase related to the acquisition of new companies and increased investments, including equipment with short useful economic lives. In 1998, depreciation and amortization increased by NOK 413 million, or 10.2%, compared with 1997, and resulted from an increase in investments, including IT investments in equipment with relatively short useful economic lives, and the launch of the Thor II and III satellites.

In the future, we expect our depreciation and amortization expense to increase as a result of our higher level of investments.

Operating Profit

We achieved operating profit of NOK 3,217 million in the nine months ended September 30, 2000, an increase of NOK 393 million, or 13.9%, over the same period in 1999. Our operating profit in the nine months ended September 30, 2000 included a net gain on sale of NOK 584 million, compared to a net loss on sale of NOK 162 million in the same period in 1999. Excluding the effect of net gains and losses, operating profit in the nine months ended September 30, 2000 decreased by NOK 353 million, or 12.5%, compared with the same period in 1999. Overall, our operating profit was negatively affected by increased competition resulting in loss of customers in the fixed network operations in Norway, increased activities in developing new products and services as well as increased costs associated with our international expansion, particularly in our Internet business area. Our operating profit was positively affected by the increased profitability of our Mobile Communications business area. For the remainder of 2000, we expect that increased expenses in business activities intended to support our future growth and the fact that especially strong fixed network traffic volumes realized in the fourth quarter of 1999 may not be repeated, will have a negative effect on our operating profit compared to 1999.

Our operating profit of NOK 4,002 million in 1999 was NOK 205 million, or 5.4%, higher than in 1998. Our 1999 operating profit included net gains and losses on sales of NOK 481 million in 1999, an increase of NOK 242 million compared to 1998. Our 1999 operating profit was also affected by external costs of NOK 250 million incurred in connection with the abandoned merger with Telia. In 1998, we achieved operating profit of NOK 3,797 million, or an increase of NOK 1,140 million, or 42.9%, compared to the prior year, which reflects the growth in network-based services including mobile and satellite.

Associated Companies

The following table sets forth information regarding our associated companies for the three years ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000. The amounts are based in part upon management's estimates used in the preparation of the consolidated financial statements.

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
	(NOK in millions)				
Our share of:					
Revenues	1,575	2,863	5,915	4,115	7,123
EBITDA, excluding gains and losses on the sale of fixed assets and operations	(282)	(636)	(227)	(57)	643
Net result after taxes	(534)	(1,097)	(1,239)	(815)	(767)

We recorded the proportionate share in the net loss of our associated companies of NOK 767 million in the nine months ended September 30, 2000, compared with a net loss of NOK 815 million in the same period in 1999. In the nine months ended September 30, 2000, we realized gains of approximately NOK 285 million, mainly related to the reduction in our ownership share of SOL AB. In the nine months ended September 30, 1999, we realized sales gains of NOK 70 million from operations and the sale of shares in our associated companies. Excluding these gains, our loss increased from the prior year. Increased losses are mainly related to our international mobile operations. Our proportionate share in revenues recorded by our associated companies (which are not consolidated) was NOK 7,123 million in the nine months ended September 30, 2000 compared to NOK 4,115 million in the same period in 1999. The increase in revenue is primarily related to the increased customer base in the associated mobile companies abroad. The total number of mobile telephony subscriptions in our associated mobile companies increased from approximately 2.8 million at September 30, 1999 to approximately 10.8 million at September 30, 2000. Our proportionate share of these subscriptions increased from approximately 0.8 million at September 30, 1999 to approximately 3.1 million at September 30, 2000. Because of our investments in 2000 in Sonofon and TAC/UCOM, we are experiencing an increased level of amortization of excess values. In October and November 2000, we reduced our ownership in Cosmote and will record a gain in the amount of approximately NOK 800 million in connection with that reduction.

Our equity in the net loss of our associated companies was NOK 1,239 million in 1999, compared with a net loss of NOK 1,097 million in 1998. The increase reflects the growth in our international operations, primarily within mobile telephony. Many of these are at an early operational stage. In 1999, we recognized gains of NOK 150 million on disposals of interests in these companies and gains on sales by these companies. The disposal of Internordia accounted for NOK 70 million of these gains. Our proportionate share of revenue recorded by associated companies was NOK 5,915 million compared to NOK 2,863 million in 1998. The improvement in revenues reflects the larger customer base in the associated companies. The total number of mobile telephony subscriptions in our foreign associated mobile companies increased from approximately 1.1 million at December 31, 1998 to approximately 4.1 million at December 31, 1999. Our proportionate share of these subscriptions increased from approximately 0.3 million at December 31, 1998 to approximately 1.0 million at December 31, 1999.

In 1997, our equity in the net loss of associated companies was NOK 534 million. Our proportionate share of revenues from associated companies was NOK 1,575 million in 1997. The improvement in revenues relates to an increased base of subscriptions in the associated companies. The total number of subscriptions in foreign associated mobile companies has increased from approximately 0.4 million in 1997 to approximately 1.1 million subscriptions in 1998. Our proportionate share of these subscriptions increased from approximately 0.1 million at December 31, 1997 to approximately 0.3 million at December 31, 1998.

Financial Income and Expenses

The following table sets forth financial income and expense items for the three years in the period ended December 31, 1999 and the nine months ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
	(NOK in millions)				
Capital returns from satellite organizations	171	253	235	161	123
Interest income	122	262	245	175	299
Other financial income	45	38	197	199	34
Total financial income	338	553	677	535	456
Interest expense	(462)	(594)	(812)	(664)	(1,052)
Other financial expenses	(24)	(102)	(63)	(43)	(193)
Capitalized interest	79	131	114	84	95
Total financial expenses	(407)	(565)	(761)	(623)	(1,150)
Gain on sale of financial assets	—	303	680	19	300
Loss and write-downs of financial assets	—	(83)	(45)	(6)	(85)
Net gain on financial assets	—	220	635	13	215
Net financial items	(69)	208	551	(75)	(479)

Net financial items decreased by NOK 404 million to a net financial expense of NOK 479 million in the nine months ended September 30, 2000. For the nine months ended September 30, 2000, these figures include net gain on disposals of NOK 215 million. Net currency losses amounted to NOK 134 million in the nine months ended September 30, 2000, compared to the NOK 143 million net currency gain we recorded in the same period in 1999. The net currency loss reflects our increased liabilities in foreign currencies. The increased interest expense related to increased amounts of outstanding debt and higher interest rates compared to nine months ended September 30, 1999.

We realized income from net financial items in 1999 of NOK 551 million, an increase of NOK 343 million over 1998. The increase in 1999 resulted primarily from increased gain on sales of financial assets, principally the disposals of the shares in the listed company Elkjøp ASA and net realized profits in the Venture operation.

In 1998, we realized income from net financial items of NOK 208 million, an increase of NOK 277 million from the net result in 1997. The increase was principally the result of gain on the sale of financial assets in 1998 related to net realized profits in the Venture operation and from the sale of the short term shares in the listed company Provida ASA.

The higher interest expense over the period is the result of higher interest-bearing liabilities. See note 20 to our consolidated financial statements.

Other financial income in 1999 includes net currency gains of NOK 104 million, while other financial expense in 1998 includes net currency losses of NOK 73 million. In 1997 a net currency gain of NOK 26 million is included in other financial income. Net currency gains and losses result primarily from currency gain/loss on the amount by which liabilities or other financial instruments designated as a hedge of a net investment in foreign currency exceeds the book value of the investment.

As discussed under "— Liquidity and Capital Resources" below, we expect our increased levels of debt will lead to increased interest expense in future periods. Higher interest bearing debt, and at possibly higher interest rates, may have a negative impact on our financing costs.

Income Taxes

The Norwegian statutory tax rate is 28%. Our effective tax rate is, however affected negatively by losses from our associated companies and subsidiaries outside of Norway and amortization of excess values, which may not be recognized as deferred tax assets. Therefore our effective tax rate for 2000 has been estimated at 70% of profits before taxes and minority interests. Our estimated effective tax rate is materially influenced by forecasted increased losses (including amortization of excess values) from our associated companies in the remainder of 2000. Amortization of excess values on our acquisitions and the result from VIAG Interkom are the most significant contributing factors to the high estimated effective tax rate. In the calculations we have not included the effect of potential gains, which would reduce our estimated effective tax rate. The actual tax rate may differ from the estimated rate. Our effective income tax rate was 39.9% in 1999, 42.7% in 1998 and 35.5% in 1997.

Results of Operations by Business Area

The following table sets forth selected financial data for our business areas for the three years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000. Due to the significant changes in the business area structure, it is not practicable to provide segment information by business area for 1997 other than external revenue.

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
	(NOK in millions)				
Total Revenues					
Mobile Communications	N/A	6,793	8,033	5,868	7,095
Telecom	N/A	15,921	17,602	13,391	14,301
Broadband Services	N/A	2,502	2,798	1,969	2,443
Internet	N/A	469	886	619	763
Media	N/A	1,584	2,368	1,435	1,307
Bravida	N/A	5,507	6,057	4,458	3,735
EDB Business Partner	N/A	2,097	3,015	2,102	3,001
Other	N/A	4,031	4,536	3,163	3,999
Eliminations of internal revenues	N/A	(9,994)	(11,827)	(8,653)	(9,400)
Total	N/A	28,910	33,468	24,352	27,244
External Revenues					
Mobile Communications	4,460	5,448	6,540	4,770	5,956
Telecom	13,801	14,528	15,921	11,974	12,525
Broadband Services	1,641	2,356	2,655	1,868	2,313
Internet	190	342	566	388	605
Media	1,259	1,495	2,277	1,351	1,224
Bravida	2,803	2,743	2,912	2,212	1,613
EDB Business Partner	903	855	1,508	995	1,950
Other	812	1,143	1,089	794	1,058
Total	25,869	28,910	33,468	24,352	27,244

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
	(NOK in millions)				
Operating Profit					
Mobile Communications	N/A	704	1,106	740	1,270
Telecom	N/A	3,028	2,509	2,054	2,219
Broadband Services	N/A	123	8	33	64
Internet	N/A	(186)	(138)	(95)	(569)
Media	N/A	245	1,006	373	304
Bravida	N/A	118	19	73	(18)
EDB Business Partner	N/A	110	127	92	70
Other	N/A	(173)	(463)	(157)	47
Eliminations	N/A	(172)	(172)	(289)	(170)
Total	N/A	3,797	4,002	2,824	3,217
EBITDA					
Mobile Communications	N/A	1,569	2,161	1,536	2,105
Telecom	N/A	5,414	5,146	3,986	4,280
Broadband Services	N/A	484	530	400	523
Internet	N/A	(122)	(27)	(18)	(395)
Media	N/A	337	1,085	437	347
Bravida	N/A	202	147	173	62
EDB Business Partner	N/A	300	341	246	342
Other	N/A	271	(18)	152	543
Eliminations	N/A	(197)	(316)	(403)	(351)
Total	N/A	8,258	9,049	6,509	7,456

We refer herein to external revenues, internal revenues and total revenues. By these terms we mean the following:

- External revenues — represent the revenues a business area derives from third parties.
- Internal revenues — represent the revenues a business area derives from companies within the Telenor Group.
- Total revenue — represents the sum of external revenues and internal revenues.

Mobile Communications

The following table sets forth selected financial data regarding our Mobile Communications business area for the two years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
External revenues	5,448	6,540	4,770	5,934
Internal revenues	1,345	1,493	1,098	1,139
Gain on sale of fixed assets and operations	—	—	—	22
Total revenues	6,793	8,033	5,868	7,095
Operating expenses	6,089	6,927	5,128	5,825
Operating profit	704	1,106	740	1,270
Associated companies	(820)	(1,071)	(673)	(830)
Net financial items	(231)	(150)	(109)	(513)
Profit before tax	(347)	(115)	(42)	(73)
EBITDA	1,569	2,161	1,536	2,105
EBITDA margin (%)	23%	27%	26%	30%

	Year ended December 31,		Nine months ended September 30,
	1998	1999	2000
Investments, including capital expenditures (NOK in millions)	3,670	6,183	31,212
Total full-time equivalent employees (period end)	2,074	2,427	2,430
Of which abroad (period end)	376	486	524

Revenues

The following table analyzes the components of revenues in our Mobile Communications business area for the three years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
	(NOK in millions)				
Mobile outgoing traffic	1,942	2,143	2,670	1,974	2,222
Mobile incoming traffic	33	101	169	89	239
Roaming	432	741	824	655	822
Short text and MobilInfo messaging	16	80	400	235	515
Subscription and connection fees	1,142	1,289	1,248	931	988
Customer equipment	644	701	752	568	522
Service Providers and Other	80	88	116	75	173
International operations	171	305	361	243	453
External revenues	4,460	5,448	6,540	4,770	5,934
Internal revenues	N/A	1,345	1,493	1,098	1,139
Gain on sale of fixed assets and operations	—	—	—	—	22
Total revenues	N/A	6,793	8,033	5,868	7,095

Our total revenues in Mobile Communications were NOK 7,095 million in the nine months ended September 30, 2000, representing an increase of NOK 1,227 million, or 20.9%, over the comparable period in 1999. The increase in total revenues was due primarily to increases in revenues from both incoming and outgoing traffic, roaming traffic, short text messages, MobilInfo messages and revenues from service providers. Most of our revenues in Mobile Communications are attributable to our operations in Norway, as most of our international investments are not consolidated. Increased revenues outside of Norway are mainly attributed to our consolidated subsidiary, Grameen Phone. In June 2000, we sold our subsidiary Telenor Technology Services resulting in a gain of NOK 22 million for the period.

In 1999, our total revenues in Mobile Communications were NOK 8,033 million, an increase of NOK 1,240 million, or 18.3%, over 1998. Revenues for our operations in Norway were NOK 7,572 million in 1999 (of which NOK 6,179 million were external), representing an increase of NOK 1,246 million, or 19.7%, from NOK 6,326 million in 1998.

Norway

The following table provides selected statistical data for our Norwegian operations in the Mobile Communications business area for the three years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
Number of Subscriptions (000):					
Total digital	871	1,260	1,784	1,660	2,070
Contract	803	944	1,003	982	1,103
Prepaid	68	316	781	678	967
Analog	388	311	216	236	161
Total	1,259	1,571	2,000	1,896	2,231
Number of short text messages invoiced (in millions)	13	51	363	224	588
Revenues:					
Average monthly revenue per digital subscription in Norway (in NOK)(1):					
Total digital	400	363	332	334	322(2)
Contract	400	400	445	439	476
Prepaid	—	161	131	130	141(2)
Traffic:					
Total outgoing digital traffic (in millions of minutes)	711	1,279	1,801	1,311	1,687
Total incoming digital traffic (in millions of minutes)	454	763	1,188	857	1,140
Average monthly outgoing traffic minutes per digital subscription:					
Contract	91	124	138	136	156
Prepaid	—	31	30	30	28
Average monthly incoming and outgoing traffic minutes per digital subscription	148	165	164	165	164
Total analog incoming and outgoing traffic (in millions of minutes)	551	451	282	239	141

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

(2) Due to a one-time adjustment to reflect a change in methodology used to estimate traffic revenues, our revenues for the nine months ended September 30, 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 the nine months ended September 30, 2000 would have been NOK 9 lower for prepaid subscriptions and NOK 4 lower for total digital subscriptions.

Total revenues from our mobile operations in Norway for the nine months ended September 30, 2000 were NOK 6,628 million, of which NOK 5,481 million were external revenues, compared to total revenues of NOK 5,539 million for the nine months ended September 30, 1999, of which NOK 4,527 million were external revenues.

Total external mobile outgoing traffic revenues generated from mobile phones in Norway increased by NOK 248 million, to NOK 2,222 million in the nine months ended September 30, 2000 compared with the corresponding period in 1999 due primarily to an increase in the number of subscriptions. A one-time adjustment to reflect a change in the methodology used to estimate traffic revenues was made in the second quarter of 2000 and increased our revenues for the nine months ended September 30, 2000 by NOK 66 million. As a result, average monthly revenue per digital subscription for the nine months ended September 30, 2000 is not directly comparable with the corresponding period in 1999.

External revenues from mobile incoming traffic of NOK 239 million for the nine months ended September 30, 2000 were NOK 150 million higher than compared with the same period in 1999, due to higher incoming traffic. Roaming revenues for the nine months ended September 30, 2000 were NOK 822 million, representing an increase of NOK 167 million from NOK 655 million in the same period in 1999. The increase is due to a larger number of subscriptions and increased number of roaming agreements. The total number of call minutes (analog and digital)(outgoing and incoming) increased by 561 million to 2,968 million in the nine months ended September 30, 2000. Average monthly revenue per digital subscription decreased from NOK 334 in the nine months ended September 30, 1999 to NOK 322 in the nine months ended September 30, 2000. Prepaid customers and new customers tend to reduce the volume of call minutes and revenues per digital subscription.

The total number of short text messages invoiced in the nine months ended September 30, 2000 was 588 million, representing an increase of 364 million messages compared with the nine months ended September 30, 1999. Our revenues from short text and Mobile-Info messages were NOK 515 million in the nine months ended September 30, 2000, representing an increase of NOK 280 million compared with the same period in 1999.

External revenues from subscription and connection fees increased by NOK 57 million to NOK 988 million, reflecting the increase in contract subscriptions in the nine months ended September 30, 2000. During this period, we initiated a campaign to convert customers from prepaid services to contract subscriptions. As a result of the campaign, the number of contract subscriptions increased to 1,103,000 at September 30, 2000 from 982,000 at September 30, 1999.

Revenues from sales of customer equipment, which consist primarily of revenues from the sale of handsets and computer equipment from our wholly-owned distributors, were NOK 522 million in the nine months ended September 30, 2000, representing a decrease of NOK 46 million compared with the same period in 1999. External service providers were provided with access to our mobile network beginning in first quarter of 2000. External revenues from service providers in the nine months ended September 30, 2000 amounted to NOK 78 million.

As of February 1, 2000, we introduced per second charging. We also reduced the number of calling plans and further reduced our tariffs. In the first quarter of 2000, we lowered the price of sending a short text message to NOK 1.00 per message for both prepaid and contract subscriptions. Beginning August 1, 2000, we implemented a new price system for international tariffs and as a result, we reduced tariffs charged to 154 countries and increased tariffs charged to 80 countries.

Total internal revenues, mainly derived from incoming traffic from our fixed network, were NOK 1,147 million (of which NOK 45 million were revenues from our international operations within Mobile Communications) in the nine months ended September 30, 2000, an increase of NOK 136 million. The increase in revenues from incoming traffic was a result of both the increased number of subscriptions and the increased traffic generated by fixed network subscriptions.

For a discussion of regulatory initiatives that may reduce the revenues we received from fixed to mobile interconnection, please see "Regulatory — Cost and Price Regulation". We intend to reduce our mobile termination interconnection fees effective January 1, 2001.

External revenues from mobile outgoing and incoming traffic were NOK 2,670 million and NOK 169 million, respectively, in 1999, representing an increase of NOK 527 million and NOK 68 million, respectively, compared with 1998. This increase in revenues from traffic is a result of a combination of the increased number of subscriptions and increased traffic volume generated by contract subscriptions.

Average total usage (outgoing and incoming) per digital subscription per month was relatively stable at 164 minutes in 1999, the same level as 1998, despite the fact that most of the growth in subscriptions was in prepaid services for which usage tends to be lower. Average revenues per digital subscription per month were NOK 332 in 1999, NOK 31 lower than 1998. This is largely due to tariff reductions and the higher proportion of prepaid subscriptions, which have lower usage levels than our contract subscriptions. Total traffic (outgoing and incoming) increased by 31.2% from 2,493 million minutes in 1998 to 3,271 million minutes in 1999.

Increased short text messaging traffic also contributed to the increased revenues. The total number of short text messages invoiced was 363 million in 1999, representing an increase of 312 million from 1998. These invoiced short text and MobilInfo messages generated revenues of NOK 400 million in 1999, an increase of NOK 320 million compared with 1998.

Roaming revenues were NOK 824 million in 1999, an increase of NOK 83 million, or 11.2%, compared with 1998. The increase was due to a larger number of subscriptions and roaming agreements.

External revenues from subscription and connection fees were NOK 1,248 million in 1999, a decrease of NOK 41 million, or 3.2%, from 1998. The total number of subscriptions at the end of 1999 was 2,000,000, an increase of 429,000 over December 31, 1998. The migration from contract to prepaid subscriptions contributed to the decline in revenues from subscriptions. The net number of new subscriptions in 1999 was 465,000 prepaid subscriptions and 59,000 contract subscriptions. The number of analog mobile subscriptions fell by 95,000 in 1999. We did not change our subscription tariffs in 1999.

Other external revenues, mainly derived from sales of customer equipment, were NOK 868 million in 1999, an increase of NOK 79 million, or 10.0%, compared with 1998.

Total internal revenues, mainly derived from incoming traffic from our fixed network, were NOK 1,493 million in 1999, an increase of NOK 148 million, or 11%, compared with 1998. The increase in revenues from incoming traffic was a result of both the increased number of subscriptions and the increased traffic volume generated by fixed network subscriptions.

External revenues from mobile traffic (outgoing and incoming) were NOK 2,143 million and NOK 101 million, respectively, in 1998, an increase of NOK 201 million, or 10.4%, and NOK 68 million, or 206%, compared with 1997. This increase was primarily the result of the higher number of subscriptions. Average total usage (outgoing and incoming) per digital subscription per month increased from 148 minutes to 165 minutes in 1998 for both contract and prepaid services notwithstanding the increase in the use of prepaid services for which usage tends to be lower.

External revenues from subscription fees were NOK 1,187 million in 1998, an increase of NOK 204 million, or 20.8%, from 1997. The total number of subscriptions (external and internal) at the end of 1998 was 1,571,000, an increase of 312,000 over December 31, 1997.

International operations — mHorizon and International Business Management and mFuture

Our external revenues consist mainly of revenues from foreign consolidated subsidiaries. Our external revenues from international operations increased by NOK 210 million, or 86%, to NOK 453 million in the nine months ended September 30, 2000, compared to the same period in 1999. Revenues from foreign subsidiaries increased, mainly from Grameen Phone, our mobile subsidiary in Bangladesh. Gain on the sale of Telenor Technology Services in June 2000 contributed NOK 22 million to external revenues.

Revenues from international operations (internal and external) in 1999 were NOK 461 million, approximately the same level as 1998. Lower revenues from sales of equipment in mobile satellite operations in the US (Norcom) and from hiring out our personnel to overseas mobile operations were largely offset by higher revenues from Grameen Phone.

Operating Expenses

The following table analyzes operating expenses for our Norwegian and international operations by type of expense for the two years in the period ended December 31, 1999 and for the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
External cost of materials and traffic charges	1,458	1,700	1,260	1,597
Internal cost of materials and traffic charges	699	697	522	551
Total cost of materials and traffic charges	2,157	2,397	1,782	2,148
Own work capitalized	—	(18)	(12)	(9)
Salary and personnel costs	883	980	704	774
Other operating expenses external	1,598	1,802	1,355	1,483
Other operating expenses internal	586	711	503	588
Depreciation and amortization	865	1,055	796	835
Loss on sale of fixed assets and operations	—	—	—	6
Total operating expenses	6,089	6,927	5,128	5,825

Operating expenses for the nine months ended September 30, 2000 were NOK 5,825 million, an increase of NOK 697 million from NOK 5,128 million in the same period in 1999. The increase is due primarily to increased traffic and higher project activities, including the development of new business concepts and acquisition and investment opportunities. Operating expenses for 1999 were NOK 6,927 million, an increase of NOK 838 million, or 13.8%, from NOK 6,089 million in 1998.

Norway

Operating expenses for Norway in the nine months ended September 30, 2000 were NOK 4,984 million, an increase of NOK 480 million from NOK 4,504 million in the same period in 1999. The increase is primarily attributable to an increased number of subscribers and related costs.

In the nine months ended September 30, 2000, our costs of materials and traffic charges rose by NOK 250 million due to increased revenues. Increased roaming revenues have attracted NOK 120 million higher traffic costs in the nine months ended September 30, 2000 compared with the same period in 1999.

External commission charges fell by NOK 90 million, or 16.6%, from NOK 542 million in the nine months ended September 30, 1999 to NOK 452 million in the nine months ended September 30, 2000. This is partly because subsidized sales of mobile subscriptions were higher in the 1999 period than in the 2000 period, and partly because we used more free call minutes instead of commissions to market mobile subscriptions. Salaries and personnel costs increased by NOK 88 million to NOK 621 million in the nine months ended September 30, 2000 due to an increase in the number of employees and as a result of general increase in salaries. External sales costs and marketing expenses have increased by NOK 84 million to NOK 220 million in the nine months ended September 30, 2000 due to the launch of new services. Expenses related to external lease and operation of equipment and locations have increased by NOK 46 million to NOK 171 million due to higher activity in the mobile network and increased costs related to lease of locations for network equipment. Other operating expenses increased in line with higher levels of activity. Depreciation and amortization increased to NOK 714 million in the nine months ended September 30, 2000 compared to NOK 685 million for the same period in 1999.

Operating expenses for operations in Norway were NOK 6,048 million in 1999, an increase of NOK 767 million, or 14.5%, compared with 1998.

Costs of materials and traffic charges were NOK 2,230 million in 1999. This represents an increase of NOK 218 million, or 10.8%, over 1998. The charge for traffic terminating in other operators' networks was lower in 1999 than in 1998. However, the increase in traffic volume in other operators' networks more than compensated for this. Although short text messaging and mobile-incoming traffic did not generate traffic costs, they generated increased capacity costs. A higher proportion of traffic between our Mobil subscribers has also limited the increase in traffic costs.

Increased staff numbers and a general increase in salary levels resulted in an increase in salary and personnel costs of NOK 119 million, or 18.8%, to NOK 752 million in 1999.

Other costs rose by NOK 264 million, mainly as a result of higher activity levels in 1999. Commission charges were NOK 680 million in 1999, which represents an increase of NOK 68 million, or 11.1%, compared with 1998. The increase can be attributed primarily to gross subscription sales which were approximately 38% higher in 1999 than in 1998. This increase is partly offset by a 25% reduction in the average commission cost per subscription sold from 1998 to 1999.

Depreciation and write-offs were NOK 913 million in 1999, an increase of NOK 184 million, or 25.2%, compared with 1998. This was primarily the result of a high level of investment in our digital network, and write-offs on our Nordic Mobile Telephone 900 (analog) and pager networks.

International Operations — mHorizon and International Business Management and mFuture

Our operating expenses for our international operations consist of project costs and other costs of our consolidated foreign subsidiaries. Our operating expenses (including internal expenses for services from our Norwegian operations within Mobile Communications) for the nine months ended September 30, 2000 were NOK 886 million, an increase of NOK 259 million from NOK 627 million in the nine months ended September 30, 1999. This increase was primarily attributable to increased traffic in subsidiaries and higher project costs, including the development of new concepts and pursuing acquisition and investment opportunities. We expect to incur substantial expenditures in future periods in connection with these initiatives.

Our operating expenses for international operations were NOK 879 million in 1999, NOK 71 million, or 8.8%, higher than in 1998. This increase was primarily attributable to higher project costs resulting from larger projects and marketing activities as well as higher administration costs in overseas subsidiaries because of higher activity levels.

Operating Profits

Our operating profits for our Mobile Communications business area were NOK 1,270 million in the nine months ended September 30, 2000, representing an increase of NOK 530 million, or 72%, over the same period in 1999. Operations within Norway increased operating profits by NOK 608 million, or 59%, to NOK 1,643 million, due mainly to increased revenues. This includes Zalto which had an operating loss of NOK 46 million in the nine months ended September 30, 2000. Our operating loss in international operations — mHorizon and international business management and mFuture increased by NOK 78 million, or 27%, to NOK 373 million due to higher project costs. Higher marketing, personnel and other costs associated with the launch of djuice contributed NOK 56 million to the operating loss for the nine months ended September 30, 2000.

Our operating profits for Mobile Communications in 1999 were NOK 1,106 million, an increase of NOK 402 million, or 57.1%, compared with 1998. The operating profits for operations in Norway were NOK 1,524 million in 1999, an increase of NOK 479 million, or 45.8%, over 1998. This increase was primarily attributable to higher revenues due to growth in subscriptions and the resulting growth in voice traffic, as well as a substantial increase in use of short text messaging.

In 1999, our international operations — mHorizon and international business management and mFuture recorded an operating loss of NOK 418 million, an increase of NOK 77 million, or 22.6%, compared with 1998. The change can be attributed to higher project-related costs resulting from large-scale projects and an increased focus on international marketing activities.

Associated Companies Outside Norway

Our associated companies outside Norway recorded a loss of NOK 830 million in the nine months ended September 30, 2000. We recorded a loss in the nine months ended September 30, 1999 of NOK 673 million. The increased loss is mainly a consequence of increased amortization of excess values related to our newly-acquired interests in TAC and UCOM in Thailand and Sonofon in Denmark.

Our proportionate share of revenues in associated mobile companies outside Norway was approximately NOK 5,735 million in the nine months ended September 30, 2000 compared to NOK 2,816 million in the same period of 1999. The improvement in revenues is attributable to the successful commercial development of many of these investments. The customer base was generally higher and the infrastructure was more developed than in the nine months ended September 30, 1999. Of the increase, an aggregate of NOK 895 million related to the acquired companies DiGi.com, Sonofon and TAC/UCOM for the nine months ended September 30, 2000. Despite the increase in revenues, average revenue per user decreased. The decline in average revenue per user is mainly due to the fact that the increase in the customer base to a large extent has been in the prepaid segment and these customers generally have a lower usage level than contract subscribers.

Our share of revenues for 1999 from associated companies outside Norway was NOK 4,186 million. This represents an increase of NOK 2,557 million compared with 1998. Acquisitions account for NOK 561 million of the increase. Of the total revenues in 1999, NOK 1,704 million was derived from companies in Western Europe, NOK 1,836 million from companies in Central Europe and NOK 646 million from companies in Eastern Europe.

During 1999, several of these companies experienced strong growth in subscriptions. This growth resulted in higher revenues. Cosmote in Greece, Connect Austria in Austria, Esat Digifone in Ireland and Viag Interkom in Germany increased their combined number of subscriptions by 2,358,000. Our share of revenues in these companies increased by NOK 1,926 million in 1999 compared to 1998.

In 1999, associated companies recorded a loss of NOK 1,071 million, an increase of NOK 251 million, or 30.6%, over the loss in 1998. The higher loss was primarily a result of many of the companies being in an early stage of development. Mobile operations in the early stage of commercial operations typically have lower revenues while costs associated with establishing and operating the technical structure and developing the organization and customer service functions are high.

Telecom

The following table sets forth selected financial information regarding our Telecom business area for the two years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
External revenues	14,528	15,921	11,974	12,205
Internal revenues	1,393	1,681	1,417	1,776
Gain on sale of fixed assets and operations	—	—	—	320
Total revenues	15,921	17,602	13,391	14,301
Total operating expenses	12,893	15,093	11,337	12,082
Operating profit	3,028	2,509	2,054	2,219
Associated companies	(17)	(26)	(11)	9
Net financial items	16	(2)	(7)	(45)
Profit before tax	3,027	2,481	2,036	2,183
EBITDA	5,414	5,146	3,986	4,280
EBITDA margin (%)	34%	29%	30%	30%

	Year ended December 31,		Nine months ended September 30,
	1998	1999	2000
Investments, including capital expenditures (NOK in millions)	3,156	3,377	2,687
Total full-time employee equivalents (period end)	5,104	5,172	5,450
Of which abroad (period end)	156	105	144

Revenues

The following table analyzes revenues in the Telecom business area for the three years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
	(NOK in millions)				
Telecom Solutions:					
Business customers	4,377	4,325	4,314	3,109	2,794
Residential customers	6,508	6,898	7,164	5,420	5,358
Wholesale	859	1,073	1,739	1,279	1,334
Leased lines	820	866	810	632	664
Datacom/other network activities	762	695	855	760	846
Other	236	260	256	173	187
Total Telecom Solutions	13,562	14,117	15,138	11,373	11,183
Business Solutions:					
ASP and managed services	110	240	445	368	597
Value-added network services	79	118	188	133	223
Customer equipment	50	53	150	100	202
Total Business Solutions	239	411	783	601	1,022
External revenues	13,801	14,528	15,921	11,974	12,205
Internal revenues	N/A	1,393	1,681	1,417	1,776
Gain on sale of fixed assets and operations	—	—	—	—	320
Total revenues	N/A	15,921	17,602	13,391	14,301

Total Revenues

Revenues in the Telecom business area in the nine months ended September 30, 2000 were NOK 14,301 million, an increase of NOK 910 million, or 6.8%, over the nine months ended September 30, 1999. NOK 320 million of this amount was generated by gain on the sale of subsidiaries, mainly Storm. The subsidiaries Storm and Clarion generated external revenues of NOK 442 million in the nine months ended September 30, 1999. Since the same period in 1999, competition in the access market has continued to intensify. Despite the competitive environment, our fixed network generated 7% more traffic minutes in the nine months ended September 30, 2000 compared to the same period in 1999.

External revenues of Telecom Solutions, excluding gain on the sale of subsidiaries, decreased in the nine months ended September 30, 2000 due to price reductions related to the elimination of long-distance rates on July 1, 1999. External revenues of Business Solutions increased from NOK 601 million in the nine months ended September 30, 1999 to NOK 1,022 million in the nine months ended September 30, 2000, due to increased revenues in ASP and managed services, value-added network services and sale of equipment.

By September 30, 2000, approximately 399,000 subscribers had pre-selected another carrier.

Revenues in 1999 were NOK 17,602 million. This was NOK 1,681 million, or 10.6%, higher than in 1998. The increase was a result of increased traffic on our network. Our fixed network generated 13% more traffic, measured in minutes, in 1999 than in 1998.

Internal revenues are mainly related to mobile traffic from Telenor Mobile Communications incoming in Telenor Telecom. The increased revenues are due to increased traffic from our mobile network to our fixed network and are also related to non-network services such as customer equipment and operating services.

Telecom Solutions

The following table sets forth external fixed network revenues (analog/digital) for the business market, the residential market and the wholesale market of our Telecom business area for the three years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
	(NOK in millions)				
Business market — fixed network					
Analog (PSTN)/Digital (ISDN)					
Subscriptions and connection fees	1,038	1,306	1,470	997	1,018
Fixed to fixed traffic domestic, excluding traffic to Internet service providers	1,420(1)	1,374	1,142	903	671
Traffic to Internet service providers	36(1)	85	190	130	179
Traffic to mobile	699	644	703	506	508
Traffic abroad	792	444	296	250	166
Other traffic	392	472	513	323	252
Total fixed network business market	4,377	4,325	4,314	3,109	2,794
Residential market — fixed network					
Analog (PSTN)/Digital (ISDN)					
Subscriptions and connection fees	2,263	2,636	2,869	2,139	2,224
Fixed to fixed traffic, excluding traffic to internet service providers	2,057(1)	2,042	1,602	1,242	1,039
Traffic to Internet service providers	123(1)	218	418	292	397
Traffic to mobile	859	925	1,134	858	841
Traffic abroad	585	452	354	269	223
Other traffic	621	625	787	620	634
Total fixed network residential market	6,508	6,898	7,164	5,420	5,358
Wholesale market — fixed network					
Analog (PSTN)/Digital (ISDN)					
Domestic interconnect	88	184	329	220	486
International interconnect	771	889	1,410	1,059	848
Total fixed network wholesale market	859	1,073	1,739	1,279	1,334
Total fixed network	11,744	12,296	13,217	9,808	9,486

(1) The allocation between fixed traffic and Internet traffic for 1997 has been estimated by management.

Business Market

External fixed network revenues in the business market were lower in the nine months ended September 30, 2000 compared to the same period in 1999. The increase in traffic volumes was not sufficient to offset the tariff reductions implemented in 1999. The elimination of long-distance rates on July 1, 1999 was the most significant contributing factor to the price reductions.

During the nine months ended September 30, 2000, traffic minutes in the business market increased by 5.8% compared with the nine months ended September 30, 1999. Our market share fell from approximately 96% in the nine month period ended September 30, 1999 to approximately 81% for the nine month period ended September 30, 2000. In the business market, the competition has led to reduced prices in the form of price discounts. In order to secure longer-term contracts with our customers, we must offer greater price discounts. We may continue to lower our prices in the future to respond to an increasingly competitive, price-driven market.

External revenues from subscription and connection fees increased by NOK 21 million in the nine months ended September 30, 2000 due to a migration of customers from traditional analog (PSTN) services to digital (ISDN), which has higher subscription fees.

External revenues from fixed network activities in the business market were NOK 4,314 million in 1999. This was NOK 11 million, or 0.3%, lower than in 1998. Revenues from subscription and connections fees increased by NOK 164 million, or 12.6%, to NOK 1,470 million in 1999. Conversions from analog (PSTN) to digital (ISDN) subscriptions, which have higher subscription prices, largely accounted for the increase.

Revenues from external traffic to the business market were NOK 2,844 million in 1999. This was NOK 175 million, or 5.8%, lower than in 1998. Within fixed network telephony, new competitors have taken market share by offering lower tariffs for traffic to business customers. We have continuously adjusted our services and prices to respond to these developments. Lower traffic revenues were largely attributable to the elimination of long-distance rates on July 1, 1999. However, our market share in the business market, measured in total traffic minutes, fell from around 94% at the beginning of 1999 to around 87% at the end of that year. In 1999, our network generated 13% more traffic minutes. The largest increase was in Internet traffic, which grew by 115%, and in mobile networks, which increased by 20% over 1998. Growth in traffic minutes did not offset price reductions made in 1999.

External revenues from fixed network activities in the business market decreased by NOK 52 million, or 1%, in 1998 from NOK 4,377 million in 1997. Increases in subscription and connection fees, which were NOK 268 million higher in 1998 than in 1997, were more than offset due to reduced tariffs, particularly for international calls.

Residential Market

We recorded external revenues from the residential market of NOK 5,358 million during the nine months ended September 30, 2000. External revenues for this period were NOK 62 million lower than the corresponding period in 1999.

External revenues from subscription and connection fees increased as a result of the 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 has continued to grow, this growth has been insufficient to offset the traffic price reductions. In particular, revenues from external fixed to fixed traffic decreased in the period due principally to the price reductions related to the elimination of long-distance rates on July 1, 1999. In addition, the change in product mix, lower prices and traffic trends resulted in reduced revenues from traffic.

During the nine months ended September 30, 2000, traffic minutes in the residential market increased 7.7% over the corresponding period in 1999. Our market share dropped from approximately 95% in the nine month period ended September 30, 1999 to approximately 79% in the nine month period ended September 30, 2000. Competition in the residential market has led to decreasing prices and, as a result, increasing traffic. In the residential market, we expect this trend to continue. To respond to these competitive pressures, we initiated a customer "win back" program in the summer of 2000.

Beginning November 1, 2000, we introduced the second phase of carrier pre-selection, in which calls to 8xx-numbers automatically are prefix traffic. This change gives customers the ability to select different carriers for domestic and international calls. Given traffic volume at September 30, 2000, had the change in 8xx-numbers been in effect at such time, we estimate that our market share would have been reduced to 74% compared to the actual level of 79%. The decrease in network traffic will be partially offset by an increase in interconnect traffic. Approximately half of this decrease is accounted for by traffic generated through our Internet business area.

External revenues from the residential market in 1999 were NOK 7,164 million, NOK 266 million, or 3.9%, higher than in 1998. Revenues from subscriptions and connection fees increased by NOK 233 million, or 8.8%, to NOK 2,869 million in 1999. Higher subscription prices starting in March 1999 and conversions from analog to ISDN subscriptions accounted for the increase.

Revenues from external traffic to the residential market were NOK 4,295 million in 1999, NOK 33 million higher than in 1998. Growth in traffic minutes compensated for price reductions made in 1999. We substantially reduced price levels for telephone traffic, simplified price structures, and developed customer loyalty programs for different customer groups. In 1999, we reduced prices for overseas traffic by 26% and cut prices for traffic to mobile networks by 8%. We experienced 13% growth in total traffic minutes for the residential market in 1999, primarily driven by increased Internet traffic, increased traffic from fixed to mobile networks and the increased number of home personal computers and home office services.

External revenues to the residential market in 1998 were NOK 6,898 million, NOK 390 million, or 6%, higher than the NOK 6,508 million recorded in 1997. Virtually all of this increase was due to higher subscription and connection fees, which increased by NOK 373 million. Higher revenues from traffic to the Internet, due to increased volume, were offset by a decrease in other traffic revenues.

Approximately 292,000 subscribers in the residential market have established carrier pre-selection with competing companies between the time we introduced this service on June 1, 1999 and September 30, 2000. Telenor has entered into long-term agreements with housing cooperatives through which it provides service to 230,000 residents at special discounts. Compared to September 30, 1999, this figure has grown slightly by 10,000 residents as of September 30, 2000.

Wholesale Market

Domestic interconnection revenues include the total amount we bill to other domestic fixed and mobile operators for interconnection with our fixed network. International interconnection revenues include fees paid to us from international operators for interconnection with our fixed network as well as revenues from our foreign subsidiaries, Storm and Clarion, in 1998 and 1999.

We recorded external fixed network revenues from the wholesale market of NOK 1,334 million during the nine months ended September 30, 2000. This was NOK 55 million, or 4.3%, higher than the corresponding period in 1999. International interconnection revenues decreased NOK 211 million, or 19.9%, to NOK 848 million due to the sale of our subsidiaries Storm and Clarion and lower international tariffs during the nine months ended September 30, 2000. However, international interconnection revenue excluding Storm and Clarion increased mainly due to increased transit traffic. During this period, revenues from domestic interconnection increased NOK 266 million, or 120.9%, to NOK 486 million due to increased traffic from other domestic fixed and mobile operators.

External revenues from wholesale operations were NOK 1,739 million in 1999. This was NOK 666 million, or 62.1%, higher than in 1998. The altered competitive situation resulted in a tripling of interconnection traffic with external mobile and fixed network operators measured in traffic minutes. Of the increase in international interconnection, NOK 419 million was attributable to Storm and Clarion for the periods prior to their disposal.

External revenues from wholesale operations in 1998 were NOK 214 million higher than in 1997 due to higher interconnection revenues from both domestic and international traffic.

Other

Our external revenues from leased lines increased by NOK 32 million in the nine months ended September 30, 2000, or 5.1%, from NOK 632 million in the nine months ended September 30, 1999. The increase was due to an increased number of digital leased lines, which was partly offset by lower prices in the nine months ended September 30, 2000 on high capacity leased lines. Our external revenues from leased lines decreased NOK 56 million, or 6.5%, from NOK 866 million in 1998 to NOK 810 million in 1999. Price reductions, as well as the increased use of data services, accounted for these reductions. Leased line revenues in 1998 were NOK 46 million more than the NOK 820 million recorded in 1997.

Other network-based activity consists mainly of data services. Data services are a growth area in which competitors are very active. Revenues from other network-based activities in the nine months ended September 30, 2000 increased by NOK 86 million to NOK 846 million compared to the same period in 1999. The growth of data services revenues in the nine months ended September 30, 2000 was less than in prior periods due principally to increased competition from other network operators. Our market share in the business market area was approximately 70% at year end 1999. Revenues in 1999 increased NOK 160 million from NOK 695 million in 1998 to NOK 855 million in 1999. The increase is partly due to the growth in the market for high-speed services such as ATM and frame relay which are based on the broadband Nordicom Network.

Business Solutions

The following table sets forth external revenues for ASP and managed services, value-added network services and customer equipment for the three years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
	(NOK in millions)				
ASP and managed services	110	240	445	368	597
Value-added network services	79	118	188	133	223
Customer equipment	50	53	150	100	202
Total Business Solutions	239	411	783	601	1,022

ASP and Managed Services

ASP and managed services consists of operations and support services connected to remote operations of telephony and data network, consultancy and system integration. External revenues from ASP and managed services were NOK 597 million in the nine months ended September 30, 2000, an increase of NOK 229 million, or 62.2%, compared to the nine months ended September 30, 1999. External revenues from ASP and managed services were NOK 445 million in 1999, an increase of NOK 205 million, or 85.4%, compared to 1998. The growth in this area was due to increased revenues in outsourcing contracts, a license agreement with Computer Associates and organic growth. This growth is also a result of the increased demand for operation and support services. In 1999, Telenor Telecom had approximately a 14% market share of the ASP market. These products include Login, Holos, system integration (primarily consulting) and wide area networking. There has been a migration from traditional outsourcing to ASP services.

Value-added Network Services

External revenues in the nine months ended September 30, 2000 were NOK 223 million, an increase of 67.8% compared to the nine months ended September 30, 1999. The increase in revenues in this period is primarily due to an increase in the number of customers in VIP Nett.

NOK 35 million of this increase resulted from the transfer of certain customers from Telecom Solutions to Business Solutions effective May 1, 2000. External revenues from our e-business unit in the nine months ended September 30, 2000 were NOK 21 million, an increase of NOK 18 million from the nine months ended September 30, 1999. Our e-business unit was established in the second half of 1999.

External revenues from value-added network services were NOK 188 million in 1999, an increase of NOK 70 million, or 59.3%, compared to 1998. The growth in revenues is primarily due to an increase in the numbers of customers in VIP Nett.

Customer equipment

External revenues from sales of customer equipment were NOK 202 million in the nine months ended September 30, 2000, an increase of NOK 102 million, or 102.0%, compared to the nine months ended September 30, 1999. External revenues from sale of equipment were NOK 150 million in 1999, an increase of NOK 97 million, or 183.0%, compared to 1998. In 2000, we adjusted our sales practices so that external revenues from component sales were recognized by our Bravida business area. In addition, effective as of January 1, 2001, the sale of equipment operations will merge with EDB Intech, which is a business within our EDB Business Partner segment.

Operating Expenses

The following table analyzes operating expenses for the Telecom business area for the two years in the period ended December 31, 1999 and nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
External cost of materials and traffic charges	1,670	2,725	2,144	2,491
Internal cost of materials and traffic charges	2,321	2,657	1,699	1,847
Total cost of materials and traffic charges	3,991	5,382	3,843	4,338
Own work capitalized	(100)	(179)	(76)	(126)
Salary and personnel costs	2,327	2,410	1,771	1,911
Other operating expenses external	1,630	1,625	1,162	1,260
Other operating expenses internal	2,659	2,932	2,493	2,632
Depreciation and amortization	2,386	2,638	1,932	2,062
Loss on sale of fixed assets and operations	—	285	212	5
Total operating expenses	12,893	15,093	11,337	12,082

Total operating expenses increased NOK 745 million, or 6.6%, to NOK 12,082 million in the nine months ended September 30, 2000 from NOK 11,337 million in the same period in 1999.

The increased cost of materials and traffic charges in the nine months ended September 30, 2000, reflected an increase in sales of customer equipment, particularly in the lower-margin business market, and an increase in Internet and mobile traffic. External traffic costs of Storm and Clarion were NOK 352 million in the nine months ended September 30, 1999.

The remaining operating expenses increased by NOK 250 million to NOK 7,744 million in the nine months ended September 30, 2000 compared to the same period in 1999. Excluding loss on sale of fixed assets and operations, the increase was NOK 457 million. The increase in these operating expenses is mainly due to costs associated with the installation of ISDN, the increasing use of service contracts, contractors and consultation from our increased activity in Business

Solutions, increased depreciation and amortization expense related to increased investment in ISDN-related activities and increased wages. Salary and personnel costs increased by NOK 140 million due to an increase in full-time equivalent employees compared to September 30, 1999.

Costs of materials and traffic costs in our Telecom business area increased by NOK 1,391 million, or 34.9%, to NOK 5,382 million in 1999 from 1998. This was primarily related to increased costs in traffic outgoing to mobile networks, in interconnection traffic with other operators and in Internet traffic. These products tend to generate relatively high traffic costs and therefore lower margins. The growth in IT operations and outsourcing also led to higher costs.

In 1999, salary and personnel costs increased by NOK 83 million, or 3.6%, over 1998 to NOK 2,410 million. Of this increase, NOK 179 million was recorded as own work capitalized, representing an increase of NOK 79 million, or 79.0%, compared to 1998. Telecom's workforce consisted of 5,172 full-time equivalent employees at the end of 1999, an increase of 68 full-time equivalent employees, or 1.3%, from the end of 1998.

Other operating expenses increased NOK 268 million, or 6.2%, to NOK 4,557 million in 1999. We are currently implementing a cost efficiency program that is focused on rationalization of network operations, improved planning processes for network expansion and improvements in purchasing procedures. The increase in ISDN deliveries and costs associated with the relatively higher fault rates relating to ISDN compared to PSTN are the main causes for the increase in costs. Information technology-related costs increased due to preparations for the year 2000 and initiatives to refine information technology systems that are crucial to operations.

Depreciation increased by NOK 252 million to NOK 2,638 million due to major investments in ISDN over recent years and an increased proportion of fixed assets with short economic useful lives.

Operating Profits

The operating profits in our Telecom business area were NOK 2,219 million in the nine months ended September 30, 2000, an increase of NOK 165 million, or 8%, over the same period in 1999. Eliminating gains and losses on sale of subsidiaries, operating profits fell by NOK 362 million. The decline in operating profits is primarily due to decreased prices and increased operating expenses.

As discussed above, competition in the market for fixed line telephony is intense and we expect it to continue. It will be necessary for the Telecom business area to continue to focus its efforts to slow the decline of its market share and to respond to competitive pricing pressures.

Our Telecom business area recorded operating profits in 1999 of NOK 2,509 million. This was NOK 519 million, or 17.1%, lower than in 1998. The lower profits were attributable to traffic moving to services that have lower margins as well as increased installation costs, higher commissions for the sale of ISDN, higher depreciation and losses of NOK 285 million relating to the sale of Clarion in late 1999.

Broadband Services

The following table sets forth selected financial information regarding our Broadband Services business area for the two years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
External revenues	2,356	2,651	1,868	2,300
Internal revenues	146	143	101	130
Gain on sale of fixed assets and operations	—	4	—	13
Total revenues	2,502	2,798	1,969	2,443
Total operating expenses	2,379	2,790	1,936	2,379
Operating profit	123	8	33	64
Associated companies	(122)	(140)	(76)	(148)
Net financial items	172	92	41	36
Profit before tax	173	(40)	(2)	(48)
EBITDA	484	530	400	523
EBITDA margin (%)	19%	19%	20%	21%

	Year ended December 31,		Nine months ended September 30,
	1998	1999	2000
Investments, including capital expenditures (NOK in millions)	1,069	921	3,329
Total full-time equivalent employees (period end)	617	944	1,130
Of which abroad (period end)	130	272	279

Revenues

The following table sets forth the principal components of revenues earned in the Broadband Services business area for three years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
	(NOK in millions)				
Broadcasting	966	1,340	1,556	1,076	1,437
Satellite Mobile	430	639	629	457	564
Satellite Networks	155	238	279	197	257
Customer equipment	63	83	134	105	28
Other	27	56	53	33	14
Total external revenues	1,641	2,356	2,651	1,868	2,300
Internal revenues	N/A	146	143	101	130
Gain on sale of fixed assets and operations	—	—	4	—	13
Total revenues	N/A	2,502	2,798	1,969	2,443

Total external revenues, including gain on sale, were NOK 2,313 million in the nine months ended September 30, 2000, an increase of NOK 445 million, or 23.8%, compared with the nine months ended September 30, 1999.

Broadcasting, which provides television-based services, recorded total external revenues of NOK 1,437 million for the nine months ended September 30, 2000, an increase of NOK 361 million, or 33.6%, over the same period in 1999. Approximately 47.5% of the increase in our total external broadcasting revenues for the nine months ended September 30, 2000 was attributable to the full consolidation of Norkring, an operator of the terrestrial broadcasting network in Norway. External revenues from the sale of satellite capacity increased by NOK 88 million, or 15.3%, reflecting an increase in the number of subscriber-based contracts in the Nordic market. This includes a prepayment of NOK 50 million due to termination of a transponder contract that would otherwise have generated revenues of NOK 24 million in the nine months ended September 30, 2000. Broadcasting (including all subscribers in Canal Digital, our associated company) had 1,867,514 subscribers at September 30, 2000, an increase of 444,014 subscribers since September 30, 1999.

Our Telenor Avidi cable TV business recorded external revenues of NOK 235 million in the nine months ended September 30, 2000, an increase of NOK 39 million, or 19.8%, compared with the corresponding period in 1999. We had 349,917 cable TV subscribers at September 30, 2000, an increase of 74,417 over September 30, 1999. In September 2000, we completed the acquisition of alfaNETT, which increased the number of subscribers by 34,800. Revenues from our small antenna network operations, which we conduct through Telenor Vision, increased external revenues by NOK 55 million to NOK 173 million in the nine months ended September 30, 2000, compared with the nine months ended September 30, 1999. The increase is primarily due to companies acquired within the Vision group. External revenues in Conax decreased by NOK 8 million to NOK 38 million in the nine months ended September 30, 2000 from the comparable period in the prior year due primarily to lower market demand in the first half of 2000.

Satellite Mobile's external revenues increased by NOK 107 million, or 23.4%, in the nine months ended September 30, 2000 to NOK 564 million. Pricing and traffic modifications made during this period to our traffic agreements with business partners resulted in higher revenues.

Including sales of customer equipment, Satellite Networks recorded external revenues of NOK 269 million in the nine months ended September 30, 2000, a decrease of NOK 11 million, or 3.9%, from the nine months ended September 30, 1999. The decline is primarily attributable to our supply in the 1999 period of a very small-aperture terminal network to the Slovak Republic's Ministry of the Interior, without a corresponding sale of the same magnitude in the same period in 2000. Excluding this transaction, our satellite network revenues in the nine months ended September 30, 2000 were in line with revenues in the nine months ended September 30, 1999.

Gain on sale of subsidiaries in the nine months ended September 30, 2000 amounted to NOK 13 million and related to the reduction of our ownership interest in a subsidiary from 54.5% to 23.8% in the second quarter of 2000.

Internal revenues consist mainly of traffic and satellite charges to companies within our Telecom business area. During the nine months ended September 30, 2000, our internal revenues increased by NOK 29 million from NOK 101 million in the nine months ended September 30, 1999 to NOK 130 million in the nine months ended September 30, 2000.

Total external revenues including gains from sales were NOK 2,655 million in 1999, an increase of NOK 299 million, or 12.7%, compared to 1998.

Broadcasting recorded total external revenues of NOK 1,556 million in 1999, an increase of NOK 216 million, or 16.1%, compared to 1998. Norkring provided external revenues of NOK 238 million during 1999. Revenues from Telenor CTV decreased substantially in 1999 because we transferred most of its operations to Canal Digital, which we account for under the equity method. External revenues from Broadcasting to Canal Digital correspondingly increased. The net effect of these changes was a reduction in external revenues of NOK 130 million. The home satellite dish market in Norway is served primarily by Canal Digital.

Telenor Avidi's external revenues increased by NOK 27 million, or 10.8%, to NOK 277 million in 1999, while the number of cable TV subscribers increased by 12,000 to 282,000 during the same period. Telenor Avidi had a 35% share of the Norwegian market for cable TV subscribers at the end of 1999. Telenor Vision's revenues from small antenna networks increased by NOK 41 million to NOK 167 million in 1999. The total number of subscribers at the end of 1999 was 937,000, compared with 686,000 at the end of 1998. The total number of small antenna network subscribers at year end 1999 includes 87,000 hotel rooms served by Telenor Vision throughout the Nordic region. External revenues from the sale of satellite capacity increased by NOK 161 million to NOK 784 million, primarily due to increased sales to Canal Digital. Telenor Conax revenues decreased by 13% from NOK 120 million in 1998 to NOK 104 million in 1999 due to lower new sales of smart cards in 1999 compared to 1998.

In the business market, including customer equipment and other, our Broadband Services business area recorded total revenues of NOK 1,095 million in 1999, an increase of NOK 79 million, or 7.8%, over 1998. In 1999, Satellite Networks had revenues of NOK 413 million, including customer equipment, an increase of NOK 92 million compared to 1998. This increase was due in part to our supply of a very small aperture terminal network to the Slovak Republic's Ministry of the Interior. In 1999, Satellite Mobile recorded revenues of NOK 629 million, NOK 10 million lower than in 1998. This was due to lower traffic levels in the land-mobile segment, as well as the transition from analog to digital traffic with lower prices. We maintained a market share of approximately 13% for traffic through the EIK terrestrial station in 1999, despite stronger competition.

External revenues in the Broadband Services business area in 1998 were NOK 715 million higher than in 1997. This increase in Broadcasting revenues of NOK 374 million accounted for the largest portion of this increase. The increase related primarily to the launch of Thor II and Thor III satellites. Our Broadband Services business area had 1,308,000 total subscribers at year end 1998 (including all subscribers of Canal Digital), an increase of 164.2% from December 31, 1997. Including our proportionate share in Canal Digital, we had 1,132,000 subscribers at year end 1998, an increase of 763,000 subscribers from December 31, 1997.

Satellite Mobile revenues of NOK 639 million in 1998 were NOK 209 million, or 48.6%, higher than in 1997 due to strong growth in traffic minutes during the year. Satellite Network revenues, including customer equipment, improved NOK 103 million, or 47.3%, from NOK 218 million in 1997 to NOK 321 million in 1998 due to companies acquired during 1998.

Operating Expenses

The following table sets forth the principal components of operating expenses for the Broadband Services business area for the two years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
External cost of materials and traffic charges	1,215	1,123	806	950
Internal cost of materials and traffic charges	136	129	112	115
Total cost of materials and traffic charges	1,351	1,252	918	1,065
Own work capitalized	(20)	(31)	(24)	(18)
Salary and personnel costs	259	370	257	361
Other operating expenses external	300	498	279	355
Other operating expenses internal	127	178	139	157
Depreciation and amortization	361	522	367	459
Loss on sale of fixed assets and operations	1	1	—	—
Total operating expenses	2,379	2,790	1,936	2,379

Total operating expenses increased by NOK 443 million, or 22.9%, in the nine months ended September 30, 2000 over the comparable period of 1999, principally due to acquisition and investment activities and the development of new projects and interactive services, including Zonavi. These expenses included increased salary and personnel costs, increased depreciation and amortization expense and increased other operating expenses. We expect to incur substantial expenditures in the future in developing our interactive television services and subsidies of set-top boxes. We expect to invest in the digitalization of the Cable TV and small antenna networks as well as increased satellite capacity.

The cost of materials and traffic charges in the nine months ended September 30, 2000 increased by NOK 147 million primarily due to higher usage of satellite capacity from INMARSAT in Satellite Mobile and new companies in Vision.

Total operating expenses increased by NOK 411 million, or 17.3%, in 1999 compared to 1998. The costs of material and traffic charges in 1999 were lower than in 1998, primarily due to reduced purchases of external satellite capacity. Salary and personnel costs of NOK 370 million in 1999 were NOK 111 million, or 42.9%, higher than in 1998, principally due to the increase of 327 full-time equivalent employees from the previous year. This increase was partly due to the acquisition of Norkring.

Other operating expenses increased NOK 249 million, or 58.3%, to NOK 676 million in 1999, compared to NOK 427 million in 1998. We also recorded costs in connection with product and project development in multimedia and the electronics market. Depreciation and amortization amounted to NOK 522 million, an increase of NOK 161 million compared to 1998. This was related to an investment in Thor III and the consolidation of Norkring.

Operating Profits (Loss)

The operating profit in the nine months ended September 30, 2000 was NOK 64 million, an increase of NOK 31 million compared with the nine months ended September 30, 1999. The increase is primarily due to higher external revenues within Satellite Broadcasting, including payment of a termination fee, full consolidation of Norkring, the gain on sale of ownership in a subsidiary and the reversal of cost accruals related to the obligations of this company in the second quarter of

2000. Higher operating expenses are attributed to the development of broadband and interactive services.

We are currently in a development and expansion phase in our broadband operations. As a result we are experiencing high operating expenses and we are increasing our investments in our operations. As a result, our operating profit for 1999 was NOK 8 million, down NOK 115 million, or 93.5%, from 1998.

Associated Companies

Associated companies recorded a loss of NOK 148 million in the nine months ended September 30, 2000, compared with a loss of NOK 76 million in the nine months ended September 30, 1999, representing an increased loss of NOK 72 million. The results of Canal Digital accounted for NOK 128 million of the loss in the nine months ended September 30, 2000, as compared with a loss of NOK 77 million in the nine months ended September 30, 1999. The increased loss in the nine months ended September 30, 2000 is mainly the result of a one-time gain received in 1999 from Canal Digital's partial termination of its operations in Denmark. In contrast to the increased loss, in the nine months ended September 30, 2000, Canal Digital increased the total number of its subscribers by 69,560 to 451,560, and recorded an increase in revenues of 33.7% compared to the same period in the prior year.

The associated companies recorded a loss of NOK 140 million in 1999, compared with NOK 122 million in 1998. Losses in Canal Digital were NOK 133 million in 1999, an increase of NOK 3 million, or 2.3%, compared to 1998. Telenor's share of revenues from Canal Digital in 1999, non-consolidated, increased by NOK 284 million, or 135.9%, from NOK 209 million in 1998 to NOK 493 million in 1999. During 1999, the number of subscribers increased by 53,000 households and by the year end, Canal Digital had 405,000 subscribers in the home satellite dish television market.

Internet

The following table sets forth selected financial information regarding our Internet business area for the two years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
External revenues	342	566	388	605
Internal revenues	127	320	231	158
Total revenues	469	886	619	763
Operating expenses	655	1,024	714	1,332
Operating profit	(186)	(138)	(95)	(569)
Associated companies	(51)	14	13	254
Net financial items	(4)	(4)	(1)	(16)
Profit before tax	(241)	(128)	(83)	(331)
EBITDA	(122)	(27)	(18)	(395)

	Year ended December 31, 1998	1999	Nine months ended September 30, 2000
Investments, including capital expenditures (NOK in millions)	125	442	635
Total full-time employee equivalents (period end)	409	735	1,474
Of which abroad (period end)	69	361	978

Revenues

The following table sets forth selected financial information regarding our Internet business area for the three years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
	(NOK in millions)				
Telenor Internett (residential Norway)	127	200	299	209	228
Nextra business (Norway)	63	141	184	136	167
Nextra business (outside Norway)	—	1	83	43	210
Total external revenues	190	342	566	388	605
Internal revenues	N/A	127	320	231	158
Total revenues	N/A	469	886	619	763

Total revenues in the nine months ended September 30, 2000 amounted to NOK 763 million, an increase of NOK 144 million, or 23.3%, compared with the same period in 1999. Companies outside Norway contributed external revenues of NOK 210 million in the nine months ended September 30, 2000, an increase of NOK 167 million from the nine months ended September 30, 1999. Of this amount, NOK 115 million relates to companies acquired after October 1, 1999.

External revenues, consisting mainly of subscription revenues, grew by 14.5% in Norway in the nine months ended September 30, 2000 to NOK 395 million, due primarily to a higher number of subscriptions in the residential and business market. Nextra launched a separate prefix, and traffic revenues from prefix customers contributed revenues of NOK 7 million in the nine months ended September 30, 2000.

The number of Telenor Internett subscriptions in the residential market in Norway increased from 350,000 at September 30, 1999 to 360,000 at September 30, 2000. Our Norwegian operations also grew within the business sector. The number of subscriptions within the business market in Norway totaled 13,000 at September 30, 2000. Our international operations, which at September 30, 2000 covered nine European countries, enjoyed growth in the number of subscriptions from approximately 34,000 at September 30, 1999 to approximately 82,000 at September 30, 2000.

The reduction in internal revenues of NOK 73 million compared with the nine months ended September 30, 1999 is primarily attributable to lower per minute traffic charges from Telenor Telecom for Internet-generated traffic. The traffic volume generated during the nine months ended September 30, 2000 was 50% higher than the nine months ended September 30, 1999.

Revenues in 1999 were NOK 886 million, an increase of NOK 417 million, or 89%, from 1998. The increase is primarily attributable to the increase in the number of residential Internet subscriptions in Norway, as well as an increase in the number of access and Internet hosting subscriptions in the business market. A large increase in traffic volume also contributed to the growth in revenues. A significant part of this growth also came from our international operations in the business area, which at the end of the year covered eight European countries. Revenues for the international operations were NOK 83 million in 1999 compared to NOK 1 million in 1998.

External revenues for 1999 were NOK 566 million, an increase of NOK 224 million, or 65.5%, compared with 1998. Our revenues in international operations grew by NOK 82 million, primarily in the business market. Only a few of the international subsidiaries were part of this business area for the whole financial year.

The Norwegian residential Internet market continued its strong growth in 1999. The number of subscriptions and registered FriSurf users increased by 140,000, or 53.8%, to 400,000 in the course of the year. This includes 45,000 registered FriSurf users. Our continuing strong position has been achieved through a new portal (online.no) and retail sales, a strong focus on framework agreements with businesses and sales directly from customer service. In Norway, we increased revenues from Internet access to the business market in 1999. The business area also strengthened its position in web-hotel service and other hosting services.

Internal revenues were NOK 320 million in 1999, an increase of NOK 193 million, or 152%, compared with 1998. The growth can largely be attributed to the increase in Internet-generated traffic. Traffic volumes were 65% higher in 1999 than in 1998. Telenor Internet accounted for 18% of our total fixed network traffic in 1999 as compared to 12% in 1998.

External revenues in 1998 of NOK 342 million were NOK 152 million, or 80%, higher than in 1997. Internet services for the residential market accounted for a large part of this growth. The number of Telenor Internet subscriptions increased from 165,000 to 260,000 during 1998 and we maintained a 70% market share of subscriptions. During 1998, we began to build our position in the web-hotel and the hosting market.

Operating Expenses

The following table sets forth operating expenses for our Internet business area for the two years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
External cost of materials and traffic charges	41	101	60	158
Internal cost of materials and traffic charges	99	162	117	131
Total cost of materials and traffic charges	140	263	177	289
Own work capitalized	—	—	—	—
Salary and personnel costs	133	238	169	380
Other operating expenses external	257	372	281	428
Other operating expenses internal	61	40	10	61
Depreciation and amortization	64	111	77	174
Loss on sale of fixed assets and operations	—	—	—	—
Total operating expenses	655	1,024	714	1,332

Total operating expenses for the nine months ended September 30, 2000 were NOK 1,332 million, an increase of NOK 618 million, or 86.6%, over the comparable period in 1999. Cost of materials and traffic charges increased by NOK 112 million, or 63%. Salary and personnel costs increased by NOK 211 million, or 125%, primarily as a result of the increased number of employees in our international operations.

The remaining increase in operating expenses in the nine months ended September 30, 2000, NOK 295 million was attributable to increased international activity through acquisitions and start-up operations. Marketing and consultancy services in addition to amortization of goodwill increased significantly due to acquisitions of international businesses.

Total operating expenses for 1999 were NOK 1,024 million, an increase of NOK 369 million, or 56.3%, over 1998. Higher materials costs and traffic charges were in line with increased revenues for the period. Salary and personnel costs increased by NOK 105 million, or 79%, primarily as a result of increased international activity. At the end of 1999 almost half the workforce was working outside of Norway. The total number of full-time equivalent employees was 735 at the end of 1999, of which 361 were outside Norway. In 1998, the total number of full-time equivalent employees was 409, of which 69 were outside of Norway. The total number of employees in Norway is now at a stable level and future workforce growth will likely come from outside of Norway.

Other operating expenses in 1999 increased by NOK 94 million, or 29.6%, to NOK 412 million. This increase relates mainly to the business area's subsidiaries abroad, including establishing and starting up international operations. The remaining increase is primarily attributed to increased activity in our Norwegian operations.

Depreciation was NOK 111 million in 1999, an increase of NOK 47 million compared to 1998. The increase is primarily a result of increased investment outside of Norway.

Operating Profits (Loss)

We recorded an operating loss in our Internet business area of NOK 569 million in the nine months ended September 30, 2000, which is a loss of an additional NOK 474 million compared to the same period in 1999. The loss is attributable to the extensive investments in international operations where we recorded an operating loss from subsidiaries outside Norway (including amortization of goodwill) of NOK 420 million, compared with an operating loss (including amortization of goodwill) of NOK 65 million in the nine months ended September 30, 1999. During recent months, operating expenses have increased due to the introduction of new initiatives.

Our Internet business area recorded an operating loss for 1999 of NOK 138 million. This represented an improvement of NOK 48 million compared to an operating loss of NOK 186 million in 1998, and was attributable to an increase in revenues. The loss is attributable to the investments in international operations in which we recorded an operating loss from subsidiaries outside Norway (including amortization of goodwill) of NOK 113 million.

Associated Companies

During the first nine months of 2000, we transferred our ownership interest in Scandinavia Online AS (SOL AS) to Scandinavia Online AB (SOL AB). SOL AB completed an initial public listing of its shares in June 2000, and our ownership was reduced to approximately 17%. The net results from associated companies in our Internet business area for the nine months ended September 30, 2000 amounted to NOK 254 million, an increase of NOK 241 million. The improvement in this result is primarily related to the gain on reduced ownership in SOL AB and the sale of activities in SOL AS prior to the restructuring of our ownership, and gain on sale of Schibsted Interactive AB.

Our net results from associated companies in 1999 was NOK 14 million, an improvement of NOK 65 million, or 127.5%, over 1998. This was mainly attributable to the SOL companies. This growth was due to extensive restructuring of the companies, and the realization of gains from the sale of businesses within SOL AS.

Media

The following table sets forth selected financial information regarding our Media business area for the two years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
External revenues	1,494	1,594	1,351	1,224
Internal revenues	89	91	84	83
Gain on sale of fixed assets	1	683	—	—
Total revenues	1,584	2,368	1,435	1,307
Total operating expenses	1,339	1,362	1,062	1,003
Operating profit	245	1,006	373	304
Associated companies	(15)	(3)	(14)	(8)
Net financial items	2	42	31	24
Profit before tax	232	1,045	390	320
EBITDA	337	1,085	437	347
EBITDA margin (%)	21%	46%	30%	27%

	Year ended December 31,		Nine months ended September 30,
	1998	1999	2000
Investments, including capital expenditures (NOK in millions)	31	71	84
Total full-time employee equivalent (period end)	1,460	1,407	1,865
Of which abroad (period end)	605	531	990

Revenues

The following table sets forth selected revenue information regarding our Media business area for the three years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
	(NOK in millions)				
Directory activities in Norway	887	1,062	1,243	1,057	1,131
Directory activities outside Norway	372	432	351	294	93
External revenues	1,259	1,494	1,594	1,351	1,224
Internal revenues	N/A	89	91	84	83
Gain on sale of fixed assets and operations	—	1	683	—	—
Total revenues	N/A	1,584	2,368	1,435	1,307

Revenues in our Media business area totaled NOK 1,307 million in the nine months ended September 30, 2000, a decrease of NOK 128 million compared to the nine months ended September 30, 1999. Revenues from directory advertising are recorded in our Media business area when the directory is published. Revenues from sold operations (Lokaldelen AB, our former directory operations in Sweden, and Företagsinfo AB) amounted to NOK 221 million in the nine months ended

September 30, 1999. Revenues from acquired operations amounted to NOK 20 million in the nine months ended September 30, 2000. Excluding revenues from sold and acquired operations, revenues generated by our international operations in the nine months ended September 30, 2000 remained unchanged from the comparable period in the prior year. Delay in publication of directories due to a strike at our printers resulted in a decrease in revenues of NOK 56 million from our Norwegian operations. Aside from these events, revenues from Norwegian directories increased during the nine months ended September 30, 2000 as a result of the increased volume of sales of printed and online products.

Total revenues in 1999 were NOK 2,368 million, an increase of NOK 784 million, or 49.5%, compared with 1998. Revenues include gains on sale. Adjusted for acquisitions and disposals of businesses, the increase in revenues were NOK 159 million, or 13%, over 1998. The increase is primarily related to higher advertising sales in the Norwegian directory operation.

Our directory operations in Norway had revenues of NOK 1,334 million (internal and external) in 1999, an increase of NOK 183 million, or 16%, over 1998. The increase relates to increased advertisement sales in printed directories and electronic media.

Revenues from operations outside Norway were NOK 1,034 million in 1999, including gains on sales. Adjusted for acquisitions/disposals of business, operations outside Norway showed a reduction in revenues of NOK 22 million caused by a reorganization in our Spanish directory operations.

External revenues in our Media business area in 1998 were NOK 235 million, or 18.7%, higher than in 1997. Growth in advertising sales in printed directories as well as expanded revenues from electronic media contributed to the increase in catalog revenues in Norway. Lokaldelen AB, contributed to the growth in foreign catalog sales.

Operating Expenses

The following table sets forth data regarding operating expenses in our Media business area for the two years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,		Nine months ended September 30,	
	1998	**1999**	**1999**	**2000**
	(NOK in millions)			
External cost of materials and traffic charges	337	319	277	199
Internal cost of materials and traffic charges	—	—	—	4
Total cost of materials and traffic charges	337	319	277	203
Own work capitalized	—	(3)	(3)	—
Salary and personnel costs	437	473	362	368
Other operating expenses external	356	371	281	290
Other operating expenses internal	117	123	81	99
Depreciation and amortization	92	79	64	43
Loss on sale of fixed assets and operations	—	—	—	—
Total operating expenses	1,339	1,362	1,062	1,003

Total operating expenses in the Media business area declined by NOK 59 million, or 5.6%, from NOK 1,062 million in the nine months ended September 30, 1999 to NOK 1,003 million in the nine months ended September 30, 2000. Operating expenses related to businesses subsequently sold amounted to NOK 198 million in the nine months ended September 30, 1999. Adjusted for the delay in publication of directories, operating expenses increased NOK 132 million due to a general increase in the salary and personnel costs, due to an increased number of employees and expenses incurred related to the implementation of a new directory system in the organization.

The cost of materials and traffic charges were NOK 319 million in 1999, a reduction of NOK 18 million compared with 1998. When adjusted for acquisitions/disposals of businesses, the increase in cost of materials and traffic charges was NOK 4 million. The increase is primarily due to reprinting volume 4 of the Norwegian telephone directory (NOK 7 million) and the increased price of paper and printing costs for the Norwegian directory operations. Reduced activity in Spain led to lower production costs.

Salary and personnel costs were NOK 473 million in 1999, an increase of NOK 36 million over 1998. Adjusted for acquisition/disposals of operations, salary and personnel costs were NOK 365 million in 1999, an increase of NOK 22 million, or 6%. The increase is a result of a general increase in salary levels, increased resource usage in sales resulting from higher activity levels and increased product development in the Norwegian directory operation, although productivity improvements also generated significant cost reductions in the same period for the Norwegian directory operation.

The number of full-time equivalent employees decreased by 53 to 1,407 in 1999. Adjusted for acquisitions/disposals of business, the total number of employees increased by 170 compared to 1998. The increase is a result of higher activity in the Norwegian operations, as well as more part-time employees than in 1998.

Other operating expenses increased by NOK 21 million to NOK 494 million in 1999. Adjusted for acquisitions/disposals of business, the increase was NOK 32 million. The increase is a result of greater market activity, increased use of consultants, higher technical costs and an increased group internal charge for information technology costs to the Norwegian operations.

Depreciation and amortization were NOK 79 million in 1999, which was NOK 13 million lower than 1998. Adjusted for acquisitions/disposals of business, depreciation and amortization were NOK 17 million lower than in 1998. The primary cause of this reduction is that the depreciation of the rebuilding costs of our head office in Oslo ended in 1998.

Operating Profits

The operating profit of our Media business area for the nine months ended September 30, 2000 was NOK 304 million, a decrease of NOK 69 million, or 18.5%, compared to the nine months ended September 30, 1999. The nine months ended September 30, 1999 includes operating profit of NOK 23 million from operations subsequently sold. After adjusting for sold operations, the operating profit for Norwegian directories and the international operations was NOK 41 million and NOK 5 million lower than last year, respectively. The delay in distribution of the directories in Norway had a negative effect of NOK 38 million on the operating profit for the nine months ended September 30, 2000.

Our Swedish directory operations, Lokaldelen AB and Telenor Företagsinfo AB, were sold, and our shareholding in the Baltic directory operation Interinfo increased from 40.5% in 1998 to 100% in 1999. We acquired the directory operations Soleil Publicite during 1998. Operating profit in 1999 from sold operations was NOK 19 million, a decrease of NOK 41 million, or 68.1%, excluding gains on disposal. Interinfo and Soleil had combined revenues of NOK 80 million and an operating loss of NOK 27 million in 1999.

Media's operating profit was NOK 1,006 million in 1999, an increase of NOK 761 million, or 310.6%, compared with 1998. The gain on the disposal of operations was NOK 683 million. The improvement was due to considerably higher profitability in Norway.

Bravida

The following table sets forth selected financial information regarding our Bravida business area for the two years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
External revenues	2,743	2,888	2,193	1,600
Internal revenues	2,764	3,145	2,246	2,122
Gain on sale of fixed assets and operations	—	24	19	13
Total revenues	5,507	6,057	4,458	3,735
Operating expenses	5,389	6,038	4,385	3,753
Operating profit	118	19	73	(18)
Associated companies	0	0	—	—
Net financial items	7	(22)	(8)	(9)
Profit before tax	125	(3)	65	(27)
EBITDA	202	147	173	62
EBITDA margin (%)	4%	2%	4%	2%

	Year ended December 31,		Nine months ended September 30,
	1998	1999	2000
Investments, including capital expenditures (NOK in millions)	165	240	147
Total full-time employee equivalent (period end)	5,889	5,966	5,763
Of which abroad (period end)	295	454	307

Revenues

The following table sets forth revenue information regarding our Bravida business area for the three years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
	(NOK in millions)				
Customer equipment	1,563	1,365	1,374	1,039	850
IT service and installations	1,190	1,302	1,406	1,103	727
Other	50	76	108	51	23
External revenues	2,803	2,743	2,888	2,193	1,600
Internal revenues	N/A	2,764	3,145	2,246	2,122
Gain on sale of fixed assets and operations		—	24	19	13
Total revenues	N/A	5,507	6,057	4,458	3,735

Total revenues in the nine months ended September 30, 2000 were NOK 3,735 million, a decrease of NOK 723 million, or 16.2%, compared with the same period in 1999. The decline in revenues is attributable to low market demand for customer equipment and IT service and installations in Norway which was only partially offset by the increased revenues generated by start-up businesses and gains from the sale of businesses and assets.

External revenues from IT service and installations decreased due to lower market demand and increased competition in the residential market. Our Swedish operations experienced a declining market share within the segments of telecommunications, data and security, and revenues in Sweden fell by NOK 34 million, or 13%, compared to the nine months ended September 30, 1999.

Internal revenues decreased by NOK 124 million, or 5.5%, to NOK 2,122 million in the first nine months of 2000. Bravida sold approximately NOK 140 million worth of home PCs to Telenor employees in the nine months ended September 30, 1999. Improved prices for deliveries to Telenor Telecom in 2000 compared to 1999 contributed to an increase in internal revenues.

Total revenues in 1999 were NOK 6,057 million, an increase of NOK 550 million, or 10.0%, compared with 1998. New operations contributed revenues of NOK 237 million. Revenues also included gains of NOK 24 million from the disposal of operations in 1999. The increase in revenues is attributable to customer equipment sales which increased by NOK 334 million, or 18.7%, to NOK 2,119 million, installation revenues which increased NOK 251 million, or 7.3%, to NOK 3,685 million and other revenues, which includes sales of safety equipment and services relating to geographic information technology and electronic document management which fell NOK 59 million, or 20.6%, to NOK 228 million.

External revenues increased NOK 169 million, or 6.2%, to NOK 2,912 million in 1999. New operations in Sweden and Norway accounted for NOK 235 million of external revenues. External revenues for customer equipment such as video conferencing and computer equipment remained at the same level as for 1998. External revenues from installation fell after excluding the effect of acquisitions. The reduction can be attributed to increased competition for installation contracts in the private and business markets.

Internal revenues increased by NOK 381 million, or 13.8%, to NOK 3,145 million in 1999. NOK 325 million of this increase was due to increased sales of customer equipment, of which Telenor's financing of a home PC program accounted for a significant part of this. Increases in revenues from installation are related to the increased demand for ISDN, and increased expansion in connection with a focus on the access network in which the proportion of material costs that can be invoiced has increased.

Operating Expenses

The following table sets forth selected financial information regarding our Bravida business area for the two years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
External cost of materials and traffic charges	2,053	2,541	1,791	961
Internal cost of materials and traffic charges	197	148	133	425
Total cost of materials and traffic charges	2,250	2,689	1,924	1,386
Own work capitalized	—	(8)	—	—
Salary and personnel costs	1,909	2,151	1,588	1,543
Other operating expenses external	690	601	406	413
Other operating expenses internal	456	474	367	331
Depreciation and amortization	84	128	100	80
Loss on sale of fixed assets and operations	—	3	—	—
Total operating expenses	5,389	6,038	4,385	3,753

Total operating expenses in the Bravida business area were NOK 3,753 million in the nine months ended September 30, 2000, a decrease of NOK 632 million, or 14.4%, compared to the nine months ended September 30, 1999. Costs of materials and traffic charges were substantially lower in the nine months ended September 30, 2000, reflecting the lower sales of customer equipment (external and internal sales) and lower sales of IT service and installations of which cost of material constitute a major part. Due to fewer employees in the nine months ended September 30, 2000 compared to the same period in 1999 salary and personnel costs decreased in the nine months ended September 30, 2000 from the nine months ended September 30, 1999. The reduction in other operating expenses is mainly due to lower sales, fewer employees and general cost savings. Depreciation and amortization also decreased as major investments were fully depreciated in 1999.

Total operating expenses were NOK 6,038 million in 1999, an increase of NOK 649 million, or 12.0%, compared to 1998.

The cost of materials and traffic charges increased NOK 439 million, or 19.5%, to NOK 2,689 million in 1999 due to higher volumes of delivery of customer equipment and a higher percentage cost of materials for services supplied. The cost of materials from new operations was NOK 101 million.

Salary and personnel costs increased NOK 242 million, or 12.7%, to NOK 2,151 million in 1999. NOK 110 million of this increase was related to new operations, while the remaining increase was attributable to overtime costs and salary increases.

Other operating expenses were NOK 71 million, or 6.2%, lower to NOK 1,075 million in 1999. The reduction reflects the reduced use of contract personnel and general cost-cutting.

Depreciation and amortization increased NOK 44 million, or 52.4%, to NOK 128 million in 1999. Depreciation related to new operations was NOK 13 million. Depreciation costs increased by NOK 10 million as a result of the participation of a large number of Bravida employees in a home personal computer program.

Operating Profits (Loss)

Bravida recorded an operating loss of NOK 18 million for the first nine months of 2000, compared to an operating profit of NOK 73 million for the same period in 1999. The reduction is attributable to lower revenues for both Bravida's Norwegian and Swedish operations as well as costs associated with restructuring the Swedish operations. New business contributed with a loss of NOK 17 million (after amortization of goodwill). In addition, costs of NOK 31 million were incurred in connection with branding of the new company and consultancy fees in the merger with BPA in the first nine months of 2000. Bravida expects to incur additional costs related to the merger with BPA, estimated to be a total of NOK 25 million in 2000.

Operating profit in 1999 was NOK 19 million, NOK 99 million lower than in 1998. Our new operations contributed operating loss of NOK 17 million, while we recorded gains from disposals of NOK 24 million. The operating margin was 0.3% in 1999, compared with 2.2% in 1998. The deteriorating result can be attributed to a fall in the price of services, increased material costs due to a change in the structure of contracts with Telenor Telecom and lower margins on computer equipment sales.

EDB Business Partner

The following table sets forth selected financial information regarding EDB Business Partner for the two years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
External revenues	826	1,508	995	1,950
Internal revenues	1,242	1,507	1,107	1,051
Gain on sale of fixed assets and operations	29	—	—	—
Total revenues	2,097	3,015	2,102	3,001
Operating expenses	1,987	2,888	2,010	2,931
Operating profit	110	127	92	70
Associated companies	2	(5)	(4)	(12)
Net financial items	(8)	(13)	(3)	(1)
Profit before tax	104	109	85	57
EBITDA	300	341	246	342
EBITDA margin (%)	14%	11%	12%	11%

	Year ended December 31,		Nine months ended September 30,
	1998	1999	2000
Investments, including capital expenditures (NOK in millions)	201	1,027	2,931
Total full-time employee equivalent (period end)	1,420	2,169	3,090
Of which abroad (period end)	53	154	154

The following discussion analyzes the companies in EDB Business Partner (formerly Telenor Programvare) and includes the consolidated figures for the acquired EDB group which was consolidated as of May 1, 1999, for Telesciences which was consolidated as of December 7, 1999 and for Fellesdata, which was consolidated as of April 7, 2000 and for BDC, which was consolidated as of July 1, 2000.

Revenues

Revenues for EDB Business Partner in the nine months ended September 30, 2000 were NOK 3,001 million, an increase of NOK 899 million, or 42.8%, over the nine months ended September 30, 1999. This increase was largely attributable to acquired companies. Revenues from consultancy services and systems were low at the beginning of 2000, but have improved during the second and third quarter. This is due in part to the banking and finance area where sales have been stronger than expected. Sales to the telecommunications sector has also shown some improvement. Revenues from sales of general consultancy services were affected by weak market conditions over the first four months, but improved considerably over the last five months. The market situation is now considered normalized. The revenues from computer operating services increased by 35% from the corresponding period last year. This increase includes the contributions of business acquired, excluding the effects of acquired businesses, revenues are slightly lower than last year. The revenues for the nine months ended September 30, 1999 were affected by Y2K test center revenues. Revenues from infrastructure decreased in the nine months ended September 30, 2000, compared to the same period in 1999 due to lower sales of hardware and services in the first half of 2000. We acquired 100% of Fellesdata which was consolidated from April 2000.

Revenues for 1999 were NOK 3,015 million, an increase of NOK 918 million, or 43.8%, compared with 1998. These revenues include revenues from acquired and sold operations of NOK 486 million. High production levels from operational services increased revenue despite reduced prices. We also benefited from a significant increase in the volume of IT services and software supplied to the banking, financial and telecommunications sectors.

The increase in internal revenue relates primarily to the sale of operational services, as well as the sale of consultant services and solutions to the Telecom business area.

Operating Expenses

The following table set forth operating expenses for the EDB Business Partner business area for the two years in the period ended December 31, 1999 and the nine month periods ended September 30, 1999 and 2000.

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
External cost of materials and traffic charges	160	331	237	314
Internal cost of materials and traffic charges	55	93	2	44
Total cost of materials and traffic charges	215	424	239	358
Own work capitalized	—	—	—	—
Salary and personnel costs	683	986	657	1,232
Other operating expenses external	706	1,092	772	908
Other operating expenses internal	189	171	187	161
Depreciation and amortization	190	214	154	272
Loss on sale of fixed assets and operations	4	1	1	—
Total operating expenses	1,987	2,888	2,010	2,931

Total operating expenses for EDB Business Partner in the nine months ended September 30, 2000 were NOK 2,931 million, an increase of NOK 921 million, or 45.8%, compared to the nine months ended September 30, 1999. This increase was primarily related to new companies acquired including an increase in amortization of goodwill by NOK 68 million.

Cost of materials is related to sale of customer equipment, mainly in the acquired EDB companies.

Salary and personnel costs have increased by NOK 575 million in the nine months ended September 30, 2000 compared to the nine months ended September 30, 1999, primarily related to new companies. Social security tax on share options accounted for NOK 39 million of the increase due to an increase in the quoted stock price of EDB Business Partner ASA. Included in other operating expenses are consultancy and other services, etc., which are invoiced to our customers.

Total operating expenses were NOK 2,888 million in 1999, an increase of NOK 901 million, or 45.3%, over 1998. This includes expenses from acquired/sold operations of NOK 514 million. The cost of materials and traffic charges were NOK 424 million in 1999, an increase of NOK 209 million, or 97.2% compared to 1998. This includes NOK 269 million from acquired/sold operations. Increased sales of home PCs and operational services generated higher costs of materials and traffic charges.

Salary and personnel costs increased NOK 303 million, or 44.4%, to NOK 986 million in 1999. On a net basis business acquired or sold accounted for NOK 168 million. The social security tax costs of options and bonus schemes were NOK 22 million.

Other operating expenses were NOK 1,263 million in 1999, NOK 368 million, or 41.1%, higher than in 1998. This includes NOK 58 million from acquired or sold operations. The increase is due, in part, to increased demand for the delivery of services to banking, finance and telecommunications companies. In addition, costs of NOK 20 million were incurred in connection with the conversion of a major telecommunications system to a new technological platform, as well as costs related to Y2K and to the extraordinary leap year. Synergy effects from the EDB ASA merger contributed positively in 1999.

Depreciation and amortization (including goodwill) increased by NOK 24 million, or 12.6%, to NOK 214 million in 1999. Goodwill amortization was NOK 68 million in 1999, an increase of NOK 2 million, or 3.0%, over 1998.

Operating Profits (Loss)

EDB Business Partner recorded an operating profit of NOK 70 million in the nine months ended September 30, 2000. This result was NOK 22 million lower than the same period in 1999. In the nine months ended September 30, 2000, provisions of NOK 42 million were made for social securities tax on share options for employees compared with NOK 3 million in the nine months ended September 30, 1999. Depreciation on goodwill of NOK 105 million was NOK 68 million higher than the 1999 period and related essentially to the acquisition of the EDB group (consolidated from May 1, 1999), Fellesdata (consolidated from April 1, 2000) and the acquisition of Telesciences on December 7, 1999.

Operating profit in 1999 was NOK 127 million, an increase of NOK 17 million, or 15.5%, compared with 1998. New operations made a negative contribution to operating profit of NOK 12 million in 1999, of which goodwill and depreciation from these acquisitions amounted to NOK 14 million. Operations disposed of in 1998 contributed NOK 15 million to operating profits in 1998.

Consultant services and solutions were more profitable in 1999 than in 1998. We recognized significant development costs for software for the healthcare and banking sectors in 1998. Operational services and infrastructure showed an improved operating result. Reduced margins were more than offset by increased production volume and gains from synergy effects resulting from the EDB merger.

Liquidity and Capital Resources

Liquidity

The following table sets forth information regarding our cash flows:

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
	(NOK in millions)				
Net cash flow from operating activities	5,394	7,042	7,370	4,994	4,728
Net cash flow from investment activities	(8,140)	(10,019)	(9,205)	(6,474)	(44,218)
Net cash flow from financing activities	2,570	3,628	2,914	3,004	39,556
Effect on cash and cash equivalents of changes in foreign exchange rates	4	7	2	(3)	17
Net increase(decrease) in cash and cash equivalents	(172)	658	1,081	1,521	83
Cash and cash equivalents at beginning of period	557	385	1,043	1,043	2,124
Cash and cash equivalents at end of period	385	1,043	2,124	2,564	2,207

For the first nine months of 2000 net cash flow from operating activities decreased compared to the first nine months of 1999 mainly on account of increased finance expenses.

In the first nine months of 2000, we increased our investments compared to 1999. We paid NOK 36.2 billion to acquire subsidiaries (net of cash acquired) and interests in, and contributed capital to, associated companies; see ''Capital Expenditure and Investments'' below. Net cash flow from investment activities was also affected by other payments for investments in fixed assets and shares and positively affected by the sale of subsidiaries, operating assets and sale of other investments and shares.

To finance parts of our investments we have drawn down net NOK 38.5 billion from debt facilities, while minority interests have contributed capital of NOK 1.6 billion. We also paid dividends of NOK 500 million.

Our primary source of liquidity has traditionally been cash generated from operating activities. In 1999 we generated cash from operating activities of NOK 7,370 million, a 4.7% increase over the NOK 7,042 million generated in 1998. We generated cash from operating activities of NOK 5,394 million in 1997. Cash flow in 1999 was enhanced by higher proceeds from sales of goods and services, which were substantially offset by higher payments to suppliers and higher employee and other operating expenses. The increase in cash generated from operating activities in 1998 was offset to a lesser extent by higher payments to suppliers and employees.

Net cash flow used for investment activities fell 8.1% in 1999 as compared to 1998 despite a significant increase in payments for investments in shares. Payment for purchases of tangible and intangible assets was NOK 6.8 billion in 1999 compared to NOK 6.4 billion in 1998 and NOK 6 billion in 1997. See ''Capital Expenditure and Investments'' below which also includes non cash investments and allocated value related to the purchase of subsidiaries. Cash flow for the purchase of subsidiaries and associated companies was NOK 4.5 billion in 1999, compared to NOK 4.2 billion in 1998 and NOK 2.5 billion in 1997. Payment for the 1999 investment in VimpelCom of NOK 1,215 million was made in 1998 through a transfer of funds to a restricted bank account and was therefore recorded on 1998 cash flows. Disposals of subsidiaries and associated companies resulted in net proceeds of NOK 1,063 million in 1999, mainly related to the sales of Lokaldelen, Företagsinfo and shares in EDB.

Purchase and sale of other investments mainly relates to the purchase and sale of bonds used in liquidity management, which are not classified as cash equivalents and short term shares. In 1999 we increasingly used debt securities with maturities of less than three months to manage our liquidity. These securities are not reported as a purchase, or sale, of securities but are classified as cash equivalents. In 1999, we realized NOK 660 million related to sale of Elkjøp. In 1998 and 1997, we made limited sales of shares, primarily in the Telenor Venture operation, and in 1998 we sold shares in the listed company Provida ASA.

We raised net cash of NOK 2,914 million from financing activities in 1999 as compared to NOK 3,628 million in 1998 and NOK 2,570 million in 1997. As a result of the substantial investments, we have steadily increased our long-term borrowings from NOK 9,035 at December 31, 1997 to NOK 11,300 million at December 31, 1998 and NOK 14,942 million at December 31, 1999. In 1998, our sole shareholder contributed equity capital of NOK 2,000 million. In 1997, 1998 and 1999 we paid dividends of NOK 950 million, NOK 570 million and NOK 700 million, respectively.

Capital Expenditures and Investments

	Year ended December 31, 1997	1998	1999	Nine months ended September 30, 2000
	(NOK in millions)			
Investments, including capital expenditures:				
Fixed networks	2,499	2,834	3,817	1,738
Mobile networks	699	998	1,032	616
Satellite networks	782	972	23	185
Properties	168	592	475	1,383
Support systems (office and computer equipment, software, cars, etc.)	1,093	1,233	1,719	1,628
Goodwill	301	496	1,045	3,804
Other intangible assets	133	124	140	948
Work in progress (net additions) and other	868	(590)	(215)	705
Shares and participations (other than subsidiaries)	2,427	2,769	5,134	34,135
Total Investment	8,970	9,428	13,170	45,142

Our total capital expenditures and investments in the nine months ending September 30, 2000 amounted to NOK 45,142 million. Increased goodwill mainly related to the purchase of the subsidiaries Fellesdata, Comincom/Combellga, alfaNETT and XTML. The increase in other intangible assets mainly related to capitalization of committed purchases of software licenses. Capital expenditures and investments outside Norway amounted to NOK 34 billion related primarily to our investments in Viag Interkom, TAC/UCOM and Sonofon.

The following table sets forth our most significant investments in shares and participations (excluding subsidiaries) during the last three years and the nine months ended September 30, 2000.

	Year ended December 31, 1997	1998	1999	Nine months ended September 30, 2000
	(NOK in millions)			
Viag Interkom	559	1,103	1,352	7,965
DiGi.com bhd	—	—	1,661	617
Vimpel-Communications	—	—	1,238	441
Esat Digifone	270	139	523	—
TAC/UCOM	—	—	—	6,370
Telenordia	177	89	113	1,280
Pannon GSM	—	406	—	—
Connect Austria	270	250	—	541
Cosmote	678	—	—	—
Canal Digital	71	147	62	245
Kyivstar	—	296	—	64
Polskie Dsiaski Telefoniczne	55	—	—	—
Satellite organizations	261	202	112	48
INMARSAT	—	—	—	1,546
Sonofon	—	—	—	14,146
Total	2,080	2,430	4,949	33,263

We expect to maintain a relatively high level of capital expenditures and investments in 2000 and 2001 in accordance with our business strategy. We expect the total capital expenditures and investments in 2000 to be approximately NOK 50 billion, including our share of VIAG Interkom's

UMTS license payment which we made in September, 2000. At September 30, 2000, we have made commitments to invest NOK 7 billion, including NOK 2 billion to be paid before December 31, 2000. These commitments exclude potential investments in future UMTS licenses. In 2001, we expect our capital expenditures and investments related to our current business areas to be between NOK 15 to 20 billion, of which approximately one half is expected to be in our Mobile Communications business area. This amount does not include possible acquisitions of new businesses. The actual amounts and timing of expenditures may vary substantially from our estimates. We expect to incur substantially lower levels of capital expenditures and investments in years following 2001.

Capital Resources

To date, we have financed our operations primarily by borrowing directly in the Norwegian and international capital markets. The availability of funds and our cost of funding depend in part on our credit ratings. We maintain an active dialog with the principal credit rating agencies. Standard & Poor's has our short- and long-term credit rating on credit watch with negative implications pending consideration of this offering. Moody's Investors Service has our long-term rating on review for a possible downgrade. To finance our future investments, we plan to use debt financing and net cash flows from operations, including possible sale of assets.

We have a US$500 million short-term Euro Commercial Paper program. We had NOK 3,325 million outstanding under this program at September 30, 2000, with an average maturity of four months. In August 2000 we established a US Commercial Paper Program of US$1,000 million. At September 30, 2000, outstanding commercial paper under this program totalled NOK 5,237 million with an average maturity of four months. Telenor Communication AS issued commercial paper in the Norwegian market in 2000. Outstanding Norwegian commercial paper totalled NOK 2,605 million at September 30, 2000 with an average maturity of five months. All commercial paper is linked to an underlying long-term credit facility with a US$1,000 million limit, established in 2000. The credit facility matures in 2005.

We also have a US$4,000 million Euro Medium-Term Program. We had NOK 28,516 million outstanding under this program at September 30, 2000, with maturities between one and eight years. In 1994 and 1995 we established loans with terms of 10 years with Japanese investors and as of September 30, 2000, we had NOK 1,304 million outstanding under these loans.

All Telenor Communication AS's interest bearing debt (NOK 50,267 million as of September 30, 2000) is unsecured and contains negative pledge provisions that restrict the pledge of assets to secure future borrowings without granting a similar secured status to existing lenders.

With respect to our satellite operations, Telenor Satellite Services AS has established lease financing arrangements for the satellites, Thor II and III. In the aggregate, the lease agreements have a nominal amount of NOK 1,373 million. The leasing agreements are amortized over 12 years, with a final maturity in 2010.

We have entered into cross border tax benefit leases with respect to digital telephony switches and GSM mobile network equipment with a book value of approximately NOK 2,200 million at December 31, 1999. We are considering entering into similar transactions in respect of additional network assets.

As of September 30, 2000 our listed subsidiary EDB Business Partner and our foreign subsidiaries had outstanding external financing amounting to NOK 2,008 million.

Telenor has established a syndicated multi-currency revolving credit facility of DKK 14,000 million (NOK 15,040 million, as of September 29, 2000) in July 2000. The loan facility has a 364-day term with a one year term out option for the outstanding amount on the execution date. As of September 30, 2000, there was NOK 9,280 million outstanding under the loan facility.

Other Issues

Year 2000

We established a comprehensive Year 2000 compliance program, including extensive analysis, examination, implementation and testing to ensure that our operations would be compliant with the Year 2000 changeover. We managed the Year 2000 changeover without material disruptions of our operations. In connection with our Year 2000 compliance program, we spent a total of approximately NOK 1.0 billion.

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, 1997, 1998 and 1999 was 2.6%, 2.3% and 2.3%, respectively.

Norwegian GAAP Compared with US GAAP

Our consolidated financial statements have been prepared under Norwegian GAAP, which differs from US GAAP in several respects. We have prepared a reconciliation of our net income for the years ended December 31, 1998 and 1999, and for the nine months ended September 30, 1999 and 2000, and of our shareholder's equity as of December 31, 1998 and 1999, and as of September 30, 2000.

The most significant differences between Norwegian GAAP and US GAAP affecting our net income and shareholder's equity are described in notes 29 and 13 to our audited and unaudited consolidated financial statements, respectively.

Under US GAAP, net income for the years ended December 31, 1998 and 1999 would have been NOK 1,578 million and NOK 2,188 million, respectively, as compared to NOK 1,710 million and NOK 2,035 million, respectively, under Norwegian GAAP. Under US GAAP, net income for the nine months ended September 30, 1999 and 2000 would have been NOK 1,352 million and NOK 720 million, respectively, as compared to NOK 1,212 million and NOK 596 million, respectively, under Norwegian GAAP.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board the (''FASB'') issued SFAS No. 133, ''Accounting for Derivative Instruments and Hedging Activities'' (''SFAS 133''). This pronouncement was recently amended by SFAS No. 137, which had the effect of deferring the date of SFAS 133's effectiveness, and SFAS No. 138, which addresses a limited number of implementation difficulties involved in applying SFAS 133. The statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement also requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. SFAS 133 is effective for fiscal years beginning after June 15, 2000 and cannot be applied retroactively. We have not yet determined the effect of the application of SFAS 133 on our balance sheet or profit and loss statement.

Disclosures about Market Risk

We are exposed to interest rate risk, foreign exchange rate risk and equity price risk associated with our underlying assets, liabilities and anticipated transactions. To manage these risks we issue debt in foreign currencies and enter into derivative financial contracts. These contracts are entered into with major financial institutions, with the objective of minimizing our credit risk. The activities of our Group Treasury are subject to policies approved by our board of directors. These policies address the use of derivative financial instruments, including the approval of counterparties, setting of limits and investment of excess liquidity. Our Group Treasury is responsible for supervising our market risk, to which we are exposed by our operations and financial activities. The Group Treasury acts as the internal bank with the responsibility for the foreign currency, interest rate risk and liquidity risk management.

The following discussion and tables, which constitute forward-looking statements that involve risk and uncertainties, summarize our market-sensitive financial instruments including fair value, maturity and contract terms.

Interest Rate Risk Management

To manage our exposure to changes in interest rates and to lower the overall costs of financing, we use interest rate swaps, interest rate caps and forward rate agreements. We use interest rate swaps to exchange the real interest rate exposure on the underlying assets or liabilities from a fixed interest rate to a 6 months floating interest rate in the same currency or vice versa.

We have increased our debt financing in NOK, SEK, DKK, EURO and USD in the nine months ended September 30, 2000. The level of interest rates in the Norwegian market and in foreign exchange markets where we are exposed to changes in interest rates, have in general increased since year end 1999. This, together with a higher level of debt financing, has lead to increased financing costs compared to last year.

The following table summarizes the nominal and fair values, maturity and contract terms of the interest rate sensitive financial instruments that we held at December 31, 1999.

December 31, 1999
Liabilities and related derivative instruments subject to interest rate risk

	Maturities							
	2000	2001	2002	2003	2004	Thereafter	Total	Fair Value
	(NOK in millions except percentage amounts)							
Long-term Debt								
Fixed rate USD	(792)	(1,382)				(2,814)	(4,988)	(5,199)
Average interest rate (%)(1)	5.6	5.8				5.5	5.6	
Fixed rate NOK	(200)	(1,000)					(1,200)	(1,200)
Average interest rate (%)(1)	6.1	6.3					6.3	
Fixed rate CHF	(581)	(708)		(1,370)	(1,132)		(3,791)	(3,734)
Average interest rate (%)(1)	3.3	2.8		2.2	3.3		2.8	
Fixed rate JPY		(61)		(158)	(698)	(1,073)	(1,990)	(2,861)
Average interest rate (%)(1)		2.2		5.3	4.6	4.1	4.3	
Fixed rate EUR			(1,288)				(1,288)	(1,262)
Average interest rate (%)(1)			4.3				4.3	
Fixed rate AUD						(186)	(186)	(94)
Average interest rate (%)(1)						3.4	3.4	
Variable rate GBP (3)	(138)	(128)	(116)	(113)	(118)	(886)	(1,499)	(1,525)
Average interest rate (%)(4)	6.3	6.3	6.3	6.3	6.3	6.3	6.3	
Total long-term debt	(1,711)	(3,279)	(1,404)	(1,641)	(1,948)	(4,959)	(14,942)	(15,875)
Interest rate swaps								
JPY receive fixed, pay variable						330	330	51
Average pay rate (%)(2)						0.1	0.1	
Average receive rate (%)(2)						3.7	3.7	
USD receive fixed, pay variable		1,285				536	1,821	(15)
Average pay rate (%)(2)		5.9				6.3	6.0	
Average receive rate (%)(2)		5.8				5.5	5.7	
CHF receive fixed, pay variable				929			929	(34)
Average pay rate (%)(2)				2.2			2.2	
Average receive rate (%)(2)				2.0			2.0	
DEM receive fixed, pay variable			759				759	(4)
Average pay rate (%)(2)			3.2				3.2	
Average receive rate (%)(2)			4.4				4.4	
NOK receive variable pay fixed	300	500	300		400	467	1,967	30
Average pay rate (%)(2)	5,8	6.1	7.7		6,4	5.9	6.3	
Average receive rate (%)(2)	6.3	6.1	5.9		6.1	6.0	6.1	
NOK FRAs bought								
contract amount	1,200						1,200	1
Average rate (%)	5.7						5.7	
Interest rate caps purchased								
NOK contract amount			300				300	0
Average strike rate (%)			6.3				6.3	

	Maturities							
	2000	2001	2002	2003	2004	Thereafter	Total	Fair Value
	(NOK in millions except percentage amounts)							
Cross currency interest rateswaps								
Receive fixed USD, pay variable NOK						780	780	(59)
Average pay rate (%)(2)						5.9	5.9	
Average receive rate (%)(2)						5.5	5.5	
Receive fixed DEM, pay variable SEK			222				222	(16)
Average pay rate (%)(2)			3.9				3.9	
Average receive rate (%)(2)			3.5				3.5	
Receive variable CHF, pay variable SEK				515			515	0
Average pay rate (%)(2)				3.9			3.9	
Average receive rate (%)(2)				2.1			2.1	
Receive variable CHF, pay variable ATS				412			412	4
Average pay rate (%)(2)				3.4			3.4	
Average receive rate (%)(2)				2.2			2.2	
Receive fixed AUD, pay variable USD						126	126	(60)
Average pay rate (%)(2)						6.0	6.0	
Average receive rate (%)(2)						3.0	3.0	
Receive fixed CHF, pay variable USD	529	707		342	1,043		2,621	(334)
Average pay rate (%)(2)	6.0	5.7		6.0	6.0		5.9	
Average receive rate (%)(2)	3.5	2.8		2.0	3.3		3.0	
Receive fixed JPY, pay variable NOK					698	141	839	250
Average pay rate (%)(2)					6.3	6.1	6.3	
Average receive rate (%)(2)					4.6	3.5	4.4	
Receive fixed JPY, pay variable USD		61		158		663	883	234
Average pay rate (%)(2)		6.0		5.5		6.0	5.9	
Average receive rate (%)(2)		2.4		5.3		4.4	5.8	
Receive variable JPY, pay variable NOK						330	330	114
Average pay rate (%)(2)						6.3	6.3	
Average receive rate (%)(2)						3.7	3.7	
Receive variable USD, pay variable NOK	529	2,053		500		1,325	4,407	819
Average pay rate (%)(2)	6.2	6.2		6.2		6.0	6.1	
Average receive rate (%)(2)	6.0	5.9		5.8		5.8	5.9	
Receive fixed USD, pay fixed EUR						1,377	1,377	136
Average pay rate (%)(2)						3.8	3.8	
Average receive rate (%)(2)						5.5	5.5	
Receive variable GBP, pay variable NOK(3)	138	128	116	113	118	886	1,499	26
Average pay rate (%)(4)	5.3	5.3	5.3	5.3	5.3	5.3	5.3	
Average receive rate (%)(4)	6.3	6.3	6.3	6.3	6.3	6.4	6.3	
Total fair value								(14,732)

(1) Weighted average rates of the portfolio at the period end.

(2) Weighted average settlement rates applicable to the current settlement period.

(3) Loan with amortizing structure in GBP.

(4) Current variable interest rate as estimate of future rates.

Forward Rate Agreements

We generally use forward rate agreements as hedging instruments for interest rate risk management. We had a long position in forward rate agreements outstanding at December 31, 1999 with a total notional amount of NOK 1.2 billion. The contracts had a average remaining lifetime of 0.5 years and average interest of 5.70%. On rare occasions we have used these agreements for purposes other than hedging. At December 31, 1999 we had no such contracts.

Foreign Exchange Risk

In order to take advantage of favorable nominal interest rates of certain foreign debt markets, we incur liabilities denominated in foreign currency. To manage the related exposure to unfavorable currency fluctuations, we use various financial instruments, principally cross currency interest rate swaps and foreign currency forward contracts. On rare occasions, we have entered into contracts for purposes other than hedging.

Functional currencies in foreign subsidiaries, foreign associated companies and joint ventures differ from the Norwegian Kroner, giving rise to conversion exposure. To manage these foreign exchange exposures, we generally attempt to match our foreign currency assets and liabilities, and maintain foreign currency debt and foreign currency contracts for hedging purposes in major currencies up to an amount corresponding to the original net investment in foreign subsidiaries, foreign associated companies and foreign joint ventures.

We have increased our debt financing in foreign currencies (mainly SEK, DKK, EURO and USD) in the first nine months of 2000, compared to year end 1999. At September 30, 2000, about 78% of our debt portfolio after cross currency swaps, is exposed to foreign currency fluctuations.

The table below provides information about foreign currency debt and derivative instruments. The table shows only the net foreign currency exposure. When a currency swap eliminates all foreign currency exposures in the cash flows of a foreign currency-denominated debt instrument, neither the currency swap nor the currency-denominated debt instrument is shown in the table. However, both the currency swap and the foreign currency denominated debt instrument are disclosed in the interest rate risk exposure.

December 31, 1999
Liabilities and derivative instruments subject to foreign exchange risk

	Maturities							
	2000	2001	2002	2003	2004	Thereafter	Total	Fair Value
	(NOK in millions)							
Long-term Debt								
Fixed rate USD, fx rate 8.03	(304)	(97)				(1,498)	(1,899)	(2,030)
Average interest rate (%)(1)	4.4	5.6				5.5	5.3	
Fixed rate CHF, fx rate 505.03				(1,034)	(1,132)		(2,161)	(2,152)
Average interest rate (%)(1)				2.5	3.5		3.0	
Fixed rate EUR, fx rate 8.1039			(1,288)				(1,288)	(1,064)
Average interest rate (%)(1)			4.3				4.3	
Foreign currency forward exchange contracts								
Sell NOK/buy USD	68						68	
Average contractual exchange rate (USD/NOK)	7.93						7.93	
Sell USD/buy CHF	7						7	
Average contractual exchange rate (USD/CHF)	1.51						1.51	
Sell USD/buy NOK	39						39	
Average contractual exchange rate (USD/NOK)	8.05						8.05	
Sell EUR/buy NOK	208						208	2
Average contractual exchange rate (EUR/NOK)	8.13						8.13	

	Maturities							
	2000	2001	2002	2003	2004	Thereafter	Total	Fair Value
	(NOK in millions)							
Cross currency interest rate swaps								
Receive fixed EUR, pay variable SEK			222				222	(16)
Average pay rate (%)(2)			3.9				3.9	
Average receive rate (%)(2)			3.5				3.5	
Receive variable CHF, pay variable SEK				515			515	0
Average pay rate (%)(2)				3.9			3.9	
Average receive rate (%)(2)				2.1			2.1	
Receive variable CHF, pay variable ATS				412			412	4
Average pay rate (%)(2)				3.4			3.4	
Average receive rate (%)(2)				2.2			2.2	
Receive fixed CHF, pay variable USD					1,043		1,043	(67)
Average pay rate (%)(2)					6.0		6.0	
Average receive rate (%)(2)					3.3		3.3	
Receive fixed USD, pay fixed EUR						1,377	1,377	136
Average pay rate (%)(2)						3.8	3.8	
Average receive rate (%)(2)						5.5	5.5	

(1) Weighted average rates of the portfolio at the period end.

(2) Weighted average settlement rates applicable to the current settlement period.

Commodity Price Risk Management

We use electricity futures and forward contracts to manage price risk related to our expected need for electricity. The contracts are traded through the Nordic electricity exchange, Nor Pool ASA.

Marketable Securities

We maintain debt securities only to a limited extent, primarily in connection with liquidity management. We invest to a limited degree in marketable equity securities. During 1998 and 1999, we realized profit on sale of shares in the listed companies SCM Microsystems Inc. and Provida ASA (1998) and Cell Network AB (publ) and Elkjøp ASA (1999).

During the first nine months of 2000, we sold our ownership interest in Eltek ASA and TeleDanmark. The market value of our listed shares as of September 30, 2000 was NOK 1,386 million of which SOL AB represented NOK 738 million. Book value as of the same date was NOK 940 million of which SOL AB was NOK 283 million.

December 31, 1999
Assets subject to equity price risk

	Book value	Fair Value
	(NOK in millions)	
Listed shares	36	302

Fair Value of Financial Instruments

The estimated fair value of our financial instruments is based on market prices and the valuation methodologies described in note 21 to our financial statements. However, prudence is recommended in interpreting market data to arrive at an estimated fair value. Accordingly, the estimates presented herein may not be indicative of amounts we may realize in the future.

Liquidity Risk and Credit Risk

Group Treasury has established procedures to monitor the liquidity flows of the Telenor Group. In addition, we have a 5-year multi-currency credit facility, which was increased from US$ 500 million to US$1.0 billion in May 2000. We rely on these established procedures and this credit facility to ensure that liquidity risk is low.

The aggregate amount of the derivatives with positive market value as of December 31, 1999 was NOK 2.2 billion. We enter into derivative transactions with a number of counterparties in order to attempt to diversify and limit credit risk.

BUSINESS

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 among 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 1999, we had consolidated total revenues of NOK 33.5 billion and net income of NOK 2.0 billion.

Our core business areas are:

Mobile Communications. We are the leading provider of mobile telecommunications services in Norway, with approximately 2.23 million subscriptions at September 30, 2000. In October 1999, we were one of the first mobile companies in the world to launch wireless application protocol, a standard that links digital mobile telephony to the Internet. Wireless application protocol enables us to offer mobile Internet access, which we currently offer through our djuice portal. We have extensive interests internationally in mobile operations, consisting of strategic participations in 15 mobile operators abroad as of September 30, 2000, located in the Nordic region, the rest of 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 3.1 million at September 30, 2000. In August 2000 we acquired a 53.5% interest in Sonofon Holding A/S, the second largest mobile operator in Denmark, with approximately 930,000 mobile subscriptions (including service providers) at September 30, 2000. Through acquisitions in May and August 2000, we acquired a combined direct and indirect interest of nearly 40% in Total Access Communication PCL, the second largest mobile operator in Thailand, with approximately 1.1 million mobile customers as of June 30, 2000.

Telecom. 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 September 30, 2000, we provided 3.24 million fixed line access channels in the residential and business markets. These included 1.51 million digital, or ISDN, access channels provided to approximately 666,000 subscriptions, which is the highest rate 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. We provide interconnection and transit services to other carriers and service providers in the wholesale market both in Norway and internationally. We also provide businesses with a range of managed telecommunications and IT services, such as application service provisioning, as well as systems integration and consulting services.

Broadband Services. We are the leading provider of television-based broadband services to consumers in the Nordic region, through home satellite dish (DTH), cable networks and small antenna networks, commonly known as SMATV systems. As of September 30, 2000, we had approximately 1.9 million subscribers to our pay television services, including all subscribers in Canal Digital, our 50% joint venture with Canal+. 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. In addition, we are among the leading providers of global satellite-based mobile communications services within both the maritime and land mobile markets. These services utilize the global INMARSAT satellite system, in which we are the largest individual shareholder. We also provide satellite network services in selected European and African markets.

Internet. We are the leading Internet service provider in Norway with approximately 548,000 subscriptions and registered users within the residential market as of September 30, 2000, and we also have interests in leading Norwegian and Scandinavian Internet portals. Using our

“Nextra” brand, we are seeking to become a pan-European provider of Internet and other IP-based communications services to small and medium-sized businesses, and currently have operations in Norway and ten other European countries, as well as sales offices in two additional countries.

We also have significant operations in three related business areas. Our *Media* business area provides on-line and printed directory services in Norway and nine other European countries. *Bravida* is a Norwegian supplier of telecommunication installation, maintenance and operating services. We recently merged Bravida with a Swedish company and at the completion of the transaction, we will hold a minority interest in the combined business. *EDB Business Partner*, our publicly listed subsidiary, is a leading information technology company in Norway.

To support and facilitate our international activities, we have established an international center at the corporate level. Our international center supports the international activities of our business areas, as well as manages international activities falling outside of a particular business area.

We and our predecessors 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 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 the European Union, and in some respects ahead of the EU. For more information concerning the history of Telenor, see “Relationship Between Telenor and the Kingdom of Norway”.

Competitive Strengths

We benefit from a number of competitive strengths, including:

We are an innovator with technologically-advanced networks and services.

We have been an innovator in the development of telecommunications products and services in our markets. We have been at the forefront in the development of each successive generation of mobile telecommunications services since the 1960s. Recently, we were among the first mobile operators in the world to introduce wireless application protocol services, which allow mobile phone users to access basic Internet services, and we have launched our own mobile Internet portal, called djuice. We were among the first national networks in the world to achieve full digitalization of our fixed network, and we currently have the highest ISDN penetration rate in the world. We believe that our high level of ISDN penetration gives us a significant advantage in our roll out of broadband asymmetrical digital subscriber line, or ADSL, service to the residential and small business market planned for later this year. ADSL refers to technologies that use faster speeds downstream (to the user) than upstream (from the user). ADSL was designed to exploit the one-way nature of most multimedia communications and is primarily used by residential customers for access to the Internet. We are aggressively deploying Internet protocol, or IP, technology in our fixed network and hope to be among the first national operators to complete the deployment of IP technology throughout its network. We gained early experience in Internet protocol-based telephony through the development of innovative products. These include phone-to-phone Internet protocol telephony using a phone card and PC-to-phone Internet protocol telephony service offered to our Internet access subscribers. We have also long been a leader in satellite communications, in particular in mobile communications for the maritime industry through INMARSAT, a satellite system operator for maritime and land mobile and aeronautical mobile communications. Additionally, we have been a leader in satellite broadcasting services to the Nordic region.

We operate in a highly advanced home market, with high per capita income and telecommunications spending.

Norway is a world leader in the usage of personal computers, Internet and mobile phones, and Norwegian consumers have been early adopters of new digital products and services. Norway also benefits from a high per capita gross domestic product and high per capita telecommunications spending. The Norwegian market often serves as a test ground for newly-developed telecommunications products and services.

In mobile communications, we are the market leader in Norway with strategic interests in a number of mobile operators internationally.

We are the leading mobile operator in Norway, with a record of competing successfully, having increased our market share for digital mobile telephony services from 45% at January 1, 1995 to approximately 69% at September 30, 2000. Internationally, we have achieved strategic positions in a number of operators located primarily in the Nordic region, Europe and Southeast Asia, that we believe offer good prospects for growth. We have devoted considerable resources to strengthening the companies we participate in, often by providing them with our own managerial, technological and marketing personnel, with the goal of achieving rapid network roll out, good network quality and sound marketing strategies. As a result, we believe we are well-positioned to participate in the growth of mobile communications in Norway and internationally, especially in the next generation of mobile services, including Universal Mobile Telecommunications System, commonly referred to as UMTS, a third-generation mobile network.

We are in a strong position to capitalize on the development of television-based broadband services in the Nordic region and selected other European markets.

The high bandwidth transmission of television broadcasting, together with the ongoing conversion of these networks to digital transmission, is permitting the development of advanced interactive broadband services that will be available through television sets. We believe our current base of approximately 1.9 million pay television subscribers as of September 30, 2000 in the Nordic region, together with our expertise and success to date in introducing digital television services, place us in a strong position to develop and offer these new television-based interactive services. We believe our ability to provide and distribute television programming through multiple channels, including home satellite dish, cable and terrestrial broadcasting, offers us a significant advantage in achieving market penetration for our services. We also believe that our satellite position at 1° West offers an advantageous position for transmitting satellite signals to the Nordic region and estimate that over 90% of existing home satellite dishes in the Nordic region receive transmission from our satellites.

We have already established a significant presence in several European countries in the market for Internet and IP-based communications services for businesses.

Since mid-1998, we have established Nextra operations in ten European countries in addition to Norway, through the acquisitions of 19 local Internet service providers and the start-up of our own operations in two countries. We have successfully rebranded our acquired operations as Nextra companies and are currently evolving our operations from providers of Internet services to a broader portfolio of IP-based communications services targeted at small and medium-sized businesses. In addition, we have established a pan-European IP backbone network with points of presence in ten European cities and one in the U.S., connected by high capacity leased transmission links. We expect demand for IP-based services in Europe to increase dramatically over the next few years, and we believe our early establishment of a significant presence in several European countries will provide a significant advantage in participating in this market growth.

We are the leading Internet service provider in Norway with a strong market share.

We are the leading Internet service provider in Norway with approximately 548,000 subscriptions and registered users of our Internet access services within the residential market, representing a market share of approximately 57%. In addition, we have approximately 13,000 subscriptions for our services within the business market in Norway.

We have developed substantial expertise in higher value-added telecommunications and IT services, such as application service provisioning, consulting and systems integration.

We have substantial expertise in providing value-added services such as application service provisioning, or ASP, and other outsourcing services, consulting and systems integration, for which demand is increasing. ASP enables corporations to rent applications on an as-needed basis, together with management services.

Our Telecom business area has already substantially re-balanced our domestic tariffs and operates profitably in a low-tariff environment.

Over the last few years, we have re-balanced our Norwegian tariffs between subscription and traffic charges so that the prices charged for these services are more closely aligned with the cost of providing them. At the same time, we have lowered overall tariffs so that our prices for mobile and fixed telephony are now among the lowest in the OECD countries. In 1999, we abolished long-distance rates in Norway, so that all calls within the country are charged at the local rate. We have successfully adjusted to the low tariff environment, and our fixed network services are currently profitable.

Strategy

Our strategy is to increase shareholder value by focusing on the core business areas in which we believe we have competitive advantages, especially businesses offering the potential for strong growth and international expansion. We have made international activities a key element of our strategy, and revenues from our consolidated international subsidiaries represented 10.8% of our NOK 33.5 billion consolidated revenues in 1999.

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

Be a leading provider of mobile voice and mobile Internet services in the Nordic region and in selected countries elsewhere in Europe and in Southeast Asia.

We seek to become a leading provider of mobile voice and mobile Internet services in the Nordic region and in selected countries elsewhere in Europe and in Southeast Asia, through our subsidiaries as well as strategic participations. We have recently obtained a UMTS license in Norway, and intend to use our digital mobile telephony experience and infrastructure to support our existing and potential new associated companies in their pursuit of UMTS licenses. We intend to further aggressively expand our international operations while continuing to coordinate our domestic and international strategies. In Norway, we seek to be the first mobile operator to introduce technological innovations and to use Norway as a showcase for services we intend to introduce in our international operations.

Become a leading pan-European provider of Internet and IP-based communications services to small and medium-sized businesses in Europe.

We expect the demand for Internet and IP-based services to businesses to grow dramatically, and that IP will eventually become the dominant platform for communication services for businesses and for e-commerce in general. Through our Nextra brand, we seek to participate in the growth of this market by becoming a provider of IP-based communications services, such as voice-over IP and virtual private network services, on a pan-European basis with a focus on small and medium-sized businesses. We currently provide Internet or IP-based services in Norway and twelve other European markets (including sales offices in two countries) and we plan to further expand our coverage in Europe, through both acquisitions and organic growth. Our strategy will be to offer common branding, platforms and quality and to maintain operational control in each country, while operating through a flexible, decentralized organizational structure to accommodate local market differences.

We also intend to develop new high quality technology and value-added services to respond to increased Internet capabilities.

Be a leading distributor of pay television and television-based broadband services in the Nordic region and selected other European markets.

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 television-based broadband services. As a result, we are developing a portal for television-based interactive services, branded "Zonavi". Zonavi will offer consumers advanced interactive digital services based initially on Media Highway (MHy) Platform. The services will include video on demand, e-commerce, online games and e-mail. As the process of standardization in the Nordic broadcasting market proceeds, our ambition is to base the services on the Multimedia Home Platform (MHP), using a subset of the programming language, Java. We are planning to make these services available through each of our digital service platforms, limited initially to one of our networks and, when MHP-based services are available, also on our other broadcasting access networks. Our objective is to be the first to establish a significant market position in the Nordic region. We also plan to further expand our broadcasting operations in the Nordic region through acquisitions and strategic alliances to increase our customer base. Furthermore, we intend to invest in satellite capacity to maintain our position and expand our satellite transmission capabilities.

Maintain and expand our position as a leading provider of global mobile satellite communications services.

We are seeking to maintain and expand our position as one of the leading operators of global satellite mobile communications services. We provide these services using the INMARSAT system, in which we recently became the largest owner. We are currently seeking to create an alliance in the Pacific region that will allow us to secure future coverage in all four ocean areas. We also intend to expand into the retail distribution market to capture a larger market share and to introduce value-added services to the maritime market.

Build on our strong position in telecommunications and IT business solutions in the Nordic region.

We intend to further develop our leading position as a provider of systems integration, outsourcing and consulting services in our home market by focusing on growing markets for services such as application service provisioning and other managed services and e-business solutions. We believe the demand for these services will provide us with the opportunity to expand our operations in the Nordic region.

Maintain our strong position in Norway for fixed network services.

We are responding to increasing competition in the Norwegian market by working to strengthen our customer relationships and focusing on new services such as broadband ADSL and content portals. We are also aggressively deploying IP technology throughout our network in order to achieve cost savings through more efficient network operations. In addition, 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.

Enhance and realize value from our non-core operations.

In line with our objective to increase shareholder value, we are seeking ways to enhance the value of operations we do not consider core to our business, and to realize the value of these businesses. For example, we recently combined our Bravida installation and maintenance business with BPA AB, a Swedish provider of electrical, plumbing, ventilation and telecommunications systems. As a result of this transaction, we and a consortium led by former shareholders of BPA will each own 48%, and management will own 4%, of the combined business and we expect over time to further reduce our ownership interest. Another example of this strategy was the 1999 merger of our software operations with EDB AS, creating a publicly listed company, EDB Business Partner. We also intend to consider strategic alternatives to enhance the value of our Media business area, which could consist of, among other possibilities, a combination or alliance of Media with one or more third parties, the establishment of a public shareholding through a separate stock exchange listing or another form of divestment.

Our Business Management Model

Our business management process is designed to develop and implement strategies that will achieve our overall goal of increasing shareholder value. We manage our company as a portfolio of businesses, and for each business area:

- we identify both financial and non-financial factors we believe are the drivers of value in that business area, in view of the business area's strategic goals;
- we agree with the business area managers on performance targets based on the identified value drivers, and link these targets to incentives; and
- through regular reviews, we monitor the business area's progress versus the performance targets for the value drivers.

In addition, we seek to achieve synergies by coordinating the activities of our various business areas, in particular in our domestic market. The close co-operation between the research and development department and the technical and marketing resources in the business areas enables us both to develop services and products that meet market demands and to commercialize new products.

Decisions regarding allocation of capital are integrated into the process. In addition, by focusing on non-financial value drivers, such as customer attraction, competence and innovation, our business management process encourages the development of our intellectual capital.

Mobile Communications

Overview

We are the largest mobile telecommunications operator in Norway and have strategic investments in 15 mobile operators abroad as of September 30, 2000. In 1999, our mobile communications business area generated external revenues of NOK 6.5 billion, representing 20% of our total consolidated revenues. Of our mobile communications revenues in 1999, 94% was derived from our operations in Norway and 6% was derived from our consolidated foreign subsidiaries. At the end of 1999 we had strategic positions in 12 companies abroad, primarily in the Nordic region, Europe and Southeast Asia. Our proportionate interest in the 1999 external revenues from these companies, based on our percentage ownership interests at the end of 1999, amounted to NOK 4.2 billion. In the first nine months of 2000, we have made strategic investments in three additional companies outside of Norway representing in aggregate an investment of NOK 21 billion.

Our Mobile Communications business area currently consists of:

- mNorway — our Norwegian mobile operations;
- mHorizon — our international mobile operations, currently consisting of our strategic investments in 15 companies principally in the Nordic region, Europe and Southeast Asia; and
- mFuture — our initiatives to develop new mobile Internet and portal services 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.
- wireless application protocol, a standard that provides mobile access to the Internet. We currently offer mobile Internet access including through our mobile Internet portal, djuice;
- m-commerce and other value-added services allowing the end user to make purchases using a mobile phone; and
- analog mobile communications services based on Nordic Mobile Telephone systems and our paging system in Norway.

Our digital mobile telephony services in Norway were launched in 1993 and our market share has risen from 45% at the beginning of 1995 to approximately 69% at September 30, 2000. We have the highest domestic market share of any Nordic operator. The aggregate penetration rate of digital and analog mobile communications services in Norway was approximately 68% at September 30, 2000 and, according to the European Mobile Communications Database, is currently the fourth highest in the world after Finland, Iceland and Hong Kong.

We were one of the first mobile operators in the world to launch mobile Internet services in October 1999 based on the wireless application protocol standard, which links digital mobile telephony and the Internet together. This standard provides access via a mobile phone to information and services from the Internet, for example share trading, banking services, news and entertainment.

We have developed a fully open mobile Internet portal for the consumer market, called djuice. We launched djuice in Norway in March 2000 and are in the process of introducing djuice in other countries.

On November 29, 2000, we were awarded one of four licenses for UMTS third generation mobile services in Norway.

On August 10, 2000, we acquired a 53.5% interest in Sonofon Holding A/S, the second largest mobile operator in Denmark, for consideration of approximately DKK 13.0 billion (NOK 14.1 billion). Through acquisitions in May and August 2000, we acquired a 29.5% ownership stake in Total Access Communication Company PCL (TAC), Thailand's second largest mobile phone company, and a 24.9% ownership stake in its former parent, United Communication Industry PCL, for total consideration of US$713.5 million (NOK 6.4 billion).

Strategy

Our objective is to become a leading provider of mobile voice and mobile Internet services primarily in the Nordic region and in selected countries elsewhere in Europe and in Southeast Asia. We intend to expand our international operations aggressively while continuing to coordinate our domestic and international strategies.

- *Norway.* Domestically, we intend to maintain and build upon our leading position in the market and introduce new services. We were recently awarded a license to offer UMTS third generation mobile services in Norway. In general we seek to be the first mobile operator to bring technological innovations to our domestic market and to use Norway as a showcase for technological solutions that we plan to bring to our international operations.

  To facilitate the introduction of new wireless technologies, we seek to take advantage of our strengths in customer service and distribution. We enjoy a strong reputation for network quality and coverage and for providing a high quality of customer service. We consider our distribution network to be a strong competitive advantage, with over 1,600 selling points for contract mobile subscriptions in Norway and over 13,000 selling points in total.
- *Nordic Region.* We intend to pursue licenses to offer UMTS services in other Nordic markets, and also seek to offer services in these countries through our mobile Internet

portal, djuice, and service provider concepts, such as Zalto. In Denmark, we intend to further strengthen our operations by building on our 53.5% interest in Sonofon, the second largest Danish mobile operator. In Sweden, our 50%-owned Telenordia joint venture has recently submitted an application for a third generation mobile license in order to offer UMTS service.

- *Other International Markets.* In other international markets, our strategy is to expand our presence in focused geographical regions by acquiring ownership interests in operators that we believe offer strong prospects for providing market-leading UMTS services and where we will have sufficient influence on operations. We also seek to acquire selected greenfield UMTS licenses. Geographically, we are focusing on markets in Europe and Southeast Asia that we believe offer strong prospects for growth. However, we may also consider opportunities to acquire interests in other geographic regions in particular cases.

  In expanding internationally, we seek to take advantage of our core competencies, which we believe are our ability to build wireless networks promptly and efficiently and to provide operational support to improve existing companies. We attempt to apply the "best practices" we have developed in each of our markets. We intend to continue to remain active in the ownership and management of our international mobile investments.

  We believe our experience developed in the advanced Norwegian market makes us an attractive partner in UMTS bidding consortia for third generation mobile service licenses. We intend to support our foreign associated companies in their pursuit of UMTS licenses. We also may in the future consider forming partnerships with, or taking equity positions in, licensed UMTS operators on an opportunistic basis in order to provide third generation mobile services in their markets.

We are maintaining opportunities to enhance our strategic position within our core geographical markets. Currently we are in different stages of analysis of a number of ongoing projects. These projects primarily relate to increasing our ownership in mobile companies in which we already have an interest. We are also considering opportunities to enter new markets within our geographic focus areas if the right opportunity or partnership arises.

Our strategy emphasizes the Internet as a central platform for the development of new mobile services. We intend to pursue an aggressive mobile Internet portal strategy over the next few years, with the objective of establishing our djuice portal as a strong Nordic, European and Asian brand. This portal will offer mobile Internet users access to informational, entertainment and value-added services on a local basis.

mNorway

We are a leading provider of mobile telecommunications services in Norway. The penetration rate of mobile phones in Norway rose from 47% to 61% during 1999 and we estimate that the penetration rate rose to approximately 68% as of September 30, 2000. 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 in the Nordic region, introducing new mobile telecommunications services in Norway, most recently including the launch of 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). We have recently been awarded a UMTS license in Norway, and prior thereto have been participating in a UMTS trial network, which became operational in the fall of 1999. We have continued to expand our portfolio of mobile services in 2000 to take advantage of the growing Norwegian market in mobile telephony. In the first quarter of 2001, we expect to introduce general packet radio service, or GPRS, a technology that is part of the next phase of mobile communications development in Norway. GPRS will enable the transfer of data at a much higher speed than GSM.

Services

GSM Services

We are the leading provider of digital mobile telephony services in Norway. As of September 30, 2000, we had 2.1 million GSM subscriptions in Norway for digital mobile telephone services, which we estimate represents approximately 69% of the total market in Norway for these services. Our digital network covers over 96% of Norway's population. We and NetCom are currently the only operators of digital mobile phone services in Norway. Telia, which held a third GSM 1800 license, had its license withdrawn after its recent acquisition of NetCom. The frequencies covered by the withdrawn license are expected to be auctioned by the regulatory authority in spring 2001.

Our GSM 900 license is valid until 2005. In addition to our GSM 900 license, we hold one of three GSM 1800 licenses in Norway. This license is valid until 2010. Generally, 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 has been particularly suited for 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.

We offer a range of mobile service packages designed to appeal to specific customer segments. mNorway offers subscribers five different tariff plans. These include four contract subscriptions (Nomade, Proff, Primær and Privat) and one prepaid subscription (RingKontant). All tariff plans offer value-added services at the same price, including short text messaging services. Short text messaging services permit users to send messages up to 160 characters in length to other mobile handsets and communication devices. The price of sending a text message is NOK 1.00 (inclusive of value-added tax). The following is a description of each of our service packages, including monthly and per minute tariffs. All calls made under any plan are charged an initiation fee of NOK 0.45 per call.

- Nomade. We offer Nomade to our most advanced customers by combining digital mobile telephony service with the features of the Internet. The subscription provides a range of services based on unified messaging technology and high-speed Internet connectivity. We offer two variations of this service package: Nomade and Nomade Plus. The Nomade subscription offers these services for a monthly subscription fee of NOK 169. The Nomade Plus subscription offers the same services, but also permits the customer to transfer data through the Internet at the same time as the customer is speaking on the phone. The monthly subscription fee for Nomade Plus is NOK 189. For an additional NOK 30 per month, subscribers may access our messaging central service, which provides full display of sent and received text messages, facsimile and e-mail services. We have a dedicated customer service team assigned exclusively to our Nomade customers.

- GSM Proff. We offer GSM Proff primarily to business customers and to customers who typically use mobile phones more than average. This type of subscription has a higher monthly subscription fee (NOK 249), but lower fees per minute. Per minute charges are NOK 0.89 in our network and up to NOK 2.69 outside of our network in Norway.

- GSM Primær. We offer GSM Primær primarily to business customers with high calling volumes. Similar to GSM Proff, the Primær subscriber will pay a higher monthly subscription fee (NOK 154), but relatively low fees per minute. Per minute charges range from NOK 0.89 to NOK 1.18 in our network and up to NOK 2.99 outside of our network in Norway.

- GSM Privat. Subscribers with low calling volumes typically prefer the GSM Privat tariff plan. The monthly subscription fee is low (NOK 50), but the fees per minute are higher than the other contract subscriptions that we offer. Per minute charges range from NOK 1.39 to 3.99 in our network and up to NOK 4.99 outside of our network in Norway.

- GSM RingKontant. GSM RingKontant is our prepaid subscription, which is typically preferred by customers who use their mobile phone less than average. The tariff plan is also popular among young people as it is easy to recharge the RingKontant-card and permits the subscriber to control the use of their mobile phone. Per minute charges range from NOK 1.99 to NOK 5.99 in Norway. Subscribers may recharge their accounts using their credit cards or by being a registered MobilHandel customer i.e. recharge directly by mobile phone. RingKontant customers can use the international roaming services, if they have at least NOK 500 credit on the RingKontant-card.

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 and short text messaging services. Our value-added services are becoming increasingly important to our customers. For example, we have experienced substantial growth in the use of short text messaging by our customers. Short text messaging is particularly significant to our value-added services, as we offer a range of other services that utilize short text messaging technology. The following table describes our portfolio of value-added services and service packages. We also offer value-added services for our mobile Internet services. See "— Mobile Internet".

Service	Description
Short Text Messaging Services	A service that allows users to send messages up to 160 characters in length to other mobile handsets and communication devices.
MobilInfo	A general information retrieval service, which allows a user to request specific information and receive the information in the form of a short text message over the mobile phone (such as stock quotes, weather and traffic).
Banking	A broad range of banking services offered through voice, short text messaging and Internet mobile terminals developed in close cooperation with the banking industry.
Voicemail Service	A mailbox through which our mobile customers may receive voice messages via their mobile phone. As of September 30, 2000, we had over 1.7 million voicemail service subscriptions.
Faxmail Service	A virtual faxbox through which our mobile customers may receive faxes via their mobile phone.
Unified Messaging Service	A service that provides a web-based mailbox through which our mobile customers may receive voice, fax and e-mail messages and may send fax, e-mail and short text messages via their mobile phones.
Twin Subscription	A service that enables the customer to have two mobile terminals accessed by the same telephone number.
MobilHandel	A service that permits the user to purchase goods and services through a mobile phone, which is also supported by our high security solutions. MobilHandel was the first service to launch the purchase of tickets and soft drinks from vending machines using mobile phones.

Service	Description
InTouch	A solution that provides a call diversion service from a fixed line number to a mobile number at discounted price levels.
MobilPost	A service that enables the customer to send and receive e-mail directly from their mobile terminals.
SMS Large Account Service	A service that allows our corporate customers to connect directly to our short message service center, in order to send short text messages directly from a PC or a fixed terminal. This service can be used for sending text messages to a customer's own employees, or for telemetric applications and machine to machine communications, among other things.
Content Provider Access	A service that allows content providers and third party providers to offer short message service based information or entertainment services to our mobile customers. The end user requests the information in the form of a short text message.

To grow our customer base and increase our sources of revenues, we intend to continue developing new advanced value-added services to add to our portfolio of services. In the future, we intend to focus, in particular, on Internet and mobile data services.

We also provide public key infrastructure, a secure identification number for mobile e-commerce, banking and other electronic transactions. Telenor Mobil has developed a solution that enables the use of digital signatures from a mobile handset. Telenor Mobil's security solution may prove important for electronic transactions as the use of digital signatures increases.

Mobile Internet

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

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 September 30, 2000, over 150,000 mobile terminals compatible with wireless application protocol had been sold and we had over 125,000 unique users accessing 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. In the autumn of 1999, we launched MobilHandel, a service that enables users to search for information on goods and services, select and pay for products directly from a mobile phone.

djuice.no. In March 2000, we launched a fully open mobile Internet portal in Norway targeting the consumer market, called djuice. djuice 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. Users will therefore be able to use the 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. As of September 30, 2000, we had over 7,000 users with a personalized web interface. We are currently in the initial stages of 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 a strong brand name. djuice is trademarked and we intend to establish it as a strong Nordic, European and Asian brand. 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, see ''— mFuture''.

Zalto

In November 1999, we launched Zalto, a new prepaid service for digital mobile telephony offering full web integration and simple, automated services. Purchasing, registration, sending account statements and customer service all take place via the Internet. In an effort to increase our customer base for mobile Internet services, we are introducing easier Internet access (through authentication procedures permitting Internet access without a password) and building a better customer service organization for our mobile Internet services. Zalto is primarily targeted at users in their late teens and early twenties who want a simple user interface for mobile Internet access. Zalto will be a service provider with its initial focus on the Norwegian market and in the future is expected to expand to other Nordic countries. In April 2000, we established a separate company, Zalto Communications AS, for our Zalto service. We have a 91.5% ownership interest in the company and a private investor holds the remaining 8.5% ownership interest.

Zalto offers two prepaid subscriptions: ZaltoBasis and ZaltoSmart. The price of sending a short text message from the phone is NOK 1.00 for ZaltoBasis and NOK 0.80 for ZaltoSmart. Per minute charges range from NOK 1.75 to NOK 6.00 for ZaltoBasis and from NOK 1.50 to NOK 4.00 for ZaltoSmart.

Analog Services

We are the only provider of analog mobile telephony services in Norway through our Nordic Mobile Telephone 450 and 900 networks. We will phase out our Nordic Mobile Telephone 900 network by March 2001. At September 30, 2000, the Nordic Mobile Telephone 900 network had 56,000 subscriptions. We do not believe that the phase-out will have a material effect on our results of operations. In recent years, we have experienced a significant decline in the number of our analog customers 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 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 Nordic Mobile 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, will enable mobile communications networks to transfer data with the speed and capacity necessary for multimedia transmissions. On November 29, 2000, the Norwegian regulator announced that we were awarded one of the four UMTS licenses granted in Norway. We have been developing strategies and preparing market initiatives and technical rollout plans for UMTS services, and plan a commercial launch of UMTS services by the end of 2001. Our objective is to provide access to new mobile services within the next five years to all locations in Norway with a population of more than 200. We consider it important to be in the vanguard of UMTS development in order to maintain our leading position in the mobile services sector in the future.

GPRS. General Packet Radio Service, or GPRS, is part of the next phase of mobile communications development in Norway, which will enable more open and complex operations. We expect to introduce this technology in the first quarter 2001. With this technology we will be able to offer faster mobile Internet access. We believe that our ability to successfully introduce GPRS capabilities and UMTS services will be important in maintaining our leading position in the market for mobile Internet services.

GPRS as well as UMTS 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

We have experienced strong growth in our customer base due to the rapid increase in mobile penetration rates in Norway. At September 30, 2000, there were over 3.2 million mobile subscriptions in Norway, which we estimate represents a mobile penetration rate of approximately 71% of the Norwegian population. We estimate that our market share of net new subscriptions in Norway was approximately 77% in 1999.

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

	At December 31,					At September 30,
	1995	1996	1997	1998	1999	2000
	(in thousands)					
Subscriptions at end of period(1):						
By type of service:						
Digital						
Contract	259	534	803	944	1,003	1,103
Prepaid(2)	—	—	68	316	781	967
Analog	489	444	388	311	216	161
Total subscriptions	748	978	1,259	1,571	2,000	2,231

(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 are disconnected, which occurs 14 months following their last payment to their prepaid subscription account.

In the period from 1995 to 1999, we achieved a compound annual growth rate of 37.5% 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.

The rapid increase in our customer base over the last few years is mainly due to the success of our prepaid services. In 1999, we estimate that prepaid services accounted for 89% of the net growth in the GSM market for digital mobile telephony services and, for the first three quarters of 2000, accounted for approximately 47% of the net growth in this market. We further estimate that we currently hold a 70% market share in the prepaid segment, compared to our estimated 69% market share in the contract market. 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 2000, we have successfully initiated a campaign to convert customers from prepaid to contract subscriptions through incentives such as handset upgrades for customers with contract subscriptions and ''Beløpsstopp''. ''Beløpsstopp'' is a service that enables contract subscribers to preset a fixed maximum amount of their monthly invoice. These subscribers will not be permitted to make calls via their mobile phone after they have exceeded this amount. As of September 30, the number of our contract subscriptions had increased substantially.

Due to the already very high market penetration rates in Norway, we expect the number of mobile telephony customers to continue to grow, although at a slower rate than we have previously experienced. 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. This high-speed transmission permits a mobile phone user to access data at the same speed as with a fixed-line modem connection (38.4 Kbps). We expect growth in traffic volumes to accelerate as newer applications using short text messaging, wireless application protocol and other new services become more familiar to our customers.

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 pre-paid 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. In recent years we have experienced substantial migration from our analog services to digital services.

	Year ended December 31,			Nine months ended September 30,
	1997	1998	1999	2000
Churn rates for contract subscriptions	13.9%	13.1%	14.2%	14.1%(1)

(1) Annualized.

We aim to retain our market share in our home market and, in particular, to contain 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. Through our marketing efforts, our objective is to increase the average revenue per customer.

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.

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,					Nine months ended September 30,	
	1995	1996	1997	1998	1999	1999	2000
Digital:							
Traffic:							
Total outgoing traffic (in millions of minutes)	132	328	711	1,279	1,801	1,311	1,687
Total incoming traffic (in millions of minutes)	110	240	454	763	1,188	857	1,140
Average monthly outgoing traffic minutes per digital subscription:							
Contract	71	70	91	124	138	136	156
Prepaid	—	—	—	31	30	30	28
Average monthly incoming and outgoing traffic (minutes per digital subscription)	—	128	148	165	164	165	164
Revenues:							
Average monthly revenue per digital subscription in Norway (in NOK)(1):							
Total digital	484	418	400	363	332	334	322(2)
Contract	484	418	400	400	445	439	476
Prepaid	—	—	—	161	131	130	141(2)
Number of short text messages invoiced (in millions)	—	—	13	51	363	224	588
Analog:							
Total outgoing traffic (in millions of minutes)	420	391	331	271	174	140	88
Total incoming traffic (in millions of minutes)	272	261	220	180	108	99	53

(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 the nine months ended September 30, 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 the nine months ended September 30, 2000 would have been NOK 9 lower for prepaid subscriptions and NOK 4 lower for total digital subscriptions.

Our outgoing digital traffic minutes increased by 153% from 1997 to 1999, due primarily to the significant growth in our digital customer base for digital mobile telephony services, particularly in the number of our prepaid customers. 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. Our analog traffic has declined steadily since 1995 primarily due to migration of our analog customers to digital services.

The decrease in 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, we offer our business customers in Norway 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.

Although mobile tariffs in Norway have generally been among the lowest in the world, tariffs have continued to decline in recent years. In 1999, we reduced overall tariff levels by approximately 5%. As of February 1, 2000, we made additional price cuts. At the same time we introduced per second billing and a call initiation fee for all digital mobile telephony customers. During the first quarter of 2000, we reduced the price of sending short text messages by 33% to NOK 1.00 per message for both contract and prepaid customers. 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. See "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. Beginning on August 1, 2000, we changed the international tariffs we charge based on a new international price system. As a result, we reduced tariffs charged to 154 countries and increased tariffs charged to 80 countries.

Distribution

We distribute our mobile telecommunications services through retail stores, the Internet and independent distributors. Telenor Telehuset, MobilPartner Invest, MobilData Kjeden and Commit are our subsidiaries that operate retail chains engaged in the sale of terminal equipment and mobile phone subscriptions. All of these subsidiaries are 100% owned other than 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. Our total number of selling points for both contract and prepaid customers was approximately 13,000 at September 30, 2000. All of our selling points offer prepaid cards, while approximately 1,600 offer contract subscriptions. Prepaid cards can now be purchased in kiosks, petrol stations and supermarkets across Norway. For the ease of our prepaid customers, they can use their credit card to make prepaid card purchases in any Telenor public phone booth. During 1999, we expanded our distribution network by adding 7,600 new selling points.

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.

Telenor Telehuset has implemented ''Nettforhandler'', a product offering customers the ability to order subscriptions and additional services through Telehuset's web stores. Further roll out of Nettforhandler to other distributors is planned in the future.

Customer Service

We believe that customer care, service and management are key factors that distinguish us from our competitors in the mobile telephony market. We believe the provision of quality customer service is the foundation of long-term customer relationships and the expansion of our customer base. We intend to focus on providing higher quality customer service than our competitors to distinguish us in a market characterized by increasing competition and reduced margins. Our customer service group is divided into business teams responsible for each of our customer segments, with different teams handling our business customers, our smaller business customers and our residential customers. Within Norway, our customer service may be used without any extra charge for the service.

We own and operate our customer service centers, which serve both our customers and our dealers. The customer service centers provide customers and dealers with 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 1999, our customer service center in Norway handled, on average, 550,000 calls monthly from our customers and 40,000 calls from 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 as well as the Internet. We currently do not outsource the provision of these services.

We have consistently achieved many of our key operating measures. Currently, these include:

- 66% of all customer calls are answered within 20 seconds;
- 98% of all customer requests are resolved at first point of contact;
- 130 seconds average handling time for customer calls;
- all new subscriptions are activated within 19 minutes for business customers and 25 minutes for consumer customers; and
- 84% of the customers are classified as either ''satisfied'' or ''highly satisfied'' by our customer service department. The level of customer satisfaction is verified through an independent market survey every four months.

Subscriber Management, Billing and Activation for Contract Subscriptions

Each customer applies in writing for a mobile subscription and authorizes us to conduct a credit check. Based on this information, we assess the credit risk of each customer and classify the customer accordingly. 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. Roll-out is pending 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 debt write-offs was approximately 0.7% of annual revenues in 1999 and fell to 0.3% of revenues for the nine months ended September 30, 2000.

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 1999, we delivered a 98.2% 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 are enhancing our digital network with GPRS capability. In April 2000, we entered into an agreement with Nokia under which Nokia will supply infrastructure for our GPRS system. GPRS allows mobile phone users to run mobile Internet applications by permitting base stations to connect directly with the Internet. Depending on several factors, including the availability of GPRS handsets, we expect to launch this service in the first quarter of 2001.

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 September 30, 2000, we had approximately 5,000 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.

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. We charge an interconnection fee between NOK 0.90 and NOK 1.00, on average, per minute for interconnection from national and international networks to our mobile network. We intend to reduce this fee to NOK 0.85 effective January 1, 2001. Similarly, we are charged an interconnection fee between NOK 0.17 and NOK 1.30, on average, per minute for interconnection to networks owned by other domestic operators. For traffic to international destinations, we are charged an interconnection fee between NOK 0.20 and NOK 40.00 per minute, depending on the actual destination of the call. In 1999, we recorded interconnection revenue of approximately NOK 1,378 million, which was offset by payments to other operators of approximately NOK 1,207 million (including revenue from and payments to other Telenor operating units).

Service Provision

We have entered into agreements with other providers of mobile telephony services through which we grant access to our digital network. In 1999, we granted service providers access to purchase mobile traffic and SIM cards from Telenor Mobil 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 market.

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 September 30, 2000, we had international roaming agreements with 163 digital mobile telephony operators in 86 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 systems offer international roaming in countries that have adopted the Nordic Mobile Telephone standard. These include the Nordic and Baltic countries, Eastern Europe and Russia for Nordic Mobile Telephone 450 users and Denmark and the Faroe Islands for Nordic Mobile Telephone 900 users.

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

	Year ended December 31,		Nine months ended September 30,	
	1998	1999	1999	2000
	(NOK in millions)			
Purchased:				
Digital	448	552	420	548
Analog	34	25	20	12
Total	482	577	440	560
Sold(1):				
Digital	731	790	629	803
Analog	10	34	26	19
Total	741	824	655	822

(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.

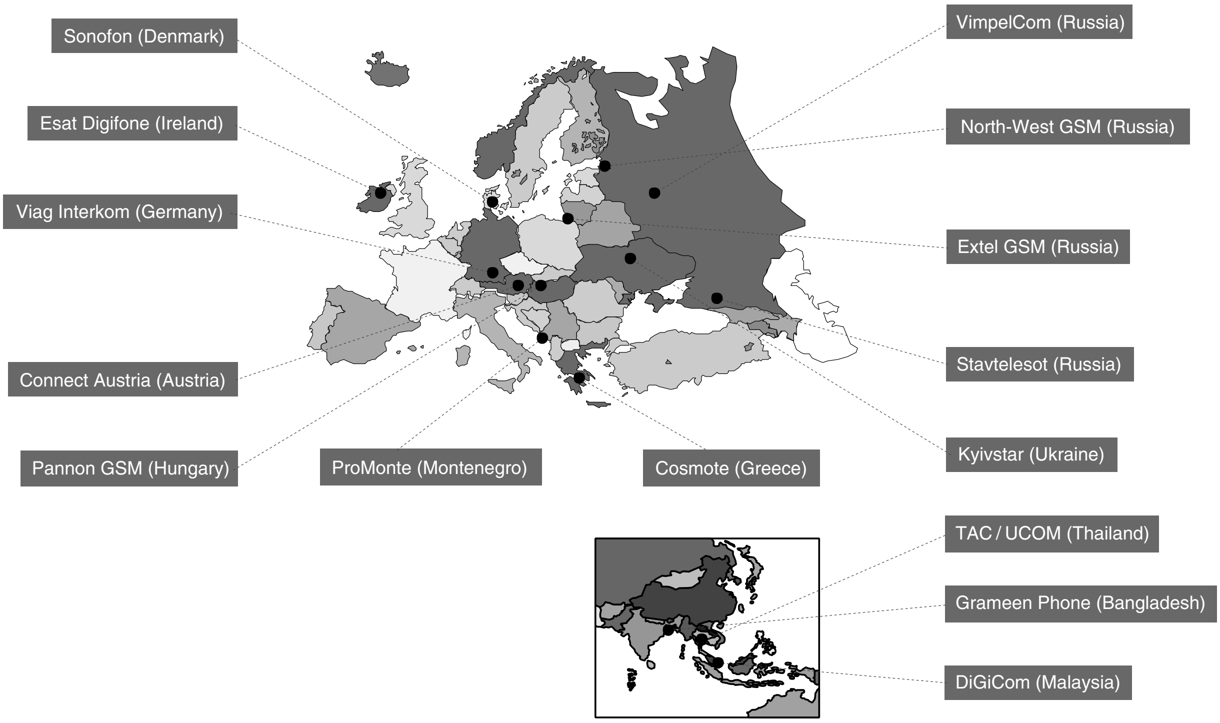
On November 29, 2000, licenses for UMTS third generation mobile services were awarded to us and to Tele 2 Norge AS, Netcom GSM AS and Broadband Mobile ASA (owned by Enitel and Sonera).

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 holds stakes in 15 mobile operations worldwide, and had 3.1 million subscribers as of September 30, 2000, calculated on the basis of our ownership interests in each company. On August 10, 2000, we acquired a 53.5% ownership interest in Sonofon, the second largest mobile operator in Denmark. In addition, in May and August 2000, we acquired a 29.5% ownership interest in Total Access Corporation, Thailand's second largest mobile phone company, and a 24.9% ownership interest in its parent, United Communication Industry, resulting in a combined direct and indirect ownership interest of 39.8% in Total Access Communications. We believe that these companies have substantial growth potential, and several companies have grown considerably since we established our initial ownership investments. In addition, we expect that these companies 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 we have seconded key managerial, technological and marketing personnel to our international companies. The Telenor 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.

The following map shows the location of the international mobile telecommunications companies in which we have invested:



The following tables 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 September 30, 2000	Date of Commencement of Operations(1)	Date of Initial Telenor Investment	Telenor's Investment(2) September 30, 2000	Telenor's Ownership Interest September 30, 2000	Telenor's Share of Profit after Tax(3) Year ended December 31, 1999
					(NOK in millions)		
Nordic Region							
Sonofon	Denmark	57.7%	July 1992	2000	14,801	53.5%	—
Western Europe							
Esat Digifone	Ireland	56.8%	March 1997	1995	958	49.5%	(93.5)
Viag Interkom	Germany	49.5%	October 1998	1997	11,011	10.0%	(540.6)
Connect Austria	Austria	70.7%	October 1998	1997	1,208	17.5%	(254.8)
Central & Eastern Europe							
Cosmote	Greece	51.5%	April 1998	1997	417(4)	18.0%(4)	38.8
Pannon GSM	Hungary	24.7%	March 1994	1994	673(5)	25.8%	109.9
ProMonte	Montenegro	13.6%	July 1996	1997	62	40.1%(6)	(24.7)(6)
Russia/Ukraine							
VimpelCom	Moscow and nearby counties	10.1%(7)	June 1994	1999	1,678	30.4%(8)	(88.7)
Kyivstar	Ukraine	1.0%	October 1997	1998	475	35.0%	(25.1)
Extel GSM	Kaliningrad	1.3%(7)	April 1998	1997	97	49.0%	(17.5)
Stavtelesot	Stavropol	1.1%(7)	December 1997	1997	129	49.0%	(34.9)
North-West GSM	St. Petersburg	4.2%(7)	December 1994	1994	15	12.7%	—(9)
Southeast Asia							
TAC/UCOM	Thailand	5.2%	September 1991	2000	6,370	39.8%(10)	—
DiGi.com	Malaysia	21.5%	May 1995	1999	2,268	32.9%	—(11)
Grameen Phone	Bangladesh	0.2%	March 1997	1997	254	46.4%	(49.1)

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

(2) Includes capital contributions, loans and other advances.

(3) Excluding amortization of excess values/goodwill.

(4) Ownership share as of November 6, 2000.

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

(6) European Telecom owns 91.1% of ProMonte and Telenor owns 44% of European Telecom.

(7) Based on company estimates.

(8) Ownership interest on a fully diluted basis after the completion of the convertible bond and ADS issuance in July 2000.

(9) Results not consolidated. Telenor uses the "cost method" under Norwegian GAAP if Telenor's interest is usually less than a 20% interest.

(10) Investment includes Telenor's direct ownership of 29.5% and Telenor's indirect interest held through Telenor's 24.9% shareholding in UCOM.

(11) Results included using the equity method as of January 1, 2000.

Total Per Company

Company	Subscriptions			Revenues				EBITDA, excluding gains/(losses) from sale of fixed assets and operations(1)				Net Debt(2)
	June 30,		% change	Year ended December 31,	Six months ended June 30,		% change	Year ended December 31,	Six months ended June 30,		% change	December 31,
	1999	2000	H1 2000/ H1 1999	1999	1999	2000	H1 2000/ H1 1999	1999	1999	2000	H1 2000/ H1 1999	1999
	(000s)			(NOK millions, except percentages)(3)								
Western Europe												
Esat Digifone	368	699	90%	2,203	949	1,662	75%	75	111	439	296 %	1,403
VIAG Interkom	228	1,817	696%	6,396	2,133	4,814	126%	(6,135)	(2,706)	(2,759)	(5)	(435)
Connect Austria	183	792	333%	1,246	347	1,366	294%	(864)	(423)	(326)	(5)	5,011
Central & Eastern Europe												
Cosmote	585(6)	1,515	159%	2,987	1,128	2,174	93%	666	169	484	186 %	1,459
Pannon GSM	474	842	78%	2,590	1,232	1,341	9%	1,270	639	559	(13)%	1,390
ProMonte	44	63	44%	137	46	137	197%	72	27	74	173 %	(28)
Russia/Ukraine												
VimpelCom	149(6)	582	290%	1,768	885(6)	1,130	28%	201	240(6)	206	(14)%	1,008
Kyivstar	20	133	579%	156	63	167	166%	2	2	39(6)	1,684%	337
Extel	3	6	118%	31	11	23(6)	104%	12	4	10(6)	159%	80
Stavtelesot	4	11	175%	20	7	17	136%	7	0	9(6)	(5)	84
North-West GSM	109	162	49%	668	298	446	49%	331	144	229	59 %	2
Southeast Asia												
DiGi.com	—	677	—	—	—	837	—	—	—	267	—	594(4)
Grameen Phone	40	106	167%	205	77	204	165%	17	7	41	486%	268

(1) EBITDA, excluding gains/losses from sales of assets, consists of earnings before interest, tax, depreciation and amortization excluding gains/(losses) from sales of fixed assets and operations.

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

(3) Financial figures according to Norwegian GAAP.

(4) Net debt as of June 30, 2000.

(5) Not meaningful.

(6) Based on management estimates.

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. We acquired our interest from GN Great Nordic on August 10, 2000 for consideration of approximately DKK 13.0 billion (NOK 14.1 billion). The remaining interest in Sonofon is held by our joint venture partner, BellSouth. 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. For more information, see the unaudited pro forma consolidated financial information included elsewhere in this prospectus.

We believe the acquisition of Sonofon is an important step towards realizing our Nordic strategy. 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 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 September 30, 2000, Sonofon markets and distributes its mobile telephone services and equipment through approximately 1,200 points of sale, including its own chain of 40 Sonofon stores.

In addition to Sonofon, there are three other mobile network operators in Denmark: TeleDanmark, Telia and Mobilix. In 1999 debitel Danmark began operations as the first service provider in the market, and additional service providers have entered the market in 2000.

The following table sets forth certain consolidated financial and operating data for Sonofon. You should read the following data in conjunction with Sonofon's consolidated financial statements, included elsewhere in this prospectus.

	Year ended December 31,		Nine months ended September 30,
	1998	1999	2000
Net revenues (DKK millions)	2,347	2,904	2,275
Operating profit	32	269	136
Profit/loss after taxes	(114)	57	(18)
EBITDA	473	736	529
Mobile subscriptions (period end, 000s):			
Contract	503	442	551
Prepaid(1)	193	335	306
Total	696	797	857
Subscriptions through service providers	54	71	75
Number of short text messages (millions)	28	143	158
Mobile traffic minutes, incoming and outgoing (billions)	1.1	1.5	1.3
Fixed-line customers (000s)	—	89	173
Mobile telephony penetration in Denmark	36%	50%	58%

(1) For purposes of calculating the number of prepaid subscriptions set forth above, a subscription is considered disconnected 14 months after the last payment to the prepaid subscription account.

The Danish mobile telephony market continued to experience strong competition in the nine months ended September 30, 2000, which resulted in a general reduction in tariffs and adversely affected Sonofon's revenues. This decline in revenues was partly offset by a slight increase in customer usage of mobile phones.

In 1999, Sonofon achieved higher revenues compared to 1998 due primarily to a marked increase in customer usage and a significant number of new customers in both mobile and fixed network telephony. In response to intense competition in early 1999, Sonofon introduced significant subsidies to contract subscriptions and prepaid cards. Although while Sonofon gained a large number of new subscribers in this period, expenses for sales and marketing increased considerably. For the remaining part of 1999, Sonofon lowered its level of subsidies, and gained new subscribers at a more measured pace, relying on the strength of its broad distribution network, strong products and visible marketing.

At September 30, 2000, Sonofon estimates its market share in Denmark, based on number of subscriptions, at about 28%, excluding subscriptions of service providers.

In the spring of 2000, Sonofon launched a new mobile telephony pricing plan called ''Variant'', which was supported by a comprehensive marketing campaign. The success of the Variant campaign has resulted in approximately 220,000 Variant subscribers as of September 30, 2000. 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.

Sonofon currently holds, through wholly-owned subsidiaries, two public licenses for the operation and provision of GSM 900 MHz and 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 GSM 900 MHz license was granted in February 1997 and currently expires in March 2002 and the GSM/DCS 1800 MHz license was granted in June 1997 and initially expires in June 2007. The Danish regulator has reserved the right to withdraw either license on the initial expiration dates upon one year's notice. Otherwise, both 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 both licenses every five years and to impose new, more stringent terms. It is possible that Sonofon's licenses may be revised with effect from March 2002 (GSM 900 license) and June 2002 (GSM/DCS 1800 license). However, in light of the current competitive environment in the Danish mobile market, Sonofon does not expect the regulator to impose more onerous license terms in connection with such a review of its licenses.

Both mobile licenses contain conditions that impose obligations on Sonofon to provide certain services and information, conditions on the prices and terms Sonofon offers to customers as well as geographical network coverage requirements and specific roll out schedules. Sonofon believes it is currently in compliance with its coverage obligations. Furthermore, the Danish regulator has designated Sonofon as an operator having significant market power in the market for mobile communications services, and as such, Sonofon must provide interconnection to other operators on objective, transparent and non-discriminatory terms. In addition, under the terms of Sonofon's GSM 900 license, at least 40% of Sonofon's financing requirements must be fulfilled through contributions to be made each year by the owners of the licensee.

Sonofon expects the tender process for third generation mobile licenses in Denmark to occur in 2001.

In addition, tender processes for seven wireless access (FWA) licenses, two national digital licenses in the GSM 900 MHz frequency band, and two national digital licenses in the GSM 1800 MHz frequency band are currently underway. Sonofon believes it has been granted one of the licenses in the 1800 MHz frequency band and that the license will be issued in November 2000. The licenses in the 900 MHz frequency band are expected to be awarded in January 2001. Sonofon has applied for two FWA licenses, one in the 3.5 GHz band and one in the 26 GHz band. Sonofon expects the licenses to be awarded in December 2000.

Telenordia (Sweden). Telenordia, a Swedish telecommunications company owned 50% by us and 50% by British Telecom or BT, submitted an application for a UMTS license in Sweden through participation in a beauty contest. The Swedish regulator is expected to announce the winning applicants in mid-December 2000. For more information on Telenordia, see ''— Other Activities'' below.

Western Europe

Esat Digifone (Ireland). We hold a 49.5% ownership interest and BT controls a 50.5% ownership interest in Esat Digifone. Esat Digifone commenced commercial operations in March 1997 and is the second provider of GSM 900 and 1800 mobile telephony services in Ireland. In November 1998, the company launched prepaid services and in November 1999 launched short text messaging services for prepaid customers. In June 2000, Esat Digifone launched its fax, mobile Internet and portal services. Esat Digifone began offering wireless application protocol services at the end of 1999, and introduced mobile Internet services in September 1999. The Company plans to participate in the beauty contest for a UMTS license in Ireland, which is currently scheduled for May 2001.

There are currently two mobile network operators in Ireland, Eircell, and Esat Digifone. Esat Digifone estimates its market share at approximately 38.4% at June 30, 2000. A third operator, Meteor, is expected to launch operations in late 2000.

In January 2000, BT acquired Esat Telecom. Pursuant to our agreement with BT, we have the option to sell our 49.5% stake in Esat Digifone to BT for US$1,237 million or to exchange our 49.5% interest in Esat Digifone for a 33% stake in Esat Telecom, with the option to increase our interest to 49.9%. In the event that we do not exercise either option by December 7, 2000, the agreement requires us to sell to Esat Telecom our 49.5% share in Esat Digifone for US$1,237 million. In the event we exercise the option to exchange our interest in Esat Digifone for a 33% stake in Esat Telecom during the option period, we have an additional option available for a period of 270 days to sell our stake in Esat Telecom to BT for US$1,237 million, together with an amount equal to any amounts we spend in increasing our stake up to 49.9%. We currently consider our option to sell our interest to BT, whether in the form of an interest in Esat Digifone or Esat Telecom, at the option price to be a valuable right. However, to date we have made no decision on whether or when to exercise this option. BT has recently informed us that it is prepared to extend the current option period for two months beyond December 7, 2000, which would also reduce the subsequent 270-day period by two months.

VIAG Interkom (Germany). We have a 10% ownership interest in VIAG Interkom, a joint venture in Germany with E.ON and BT, both of which own 45% of VIAG Interkom. VIAG Interkom provides a full offering of standard and customized telecommunications products and services based on the most advanced systems and integrated networks technology. VIAG Interkom is a GSM 1800 mobile operator and estimates its market share at approximately 6% at June 30, 2000. In 1999 the company signed a national roaming agreement with Deutsche Telekom granting VIAG Interkom customers close to nationwide coverage. VIAG Interkom launched its mobile and Internet operations in October 1998 and provides a full range of mobile services, including prepaid services and wireless application protocol services. A VIAG Interkom product was named the most innovative telecom product in Germany in 1999 — VIAG Interkom's FMC product, Genion, which makes mobile telephony at a selected address (for example, a customer's private home) possible at fixed-line tariffs. VIAG Interkom launched GPRS on a regional basis in September 2000 and intends to launch it on a national basis in the first quarter 2001. The company acquired a UMTS license in Germany in August 2000, at a cost of DEM 16.53 billion. Telenor's share of that expense was DEM 1.65 billion (NOK 6.82 billion), which was provided in the form of a loan by Telenor to VIAG Interkom. One of the other companies that received a UMTS license in Germany has brought a legal proceeding challenging the auction process, and it is not clear what the result of this challenge will be. VIAG

Interkom intends to focus on the major growth areas of the telecommunications market, including mobile and broadband services.

To promote investment stability, the VIAG Interkom joint venture agreement provides that no party is permitted to transfer its interest in VIAG Interkom to a non-shareholder prior to January 2002. E.ON has negotiated an option to sell its stake in VIAG Interkom to BT for Euro 6.65 billion. We have an option to sell, subject to E.ON's consent, our 10% stake in VIAG Interkom to BT by the end of 2000 for Euro 1.61 billion. BT has an option to buy our 10% stake in VIAG Interkom which may be exercised for a period of three months following the expiration of our option to sell at a 15% higher price. If we sell our stake in VIAG Interkom, VIAG Interkom will repay to us our loan that was advanced in respect of the recently acquired UMTS license. We currently consider our option to sell our VIAG Interkom stake at the option price to be a valuable right. We have recently entered into discussions with BT regarding not only the VIAG Interkom investment, but our other common investments as well, and it is possible that our decision whether to exercise our VIAG Interkom option could be affected by agreements, if any, reached with BT regarding our other relationships, which in part could include an acquisition by us of BT's interest in Telenordia and may also involve our option to sell to BT our interest in Esat Digifone. Any decision on these matters will be made with a view to maximizing the value to our shareholders in light of the opportunities available to us.

Connect Austria (Austria). We have a 17.45% ownership position in Connect Austria, one of the current four mobile operators in the fast-growing Austrian market. Connect Austria is a joint venture among E.ON (30%), RHI Telekom GmbH (20.1%), Orange (17.45%), TeleDanmark (15%) and Telenor. To promote investment stability, the shareholders' agreement provides that no party may transfer its interest to a non-shareholder prior to July 2001. Due to Mannesman's acquisition of Orange (completed February 2000), Orange was required to divest its interest in Connect Austria pursuant to the joint venture agreement. Orange, now owned by France Telecom, has protested divestiture and the matter is currently in arbitration. If Orange is required to divest its participation, the remaining parties to the joint venture agreement may acquire Orange's stake in proportion to their respective interests in Connect Austria. As a result, our ownership interest could increase to 21.14%. E.ON has stated publicly that it intends to withdraw from the telecommunications industry which, if it did, would result in a change in the ownership structure of Connect Austria.

As of June 30, 2000, the Company estimates that it had a market share of approximately 16% 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. Connect Austria participated in the UMTS license auction process in Austria, that closed on November 3, 2000. Connect Austria won a license consisting of two blocks. The price for the license was ATS 1.65 billion, of which ATS 288 million (NOK 167 million) represented Telenor's 17.45% share.

Portugal. We have a 20% interest in a consortium in Portugal that has submitted an application for the beauty contest for a UMTS license. Our partners in the consortium ONI Way are ONI SGPS (60%) and institutional investors (20%). Licenses are expected to be awarded in December 2000.

Central and Eastern Europe

Cosmote (Greece). We currently hold an 18.0% 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 seeks to become the leading provider of mobile services in Greece, and eventually in the Balkans. The company estimates that it had a market share of approximately 31% as of June 30, 2000. The company is the second 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) will be launched later this year. Services based on GPRS technology are expected to be launched in the beginning of 2001. Cosmote intends to participate in the UMTS license auction in Greece, which is currently scheduled for the first quarter of 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.

Cosmote recently conducted an initial public offering of its shares and is traded on the London and Athens stock exchanges. After the offering, investors in Cosmote are Telenor (18.0%), WR Com Enterprises Ltd (Cyprus) (7.3%), OTE (59%) and public shareholders (15.7%).

Pannon GSM (Hungary). 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. We currently have a 25.8% ownership interest in Pannon. Other investors include Sonera (23%), KPN (44.7%) and TeleDanmark (6.6%). Pannon is one of three operators in the Hungarian market and competes with Vodafone Hungary and Westel. As of September 30, 2000, Pannon estimates that it had a market share of approximately 39%. Vodafone Hungary operates GSM 900/1800 networks and Westel operates NMT 450 and GSM 900 networks. Vodafone Hungary has been given national roaming as of December 1999. Pannon and Westel are not permitted to operate their GSM 1800 networks until December 2000.

Pannon currently offers prepaid and contract services, short text messaging services, international calls over Internet protocol and wireless application protocol services. Pannon introduced ISP services in September 2000 and intends to offer limited roaming for prepaid subscriptions later this year. Pannon expects to provide data services using the HSCSD network and plans to launch GPRS in 2001. Pannon also plans to participate in the UMTS license auction in Hungary, which is currently scheduled for late 2001.

The chief executive officer of Pannon is seconded from Telenor.

ProMonte (Montenegro). We hold a 40.1% ownership interest in ProMonte, a mobile operator in Montenegro, indirectly through ETL Luxembourg, which holds 91.1% of ProMonte. ProMonte launched operations in July 1996, offers basic mobile telephony services and launched prepaid services at the end of June 2000.

Russia, Ukraine and Baltics

VimpelCom (Russia). In 1999, we purchased a shareholding of 31.6% of the share capital and 25.7% of the voting rights of Vimpel-Communications (VimpelCom) in Moscow. After an issue of new shares and convertible bonds in July 2000, we currently hold a 30.4% ownership interest in the shares of VimpelCom on a fully diluted basis. The remaining interests in VimpelCom are owned by its President and Chief Executive Officer (approximately 20.5%), the European Bank for Reconstruction and Development (3%), and by public investors (approximately 46.1%). VimpelCom was the first Russian company to be listed on the NYSE.

Pursuant to our agreement with VimpelCom entered into in connection with our initial investment, we granted VimpelCom an option to repurchase 250,000 of our shares. If this option is exercised, our ownership interest in VimpelCom will be reduced to 29.7% of the share capital and 25.1% of the voting rights. VimpelCom has indicated that they intend to exercise this option.

VimpelCom estimates that it had a market share of approximately 44% at June 30, 2000 with 551,500 subscribers in the Moscow license area and 30,800 elsewhere. VimpelCom operates a D-AMPS network as well as a dual-band GSM network (900 and 1800). The GSM network became the larger of VimpelCom's networks during the third quarter of 2000. The company currently offers both contract and prepaid services as well as short text messaging. VimpelCom launched a wireless application portal, beeonline.ru on June 30, 2000. The company also expects to introduce GPRS in the fourth quarter of 2000. VimpelCom operates primarily in the Moscow region of Russia and competes with a GSM 900 and 1800 operator as well as with an NMT 450 operator.

Seconded Telenor personnel are currently serving with VimpelCom as president and chief operating officer and in two other managerial positions.

In early September 2000, VimpelCom received a letter from Gosvyaznadzor, a committee subordinate to the Russian Telecommunications Ministry, asking VimpelCom to surrender 30 of the 45 channels in the 900 MHz band that VimpelCom holds in Moscow. VimpelCom contested the letter. On November 14, 2000, the Ministry issued a letter stating that the validity of the contested frequency channels had been restored.

North-West GSM (St. Petersburg). We have a 12.74% interest in North-West GSM, a digital mobile telephony operator (GSM 900) in St. Petersburg. There are currently four operators in the St. Petersburg and Leningrad Oblast area. North-West GSM currently offers contract subscriptions, and expects to launch prepaid services during spring 2001. The company also plans to launch GSM 1800 in Kaliningrad, Pskow and Novgorod early in 2001.

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

Kyivstar (Ukraine). We have a 35% ownership interest in Kyivstar GSM, a mobile operator in the Ukraine. Other owners include Storm (31%), Sputnik (14%) and Omega (20%). Kyivstar additionally provides short text and voice messaging services. Kyivstar launched mobile Internet services based on wireless application protocol in July 2000. Telenor personnel have been seconded to serve as the vice president and marketing director, the technical director and the finance director.

Extel GSM (Kaliningrad). We have a 49% interest in Extel GSM, one of three 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 30.0% of DiGi.com at the end of 1999, expanding our presence in Southeast Asia. An additional 2.93% was bought June 1, 2000. The remaining shares are held publicly (11.1%) and by private investors (56%). In 1995, DiGi.com was the first operator to commercially launch and operate a fully digital mobile network. The company currently provides a range of mobile services, international carrier services, fixed-line services and fixed line access services. DiGi.com plans to launch an Internet service provider/portal service in fall 2000. DiGi.com is one of five mobile operators in the Malaysian market. Other operators include Cellcom (GSM 900, E-TACS), Maxis (GSM 900), Telecom Malaysia (GSM 1800, AMPS, D-AMPS, NMT450) and Time Wireless (GSM 1800). DiGi.com operates a GSM 1800 network and is the leading prepaid operator in Malaysia. DiGi.com estimates its market share in the Malaysian market as 21% as of June 30, 2000.

Seconded Telenor personnel are currently serving as the chief operating officer, chief technology officer, deputy chief financial officer, strategic director and managers/engineers in the technical department and international carrier business unit.

Grameen Phone (Bangladesh). We hold a 46.4% ownership interest and a majority voting interest in Grameen Phone, the second mobile operator to provide mobile telephony services in Bangladesh. Grameen Phone launched its GSM 900 network in March 1997. Other investors include Grameen Telecom (31.9%), Marubeni Corporation (8.6%), Gonofone Development Corp., USA (4.1%) and syndicate banks (9%). As of August 31, 2000, Grameen Phone estimates that it had a market share of approximately 59%. Besides Grameen Phone as the leading operator in the

Bangladeshi market, 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 by establishing a program that enables customers (especially women) to borrow money to buy cell phones.

Seconded Telenor personnel are currently serving as chief executive officer, chief operating officer and chief technical officer of Grameen Phone.

Total Access Communication Company PCL and United Communication Industry PCL (Thailand). In 2000, we acquired 29.5% of Total Access Communication Company PCL (TAC) and 24.9% of its previous parent company, United Communication Industry PCL (UCOM) giving us a combined direct and indirect ownership interest in TAC of 39.8%. We purchased these interests in two main tranches, in May and August 2000, at a total acquisition cost of US$713.5 million (NOK 6.4 billion). TAC 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 Stock Exchange of Thailand. We recently increased our ownership in TAC to 29.9%.

UCOM owns 41.6% of TAC. The other holders of UCOM, are Somers (U.K.) (22.6%) and the Bencharongkul family (22.4%). In connection with our acquisition, TAC received proceeds of US$262 million.

TAC launched its analog AMPS 800 cellular service in 1991 and launched digital GSM 1800 service in 1994. At June 30, 2000, TAC had 1.1 million mobile subscribers, of which approximately 640,800 were analog and 500,200 were digital. TAC estimates its market share in Thailand as of June 30, 2000 to be approximately 37%. Revenues for the six months ended June 30, 2000 were Baht 10.4 billion of which Baht 7.5 billion was from phone services, with most of the remainder representing sales of handsets. Operating income was Baht 2.9 billion and net profit Baht 0.3 billion. TAC reported total revenues for the year ended December 31, 1999 of Baht 18.2 billion, of which Baht 12.1 billion was from mobile telephone services, with most of the remainder from sales of handsets.

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 1999 of Baht 25.9 billion. For the first half of the year 2000 the reported consolidated revenues were Baht 14.3 billion.

Philippines. Telenor is in discussions with the local telecom operator BayanTel and its main shareholder Benpres to establish a joint venture to construct and operate a cellular network in the Philippines based on the GSM standard. Telenor would have a 40% ownership interest in the joint venture, and BayanTel would have 60% under the terms of a non-binding Memorandum of Agreement signed June 23, 2000.

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 be a leader in applying mobility to the Internet by developing innovative business services today as well as new services for UMTS, the next generation mobile system.

We launched djuice, our mobile Internet portal, in Norway in the spring of 2000 and are currently in the initial stages of rolling out the portal outside Norway. See ''mNorway — djuice''. We signed an ASP agreement with TAC in September 2000, and will launch the Thai version of djuice, djuice.co.th, on December 1, 2000. djuice will also be launched by DiGi.com, Malaysia in December

2000 and we intend to enter into agreements with two more Telenor associated companies by the end of 2000. In addition, we expect to have three independent versions of djuice running by year-end 2000, and have already activated djuice's URL in Portugal and The Netherlands with local content categorization and language. Later on, we intend to approach operators in these respective markets to form closer partnership on customer offerings.

We intend to develop djuice into an international platform for mobile Internet access, incorporating local content and customers. We intend to aggressively market the djuice platform as a preferred source for Internet users everywhere by tailoring content region-by-region, while maintaining common features and functionality across regions. We believe the features that we are incorporating into djuice are readily exportable and can create a common platform for Internet access, content aggregation and transaction engines internationally. To support our initiative, we are currently seeking alliances with other mobile operators to develop a partnership network for our djuice portal. The partnership network is intended to provide our partners the benefit of common platforms and functionality as well as a coordinated effort to develop a strong brand name. In targeted markets where partners are not initially available, we intend to launch djuice independently. Our objective is to provide an established presence in several countries within the next few years.

Telecom

Through our telecom business 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, leased lines and data communication services. We also provide telecom solutions to the wholesale market, including interconnection to our networks and domestic and international transit and capacity services. In addition, in order to focus on the growing markets for application service provisioning and other managed services that combine telecommunications and information technology, we have recently reorganized our application service provisioning, or ASP, systems integration, consulting and e-business services and customer premises equipment into a range of business solutions. In 1999, our Telecom business area had external revenues of NOK 15.9 billion.

Telecom Solutions

Overview and Background

We develop and supply telecommunications services for the residential and business markets in Norway and for the wholesale market in Norway and internationally. 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 September 30, 2000, we had approximately 1.372 million analog and 408,000 ISDN access subscriptions in the residential market. In December 2000 we will begin offering high-speed asynchronous digital subscriber line, or ''ADSL'', service to this market.
- *Business market.* We provide traditional analog, ISDN and ADSL service, leased lines and data communications services to businesses in Norway, including public sector entities. We were the first operator in the Nordic region to offer ADSL service to businesses, which was launched in June 1999. At September 30, 2000, we had approximately 352,000 analog, 251,000 ISDN and 350 ADSL access subscriptions in this market. We also provided approximately 70,000 leased lines and had 35,000 data communications customers at that date.
- *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, and we are currently expanding our European and transatlantic international wholesale operations.

The Norwegian market for fixed network telecommunications has been open to full competition in both domestic and international services since January 1, 1998. Since then, a number of competing service providers have commenced operations in Norway. In addition, regulatory measures have been adopted to promote competition. Since January 1, 1998, we have been required to provide access customers with the ability to select alternative operators to handle their calls, which were provided on a call-by-call basis using prefix access codes. As of June 1, 1999, we were required to offer customers the ability to pre-select a primary carrier for all their calls, as well as the ability to keep their telephone numbers if they change service providers. Since November 1, 2000, we have been required to offer customers the ability to pre-select two carriers for different types of calls (e.g., one for national service and one for international service). Furthermore, as an operator with ''significant market power'', we must make available interconnection and transmission capacity to competing operators at cost-oriented prices, and in a transparent and nondiscriminatory manner.

The introduction of competition 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 79% in the residential market and 81% in the business market during the nine months ended September 2000. 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. In July 1999, we eliminated our national long-distance tariff, so that all calls within Norway are now charged at the local tariff rate. 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 strongly, and the amount of traffic carried on our network has continued to increase. Traffic minutes in our residential market and in our business market increased 7.5% and 6.0%, respectively, in the nine months ended September 30, 2000 compared to the same period in 1999. The total volume of traffic minutes in our network, including traffic generated by other operators, increased 25% in the third quarter of 2000 compared to the third quarter of 1999. The principal driver of the increase in traffic minutes has been the high growth in usage of the Internet in Norway, while traffic to mobile phones and the increased use of home personal computers and telecommuting have also contributed to the increase. Norway has among the highest penetration rates of personal computers and Internet users in the world. According to an estimate by Jupiter Strategic Planning Services, Internet users as a percentage of the population in Norway this year will reach 45%.

The increased 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 the highest penetration rate of ISDN lines in the world, with 28% of our access subscribers using an ISDN line at September 30, 2000. In our experience, conversion from a traditional analog line to an ISDN line has typically resulted in a multiple-fold increase in traffic minutes generated by the subscriber. In recent years we have made substantial investments in our access network to increase capacity in order to accommodate ISDN lines, and at September 30, 2000, over 95% 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 intend to launch ADSL service for the residential market in December 2000. ADSL provides broadband capacity, which means that voice and 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. We currently offer ADSL lines 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. As the diversity and complexity of Internet and other data applications continue to increase, we expect there to be strong demand in Norway for ADSL lines. Because of the investments made to increase the capacity in our access network to accommodate ISDN, we believe that we are well-positioned for the roll out of ADSL on a network-wide basis.

Strategy

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

- *Strengthen our customer relationships and market integrated solutions.* We aim to develop and manage long-term customer relationships by providing customized customer interaction and services. In December 1999, we reorganized our business structure to move from a product-oriented organization to a customer segment-oriented organization. We also are investing in advanced customer data information mastering tools to increase our focus on customer relationship management. 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 mobile and Internet services.

- *Focus on subscriptions and content portals.* With declining prices expected to result in a reduction in revenues from the carriage of switched traffic, we intend to focus our efforts, jointly with the Internet Business Area, on the development of new content-based services for customers. We intend to offer these new services together with our access services. Together with the roll out of ADSL service to the residential market, we intend to launch a broadband portal for the consumer market. ADSL provides subscribers with an ''always on'' data connection at a fixed price, which we believe will result in a dramatic change in consumer usage of the Internet and other data services. To obtain content, we will seek to establish strategic alliances with third party content providers. In order to promote a more effective roll out of ADSL, the Telecom business area has formed a common project team with Telenor Internet personnel to take advantage of additional expertise within Telenor.

- *Aggressively deploy IP technology throughout our network.* To effectively handle increased data applications and introduce innovative new technologies, we jointly with the Internet Business intend to aggressively deploy Internet protocol, or IP, technology throughout our network over the next several years. Deploying IP technology in our network will allow us to achieve cost efficient transport and provide network services more suited to the needs of Internet service providers and other large data traffic users, which represent a growing proportion of our network traffic. We believe the migration to IP based networks will be critical to our ability to maintain a leading position in the market for network services in coming years.

- *Promote an open value chain.* The introduction of competition has resulted in the rapid development of a wholesale market in Norway. 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. To date, leases of local loop connections have not been significant. We also intend to develop a wholesale service for switchless resellers in 2001, which will be 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.

Access

The following table sets forth information regarding our analog (PSTN) and digital (ISDN) access lines and channels as of December 31, 1997, 1998 and 1999 and as of September 30, 1999 and 2000.

	As of				
	December 31,			September 30,	
	1997	1998	1999	1999	2000
	(in thousands, except percentages)				
Access(1):					
Analog (PSTN) lines:					
Residential customers	1,761	1,670	1,502	1,557	1,372
Business customers	563	497	406	428	352
Total analog lines	2,324	2,167	1,908	1,985	1,724
Digital (ISDN) lines:					
Basic access lines:					
Residential customers	60	151	304	252	408
Business customers	86	154	217	201	251
Total basic access lines(2)	146	305	521	453	659
Primary access lines(2)	4	5	7	6	7
Digital (ISDN) access channels(2)	410	755	1,228	1,094	1,513
Penetration(3):					
Analog lines	53%	49%	43%	44%	38%
Digital (ISDN) channels	9%	17%	28%	25%	34%
Total penetration rate	62%	66%	70%	69%	72%

(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 399,000 access lines had carrier pre-selection with another carrier by September 30, 2000.

The number of access customers at September 30, 2000 includes approximately 230,000 residents of housing cooperatives, for which we provide service at special discounts through long-term agreements entered into with the housing cooperatives.

The following table sets forth information regarding the performance of our access lines for the periods set out below.

					Nine months ended September 30,	
	Target	1997 result	1998 result	1999 result	1999 result	2000 result
Unsuccessful calls (Generated testtrafic N-nett)	1%	0.70%	0.80%	0.50%	0.40%	0.40%
Unsuccessful calls (Generated testtrafic F-nett)	2%	0.90%	1.20%	0.60%	0.50%	0.50%
Faults per 100 lines (annualized)(analog (PSTN))	12.0	13.6	12.0	13.3	13.0	12.7
Faults repair time 1 (% within 8 working hours)(analog (PSTN))	80.0%	72.3%	84.0%	84.1%	84.6%	78.5%
Faults repair time 2 (% within 16 working hours)(analog (PSTN))				93.6%	93.7%	92.5%
Faults per 100 lines (annualized)(digital (ISDN))	30.0	43.1	36.0	33.3	33.5	31.9
Faults repair time 1 (% within 8 working hours)(digital (ISDN))	80.0%	72.6%	83.0%	81.8%	81.4%	77.8%
Faults repair time 2 (% within 16 working hours (digital (ISDN))				92.7%	92.4%	93.0%
Calls waiting more than 2 sec for dial tone	0.00%	0.10%	0.10%	0.05%	0.05%	0.03%

Residential Market

We are the leading provider of telecommunications services to the residential market in Norway. As of September 30, 2000, we had approximately 1.8 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 the 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 the third quarter of 2000 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 23% of our residential access customers subscribed to an ISDN line at September 30, 2000. Norway currently has the highest ISDN penetration rates in the world. In 1999, we sold over 272,000 new ISDN subscriptions. We launched ISDN text in December 1999, 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 23 (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.

Payphones. We provide public payphones at locations throughout Norway and at September 30, 2000 we operated approximately 20,000 payphones. The use of payphones has declined in recent years as a result of the increased use of mobile phones. At the end of 1999, we introduced a combination payphone that can accept coins, phone cards and credit cards. We are required to provide public payphones as part of the universal service obligation in our license.

ADSL (Broadband Services) Access. We expect to launch, as part of a joint project with the Internet business area, ADSL services for the residential market in December 2000. We believe that the use of ADSL will result in greater utilization and demand for functionality by customers. We expect that the increased focus on ADSL will enable us to provide integrated services of higher quality than we are able to offer today. We intend to offer ADSL as an extension or upgrade of our customers' analog or ISDN subscriptions, providing higher speed voice and data capabilities than their current analog/ISDN voice services. We intend to offer ADSL initially on a fixed price basis. We currently expect to price the ADSL services we offer to the residential market between NOK 450 to NOK 820 per month (including value-added tax), depending upon the capacity provided. This fee will be in addition to the monthly fee we currently charge for our ISDN and PSTN services.

Portals and Content. We expect the use of ADSL service in the residential market to result in a dramatic change in the use of the Internet and other data services by consumers. To take advantage of this expected growth, we intend to focus on introducing new content-based services, which we can market with our ADSL subscription service. Pursuant to a joint project, with the Internet business area, we plan to develop portal and content services. We intend to form strategic alliances and partnerships with third parties to further develop our content services. We plan to initially launch content comprising film, news, games, travel, music and other entertainment concepts, with an emphasis on the use of videostreaming technology.

We took an initial step in the development of content portals for the consumer market with our SmartPhone service. SmartPhone is the world's first ISDN-based web screen telephone service, which we launched in March 2000.

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. We also expect to introduce further security measures using SIM cards to ensure safe payment over fixed lines.

Fees and Tariffs

We have made fundamental structural price changes, and have aggressively reduced our prices to remain competitive. Our tariffs are currently among the lowest in the OECD countries. The following table sets forth our historical price levels, excluding value-added tax, in the residential market at the dates indicated.

	December 31,			September 30,
	1997	1998	1999	2000
			(NOK)	
National calls:				
Call initiation fee	0.325	0.325	0.366	0.398
Traffic tariffs per minute:				
Local call (peak)	0.200	0.200	0.179	0.179
Local call (off-peak)	0.110	0.110	0.114	0.114
Long distance (peak)	0.490	0.390	0.179	0.179
Long distance (off-peak)	0.410	0.330	0.114	0.114
Internet (810-numbers) (peak)(1)	—	—	—	0.155
Internet (810-numbers) (off-peak)(2)	—	—	—	0.114
Fixed to Telenor Mobile	1.95	1.50	1.37	1.163
Fixed to external mobile networks	2.37	1.67	1.52	1.52
International calls:				
Call initiation fee	0.325	0.325	0.366	0.398
Per minute(3)	Varies with call destination			

(1) Except for Internet calls, peak rates apply to calls made Monday to Friday between the hours of 08:00 and 17:00. Off-peak rates apply to calls made at all other times. For Internet calls (810-numbers), peak rates apply to calls made Monday to Friday between the hours of 08:00 and 15:00, and off-peak rates apply to calls made at all other times.

(2) A separate Internet tariff was introduced first quarter 2000.

(3) Tariffs on international calls are related to bilateral agreements with each network at each destination. The tariffs (NOK per minute) for calls to the five most frequently called countries (in ranking order, as of September 30) are: Sweden (fixed) (NOK 0.50); Sweden (mobile) (NOK 2.85); Great Britain (fixed) (NOK 0.59); Great Britain (mobile) (NOK 2.85); Denmark (fixed) (NOK 0.63); Denmark (mobile) (NOK 2.03); Germany (fixed) (NOK 0.63); Germany (mobile) (NOK 2.03); USA (fixed) (NOK 0.74) and USA (mobile) (NOK 2.24).

We currently charge an initial fee of NOK 750 (including value-added tax) to install an analog or ISDN access line. We currently charge a monthly subscription fee of NOK 149 (including value-added tax) for analog access and NOK 219 (including value-added tax) for basic rate ISDN access.

We currently offer 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, 1999 and the nine months ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,		Increase (decrease)		
	1997	1998	1999	1999	2000	1998/1997	1999/1998	9 mo 2000/ 9 mo 1999
						%	%	%
Traffic (millions of minutes):								
National calls, excluding Internet traffic(1)	7,969	8,435	7,898	5,867	5,528	5.8	(6.4)	(5.8)
Internet traffic(2)	856	1,542	3,143	2,201	3,087	80.1	103.8	40.3
Calls to mobile phones	393	549	746	555	582	39.7	35.9	4.9
International	198	207	221	164	160	4.5	6.8	(2.4)
Other	92	157	271	189	296	70.7	72.6	56.6
Total	9,508	10,890	12,279	8,976	9,653	14.5	12.8	7.5
Market share (based on minutes):								
Total residential	100%	98%	93%	95%	79%	—	—	—

(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

Our services are currently distributed to the residential market through several distribution channels. Our customer service center receives orders by telephone and handles the largest portion of sales. We also engage in outbound telemarketing and sales activities using a call center, with approximately 100 sales representatives. Several account managers are dedicated to bulk sales, primarily to housing associations. We also use retail stores as sales agents, with approximately 1,200 retail locations including large and small retail chains. The distribution agents receive a commission on each subscription sold. In July 2000, we launched a new version of our self-service channel on our internet home page, where customers can get an overview of the current status of their subscription, order additional services including ISDN and review their bills. As a part of the new service, we have started a pilot electronic billing program for customers.

Our marketing activities include television and newspaper/magazine advertising, telemarketing, radio, Internet, events, billboards and direct mail. In May 2000, we initiated a customer "win-back" program using our call centers in which sales representatives contact former customers to inform them of our tariff reductions and encourage them to re-establish their subscription.

To promote customer satisfaction, we are making significant investments in data mining and customer behavior modeling technology. This technology will give us the capability to instantly analyze the demographics and behavior of our entire customer base, identifying customer segments with requested similarities and predicting customer segment behavior. We plan to apply these tools to help avoid churn in our subscriber base, as well as in targeting and customizing our residential market customer communications.

We believe our customer relationship management initiatives will make our marketing efforts more effective. The principle objectives of our customer relationship management initiative in the residential market segment include providing full and responsive service through dedicated call centers, cost effectiveness and improved customer satisfaction. We strive to provide our customers with a one stop contact center that is equipped to sell our full range of products and services, answer questions and solve problems, while recognizing the individuality of each customer. We intend to continue to offer products that are easy to buy and use. We attempt to be proactive in identifying and resolving faults and problems and in developing new products and services.

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. Our business market currently consists of over 40,000 medium-sized and large business customers and 125,000 small 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 for 30 access channels. As of September 30, 2000, we had approximately 610,000 telephone subscriptions in the business market and 42% of our business customers have an ISDN connection.

Our prices for analog and ISDN access subscriptions and call initiation and traffic charges for the business market are the same as set forth above for the residential market, except that we offer businesses discounts from the basic traffic charges based on the volume of traffic. We offer three levels of discount plans, for customers with annual traffic spending of up to NOK 100,000, between NOK 100,000 and NOK 2 million, and over NOK 2 million. The plans provide discounts ranging from 10-33% on selected call types. Our ''Telenor Mest Ringte'' plan for the small business segment for a monthly fee of NOK 10 (including value-added tax) provides a 15% discount on the ten most frequently called numbers at any time, excluding fixed to external mobile network calls.

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 everyone in the market. Competitors have been permitted to offer leased lines since January 1, 1998, and competition has increased rapidly in 1999 and 2000. Demand for leased lines has generally increased, and customers are migrating from analog lines to digital lines and to higher capacity lines. However, the shift to digital technology and competitive pressure has led to decreases in prices. In 1999 the prices for digital leased lines larger than 64 Kbps were reduced by 5-25% compared with 1998, and a further reduction of 25% was made at the beginning of 2000 on certain digital leased lines. We do not expect revenue from leased lines to increase significantly.

ADSL. We launched ADSL service to the business market in June 1999. As of September 30, 2000, we had approximately 350 subscribers. For end-users, we offer a bundled ADSL and Internet access service through Nextra. With four levels of service, ranging from 394 Kbps to 2,048 Kbps downstream data capacity and 256 Kpbs to 448 Kbps upstream data capacity.

Data communications. We currently offer both low-speed and high-speed data communications services based on a variety of technological platforms. In addition to traditional packet switched data transmission services based on X.25 protocols, we offer data transmission services based on frame relay and ATM technologies.

Our low speed data communication services include:

- X.25 — a low speed packet-switched data service, primarily used for on-line gambling services and point of sale transactions;
- Electronic funds transfer at point of sale, referred to as EFTPOS — a simple and secure payment service;
- Mia S. — an ISDN-based service that provides customized real time data, telephony and telefax on the same line; and

• ISDNpak — a packet-switched data service based on the ISDN d-channel

At September 30, 2000, Telenor had over 35,000 clients using various types of datacommunication services. The main services are Nordicom, with 11,000 customers, ISDNpak, with 15,000 customers, EFTPOS with 820 units which service over 52,000 customer terminals and X.25 connections with 8,000 customers.

We offer high-speed data communications through Nordicom, which is a combined pan-Nordic data network including us, TeleDanmark and the Telenordia joint venture. Our frame relay service is a fully managed, networking solution, which is a cost-effective alternative to leased lines. It is particularly useful for LAN (local area network) to LAN applications, particularly for corporate clients with highly variable data traffic. We also offer ATM services, which permit flexible and customized data transmission in the broadband range of up to 155 Mbit/s. We also offer LAN interconnection and managed bandwidth services. The demand for data services is changing to more advanced services, primarily based on IP. To meet this demand, we intend to upgrade Nordicom to include IP-based virtual private networks and Voice over IP-based services.

We are also a distributor in Norway of global telecommunications and data services provided by the Concert joint venture between BT and AT&T.

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, 1999 and the nine months ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,		Increase (decrease)		
	1997	1998	1999	1999	2000	1998/1997	1999/1998	9 mo 2000/ 9 mo 1999
						%	%	%
Traffic (millions of minutes):								
National calls, excluding Internet traffic(1)	3,954	4,476	4,473	3,352	3,143	13.2	(0.1)	(6.2)
Internet traffic(2)	223	517	1,112	747	1,224	131.8	115.1	63.9
Calls to mobile phones	334	418	500	373	385	25.1	19.6	3.2
International	181	179	194	148	126	(1.1)	8.4	(14.9)
Other	99	130	176	130	158	31.3	35.4	21.5
Total	4,791	5,720	6,455	4,750	5,036	19.4	12.8	6.0
Market share (based on minutes):								
Total business	100%	98%	92%	96%	81%	—	—	—

(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 as well.

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 1999, our revenues from interconnection were NOK 329 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, 2000, we introduced local loop unbundling to other telecom suppliers. Local loop access provides operators with access to our copper access network. We are also launching ADSL in the wholesale market. ADSL will allow Internet service providers and other service providers to use this access to introduce ADSL-based products and offerings.

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 will launch switchless resale products early next year. 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 September 30, 2000.

The following table sets forth our current interconnection rates:

	Call Initiation Fee	Traffic Tariff per Minute	
		Peak	Off-peak
		(NOK)	
Termination			
Within local area	0.054	0.044	0.029
Within regional area	0.059	0.050	0.035
Outside regional area	0.076	0.070	0.055
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	0.044	0.029
Within regional area	0.059	0.050	0.035
Outside regional area	0.076	0.070	0.055

International Wholesale — Telenor Global Services

We provide a broad range of services in the international wholesale market, including broadband capacity and worldwide traffic. We are currently investing in an European network. The network includes submarine links, terrestrial networks and satellite links.

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 in the Internet has 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 lot 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 service such as mobile phone and point of sale terminals.

Competition

We are currently facing increased competition in each of our market segments. In the residential market, we compete primarily with Tele2 Norway, UPC Norway and Enitel. In the business market, we face competition from Tele2 Norway, Enitel, ElTele, UPC Norway and Tele1 Europe. We compete primarily on the basis of price and are experiencing significant price pressure as new competitors enter the market. We believe that competition for fixed telephony services will increasingly be based on price.

Our most aggressive competitor in the residential market, Tele2 Norway offers fixed telephony and Internet services and launched mobile services this year. UPC Norway is a subsidiary of UPC of the Netherlands and is one of the largest cable television companies in Norway. UPC Norway offers a bundled package of cable television, Internet access and fixed voice telephony. UPC Norway has recently launched fixed telephony and Internet services for the business market.

The competition in the business market is most significant in the central industrial regions of Norway where Enitel, ElTele and Tele1 Europe are investing in new network infrastructures. In these regions, Enitel, ElTele, Tele1 Europe and Tele2 are challenging Telenor with competitive offerings of fixed line access, leased lines, broadband and datacommunication services. These companies are increasingly offering bundled fixed line and mobile services. In addition to the major competitors, we face competition from a large number of focused local or niche providers specialized in smaller market segments of both the residential and the business market. In the business market, these niche players still represent a relatively small market share.

For the roll out of ADSL services to the residential market, we expect competition from a number of new access and service providers. Bredbåndsfabrikken, a subsidiary of the Swedish company Bredbandsbolaget (B2), is planning a large scale roll out of LAN/Ethernet infrastructure in the highly populated areas surrounding Oslo. B2's combined broadband and IP-based telephony services offering may increase competition, particularly in the housing associations market.

We also expect to face increased competition in access following the recent assignment of wireless broadband access licenses by the PT. Using wireless access, operators can provide telecommunications connections to customers without having to use our fixed-line local loop. In addition to us, Tele2 Norway and NBBL/OBOS won 40 GHz wireless local loop licenses. ElTele and two U.S. companies, Formus and BroadNet, have been granted 26 GHz wireless local loop licenses. Tele1 Europe has purchased ElTele Rogaland, and UPC has purchased ElTele Østfold/Vestfold and their license in the area.

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.

In September 2000 we completed the restructuring of our national backbone network from a mesh and point-to-point topology to a ring topology 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 May 2001.

Our national network is nearly 100% based on optical dense wavelength division multiplexing. Dense wavelength division multiplexing is a transmission technology in which up to 200 optical signals are transmitted through the same fiber. We use systems based on this technology with 8 to 16 optical channels at 2.5 Gbps (billion bits per second). New dense wavelength division multiplexing systems will be prepared for 32 optical channels each with a capacity of either 2.5 or 10 Gbps. The national 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, or ATM, or IP technology.

Our regional network layer is comprised of 169 installed connection or switching points in 39 ring structures out of a total of 72 planned ring structures. We expect to complete the remaining ring structures over a period of 2-3 years. The implementation of ring topology in the regional network improves the quality of service of the network.

Access Network. Our local access network connects 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, 1999, the access network connected 1,908,000 analog and 528,000 ISDN access lines and 39,000 analog and 34,000 digital leased lines.

Subscribers are connected to the network through approximately 50 combined tandem and subscriber exchanges, 150 subscriber exchanges and 3500 concentrators.

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

We have made heavy investments in increasing ISDN capacity. Over 96% of our customers are able to have installed ISDN lines. The access network is well-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.

In April 2000, we were awarded a 40 GHz wireless local loop license.

Data Communications Networks. We operate switched digital networks supporting our data communications services. Our broadband Nordicom network in Norway includes nodes throughout the country with ATM connections to five countries and Frame Relay connections globally via the Concert alliance. The Nordicom network permits customers to transfer data at rates from 64Kbps to 155Mbps. Our dedicated X.25 network consists of approximately 500 transit nodes, to which

Datapak customers' terminals are connected. Our ISDNpak customers access X.25 packet-switching services through their ISDN lines.

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 are in the process of expanding our international wholesale network. In 2000, we will expand from our switch in Oslo to include points of presence and offices in Amsterdam, New York, London, Copenhagen and Frankfurt. By the end of 2002 we plan to have 15 offices, 12 points of presence and switches internationally, principally in Europe.

Transatlantic Submarine Cable. As of September 30, 2000, we have invested approximately NOK 330 million in the new transatlantic submarine cable, TAT-14. In accordance with the TAT-14 Construction and Maintenance Agreement, we have a 3.5% interest in the TAT-14 transatlantic submarine cable. This agreement extends for the lifetime of the cable system. The TAT-14 cable will provide connection between five cable stations in Europe and two in the North America. Planned service launch is currently scheduled for December 2000. The cable network will provide total cable capacity of 640 Gbit/s (billion bits per second) on four fiber pairs.

Business Solutions

Overview

We provide a broad range of business solutions consisting of advanced network services and application service provisioning, or ASP, services, supported by systems integration, consulting and e-business services as well as consumer premises equipment. Our information technology services for businesses are generally provided to larger and small to medium-sized businesses and public sector entities in Norway as well as other Nordic countries. We believe that our system integrations, e-commerce and ASP are among the best and most innovative in the Nordic marketplace. We perform complex implementations and deliver cost efficient operations, based on a unique mix of telecommunication experience and information technology competence. We intend to focus our IT-based services for businesses in Norway on ASP products and advanced network services in response to the growing ASP market.

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

Strategy

Our objective is to further develop our leading position as a provider of IT services to businesses in the Nordic market. We currently intend to selectively pursue partnerships, acquisition or alliance opportunities to target the small to medium-sized enterprise segment in the Nordic region. We expect that the European ASP market will continue to grow to become a substantial element of the telecom and IT industry in the coming years. We intend to achieve this strategy by leveraging our core competencies, which include:

- our ability to develop and implement concepts for ASP and managed services;
- our ability to integrate and bundle communication products, fixed as well as mobile, with traditional information technology; and
- our ability to sell and implement large and complex outsourcing contracts.

Products and Services

Our advanced business services are categorized into the following three categories:

- ASP and Managed Services — including integrated IT services, outsourcing and systems integration and consulting.
- Network Based Activities — including value-added network services and e-commerce solutions for business customers.
- Sale of Equipment.

ASP and Managed Services

We offer a broad portfolio of application service provisioning and managed services to large and small to medium-sized businesses in the Norwegian market. ASP services permit small to medium-sized businesses and larger companies to outsource their IT resources and infrastructure. Our ASP services provide cost efficient IT support and helpdesk functions at a fixed price for a package of services. These services may include communications, change management, workstation management, version control, standardized integration and office support.

In addition to traditional ASP services, we also offer more advanced ASP services, including network access, integration services, outsourcing/facility management, service provisioning with value-added services and related services based on information communications technology, which allows for the bundling of data and speech services. The integration services we offer include detailed design, implementation and management services to link applications and products to each other or with existing/planned IT infrastructure.

We believe that demand for ASP services will provide us with the opportunity to expand our operations in the Nordic region. We intend to pursue this opportunity through acquisitions, alliances and partnerships, in addition to internal growth. In the third quarter of 2000, we acquired 75% of Eurocom Holding Aps, a Danish company, as a part of our Nordic strategy. Eurocom Holding Aps has a base of approximately 125,000 end-users within the IT-support product area. Combining this customer base with our existing ASP business may allow us to strengthen our revenues and may provide further possibilities for adding additional product lines.

In the third quarter of 2000 we renegotiated a license agreement with Computer Associates. The license agreement has a seven year term from June 30, 2000. Under the agreement, Business Solutions has responsibility for five of Computer Associate's strategic customers and access to its Nordic strategic partners.

An example of the managed services we offer to our customers can be illustrated through the Vesta project. In this project we managed and operated both information technology and telecommunications services for Vesta Insurance Company in January 2000. We currently have a three year outsourcing agreement with Vesta to provide telecommunications and data communications services, all information technology support systems and all help-desk and service functions for the entire Vesta organization in Norway.

We market the following branded products and services:

Login. We launched Telenor Login at the end of 1999, primarily targeting the ASP market. With this service, customers' software and data is stored on central servers in our secure underground facility. Users will subscribe to a screen display and computing power through a variety of telecom connection possibilities. We have entered into several strategic contracts for the distribution of software through our Login service, including an exclusive contract to lease a complete Windows 2000 based work area with MS Office 2000. Based on our number of connection points, we believe we are a major ASP provider in Norway by the end of 2000. As of September 30, 2000, the ASP-division has 2,214 login-seats.

Holos. Holos is our outsourcing and managed service concept, with which we are targeting the high-end, medium-sized business sector. Holos is designed to provide the following services: managed information technology and communications services; business support; distributed enterprise management projects and information technology and applications support, including call-center and customer relations management.

Outsourcing. We offer communications services to our target businesses and the public sector in the Norway. We seek to use our competence and promote the advanced use of information and communication technology to bundle telecommunications services, including ASP and managed services. IP-based services, e-commerce services and systems integration. We market these products on the basis that these bundled services contribute to and promote the competitive position of our customers.

We typically provide our services pursuant to long-term contracts with an average duration of three years. Typically these contracts are awarded through competitive bidding, and in recent years we have achieved a very high success rate in very large contracts. We believe that the award of these contracts provides us with a platform to develop longer-term contracts and stronger customer relationships. In 1999, we were awarded several large contracts in which basic telecommunications services were only a small part of the total contract. The majority of the new contacts awarded in 1999 were for bundled IT and communications services.

A recent example of our provision of comprehensive business services is our project with SAS, the leading Scandinavian airline. We were given overall responsibility for a new integrated voice and data system by SAS, in mid 1999. The system consists of a sophisticated telecom and data solution in which SAS's office in Norway, Sweden and Denmark are integrated into a single system. We have primary responsibility for the preparation, installation and operation management of the voice and data solutions. We are operating the system under a contract extending until 2002.

Systems Integration and Consulting. We offer systems integration and consulting services to our target customers in the Nordic region. We believe that we provide our customers with a unique mix of telecommunications and IT competence as well as the ability to design innovative solutions, perform complex implementations and cost efficient operations.

Network Based Activities. Business Solutions offers high end customers a portfolio of telephony speech services which offer basic functionality together with advanced routing and service access. The portfolio incorporates customer contact services as well as interactive services such as interactive voice response and short text message and world-wide web services. The customer contact services consist of virtual call center solutions, traffic routing and toll-free numbers among others. Standard services or customer-specific services are available. We also offer virtual private network functionality to the business market, with fixed-mobile conversion.

E-business Solutions. We believe we are a leading provider of solutions to businesses in the Norwegian market that conduct transactions from the Internet which we refer to as e-business or e-commerce. Our objective is to provide a transaction platform that offers integration and consulting services in the e-business marketplace. We offer a broad range of e-commerce solutions, including:

- an Internet-based procurement solution for our clients in the shipping sector;
- a Java-based procurement solution for our clients in the grocery retail sector;
- solutions for secure electronic data interchange and electronic mail;
- software solutions used in reporting over the Internet by Norwegian businesses to the internal revenue service, the central bureau of statistics and the central register;
- solutions to ensure a secure environment for e-commerce on the Internet; and
- concepts and solutions for learning and knowledge management over the Internet.

Sale of Equipment

We offer customer premises equipment in close partnership with the leading manufacturers in the world covering the complete range of data, Internet, voice and video solutions. We serve enterprises and small to medium-sized businesses throughout the Norwegian market.

In January 2000, due to significant loss from equipment activities, we initiated a restructuring plan for our customer premises equipment unit of our business, which includes a reduction of our workforce and implementation of efficiency improvements for purchasing, logistics and product functions. The costs relating to restructuring are approximately NOK 25 million, which was expensed in the first quarter of 2000.

Customers are demanding more complex solutions and Business Solutions and EDB ASA will form a unit to focus on these concerns. The new company will focus on large and medium sized companies. The company will be able to combine data, video and telephony expertise. The new company will have a wide geographical reach in Norway. The CPS unit in Business Solutions is a major systems integrator in the information and communications market, and has responsibility for Telenor's large and medium sized companies.

EDB Intech AS, currently a 100% owned company of EDB Business Partner ASA, is a leading system integrator with a focus on infrastructure services, communication services and management of distributed solutions. From January 2001 the CPS unit will merge with EDB Intech with the resulting company being owned 50% by Business Solutions and 50% by EDB Business Partner ASA.

Marketing

We target our larger customers, the top 2,000 accounts in the business market, through our dedicated sales force of 100 sales representatives in Norway who also serve our Telecom solutions business customers. Half of this sales force is dedicated to the sale of equipment. We target our business segment through indirect sales channels, including other business units within Telenor.

Competition

We compete in the market for business solutions with other major telecommunications and IT companies as well as smaller systems integrators and consultants. Within the ASP market, we face competition from a number of small competitors, each with slightly different solutions and product focus (e.g., application, networks, services and hardware). In the Norwegian market, we compete with Client Computing, Intellnet, Metacess, Network Computing and Telecomputing. In our e-business solutions, our primary competitors are IBM, Posten/SDS and GEIS. In addition to these traditional competitors, we also compete with major business consultants, including Andersen Consulting, PricewaterhouseCoopers and Cap Gemini.

Broadband Services

Overview

We are the largest provider of analog and digital TV services in the Nordic region. We are also one of the world's largest providers of satellite mobile communications and the largest individual shareholder of the INMARSAT satellite organization. In addition we are a provider of satellite networks and services based on very small aperture terminal, or VSAT, technology in selected markets in Europe and Africa. We intend to use our leading position to develop and provide broadband access and services that stimulate and meet the rapidly increasing demand for these services.

Our Broadband Services business area comprises our activities in television distribution and the provision of related value-added services through satellite, cable and terrestrial transmission, as well as in satellite services generally. Satellite, cable and terrestrial broadcasting technologies allow the transmission of information at larger bandwidths than are generally available with fixed or wireless telecommunications or Internet protocol, or IP-based technologies. These technologies currently are not able to transmit high quality, live video programming. Furthermore, the ongoing conversion of our services to digital transmission provides a much greater transmission capacity and makes possible the introduction of advanced interactive services. In 1999, our Broadband Services business area generated revenues of NOK 2.8 billion.

Our Broadband Services business area includes the following business lines:

Broadcasting. Based on number of subscribers, we are the largest provider of television services to consumers in the Nordic region, and we believe we are the largest provider of cable television in Norway. We are also the largest reseller of television channels and services to small antenna networks, or SMATV systems, and to hotels in the Nordic region. Through Canal Digital, our 50%-owned joint venture with Canal+, we offer pay television and digital services distributed by satellite throughout the Nordic region to home satellite dish, or DTH, consumers, small antenna network operators and cable television operators. We had a total of 1.87 million paying subscribers to our different pay television services, including all of the subscribers of Canal Digital, as of September 30, 2000, consisting of 452,000 home satellite dish subscribers, 350,000 cable television subscribers and 1.066 million small antenna network subscribers.

Utilizing four geostationary satellites located at 1° West, we are also a major provider of satellite broadcasting of television channels and multimedia services for the Nordic region. In addition, we own and operate Norkring, the incumbent terrestrial television broadcast network operator in Norway.

Content and Interactive Services. We have recently established a new business line comprising our activities within content management and interactive services. This includes a content rights center responsible for entering into strategic agreements with content providers through acquisitions, alliances and exclusive deals on behalf of the whole Telenor group as well as for Telenor Broadband Services. The business line also encompasses our activities within the development and distribution of television-based interactive services in our subsidiary Zonavi, and digital rights management systems (which provide for banking, billing and conditional access-encryption) in our subsidiary Conax.

Satellite Mobile. We are one of the leading providers of global mobile communications services, directed primarily at the maritime and land mobile market, using the INMARSAT satellite system in which we are the largest individual shareholder.

Satellite Networks. We also provide satellite networks using very small aperture terminal technology for government institutions, retail banking, multinational corporations and other niche markets in selected geographic regions, primarily in Europe and Africa. In addition, we also provide satellite network services for Internet service providers.

The main operations in our four business lines are shown below.

Telenor Broadband Services

Broadcasting	Content & Interactive Services	Satellite Mobile	Satellite Networks
• Satellite Broadcasting	• Interactive Services	• Maritime Services	• VSAT Operations
• Terrestrial Broadcasting	• Content Acquisition	• Personal Services	• Internet Backbone
• Direct To Home (DTH)	• Content Management	• Aeronautical Services	• Other
• Cable Television (CATV)	• Encryption and Access Systems	• Sealink	
• Small Antenna Networks (SMATV)			
• Expatriate TV services			

Industry Trends

Overview

In general, the telecommunications market is experiencing increasing demand from customers for broadband access and services. This is a common trend across all of our business lines. The increase in demand is due, in part, to the significant increase in digitalization, which enables new services and increased capacity. We expect broadband to open a range of new services for customers, from interactive entertainment such as enhanced television services, betting and games to real-time learning systems, video telephony and application hosting. Higher bandwidth Internet access and corporate network applications have also increased the demand for broadband services. We expect that the telecommunications industry will continue to use broadband solutions to reach and service its clients and customers.

Broadcasting and Content and Interactive Services

For our broadcasting and content and interactive services business lines, the trends in the market for TV-based broadband services are the most significant. The increase in demand for broadband services is driven by several factors, including:

- the aggressive adoption of digital technology by Nordic users;
- the emergence and bundling of interactive television services; and
- an increase in the number of households with satellite dishes, spending per household and number of television sets per household.

Different technologies and infrastructures may be used within the broadband spectrum to transmit voice and data. The transmission of superior quality pictures and sounds without delays requires a connection with a minimum capacity of 5-6 Mbps. In comparison, asymmetrical digital subscriber line, or ADSL, technology typically provides capacity up to 2.5 Mbps. As of today, only cable, satellite and digital terrestrial transmission have the necessary bandwidth for content and services that demand high distribution capacity.

In addition, the rapid introduction of digital technologies has repositioned satellites as a viable alternative to terrestrial technologies in the provision of video and multimedia services to businesses and consumers. As the number of Internet users and applications continues to grow, there is a rapid increase in the demand for sufficient bandwidth. Although cable and terrestrial technologies are being deployed, the time and investment required to upgrade terrestrial networks to allow broadband access means that such access may not be available to consumers in some regions in the foreseeable future.

The cost of developing or upgrading access networks to high bandwidth makes it crucial to secure sufficient attractive content to achieve a high penetration and usage of the services at an early stage. This has led to a convergence and alliance development within the media and distribution industries.

Another important trend in the growth of broadband is the increasing need for banking, billing and conditional access-encryption, also known as digital rights management. Today, it is critical to content providers that broadcasting operators are able to adequately safeguard their content and intellectual property rights. Traditional broadcasting networks use a technical infrastructure that secures the handling of proprietary content. If broadband providers are to succeed in attracting content providers to their network, it is essential to manage banking, billing and conditional access in their networks in the future. This will be the only way of securing the handling of intellectual property rights and at the same time get paid for the provision of content to consumers.

Satellite Mobile

The satellite mobile industry is going through a period of major restructuring. Competition has increased in the last two years, resulting in lower prices and falling margins. The change in the ownership structure of INMARSAT has increased pressure on cost minimization and effective traffic management. This is expected to result in a decrease in the number of land earth station operators from 37 to 10 in the next few years. We believe that it is likely there will be further consolidation in the industry. Examples of such consolidation are the joint venture between the satellite mobile divisions of Station 12 and Telstra and BT's sale of its satellite mobile operations to the Canadian operator Stratos.

Satellite Networks

The market for VSAT services has been in steady, albeit moderate, growth in recent years and is characterized by large benefits of scale, within equipment acquisition, sales and installation, capacity leasing and service development. The market is characterized by large global players such as Hughes and Gilat. With approximately 2000 terminals installed, Telenor is one of the smaller players in the European market. In the future, the market is expected to transform from narrowband VSAT solutions to broadband solutions. This development and the speed of change will be mainly influenced by the larger operators in the market.

Strategy

Our Broadband Services business area is the leading provider of television-based broadband services in the Nordic region today. Our objective is to become the leading participant in the market for broadband services within the Nordic region and within selected markets throughout Europe. The broadband industry is in an early phase of development and our Broadband Services business area will pursue an aggressive strategy in order to achieve and sustain a leading role. This aggressive strategy implies:

- *Access* — further expansion and streamlining of our different access platforms to secure a uniform network operation and thereby strengthening our position on access in the Nordic region.
- *Content and services* — we will invest in the development and launching of broadband services and focus on attracting a broad range of premium content. Through alliances with content providers we will seek to launch interactive broadband services with new content to secure existing customer relationships and to attract new customers.

The key strengths in the Broadband Services business area are:

- *Broadcasting* — our leading position as a distributor of Pay-TV and digital-TV in Northern Europe, our strong satellite position at 1° West, our early mover advantage in the development of television-based digital services and our ownership of a large base of exclusive analog and digital content rights.

- *Content and Interactive Service* — our early mover advantage in the development of television-based interactive services and experience in the management of content rights including encryption, conditional access and subscriber management and billing systems.
- *Satellite Mobile* — our track record as a provider of high quality services for the maritime industry and our understanding of the demands of this market, both for traditional telecommunications solutions and value-added services.

Broadcasting

Overview

We are a leading provider of broadcasting services and TV distribution in the Nordic region and have a presence in selected markets in Northern Europe. We provide broadcasting services and TV distribution to both consumers and businesses.

Strategy

To achieve our objective of becoming the leading provider of broadband services in the Nordic region and in selected European markets, we plan to:

- further expand our broadcasting operations in the Nordic region through acquisitions and strategic alliances to increase our customer base;
- upgrade existing networks, develop and launch new digital services to enhance customer relationships;
- invest in satellite capacity to maintain our satellite position and expand our satellite capabilities; and
- promote an attractive workplace environment.

In furtherance of our strategy, we are currently actively considering acquisitions of or joint ventures with cable television companies in the Nordic region, which would increase the subscriber base for our services. In connection with any such acquisition, it is likely that we would undertake to upgrade the acquired cable television networks in order to be able to offer a full range of two-way digital services. In addition, in the market for SMATV services to housing associations and hotel chains, we are actively considering opportunities to acquire and/or enter into joint venture arrangements with operators that can enhance our market position. We recently agreed to acquire 33% of Norwegian-listed company Otrum Electronics ASA for NOK 450 million. The purchase price consists of NOK 225 million in cash and the transfer of our hotel-TV business to Otrum.

Nordic Market for TV Services

As of December 31, 1999, there were approximately 10.3 million households with one or more television sets in the Nordic region. These include households receiving:

- television broadcast via terrestrial antennas;
- service via small antenna networks by operators, such as housing associations and hotels, that serve a number of locations from a single satellite receiver;
- cable television; and
- broadcasting to homes via small private dishes.

The number of subscribers to pay television services in the Nordic market has been increasing rapidly, at a rate of 15-20% per year. As of September 30, 2000, our total number of paying television subscribers in the Nordic region was approximately 1.9 million (including total subscribers in Canal Digital). In addition a large number of households receive TV services through our networks, including through Norkring, our terrestrial television transmission system in Norway. We have experienced strong growth in our customer base due to the rapid increase in penetration rates in the Nordic region for satellite broadcasting to homes. The number of households receiving television by home satellite dishes has grown by approximately 15% per year and we expect it will exceed 2.0 million households in 2002. In our experience households receiving satellite broadcasting via small private dishes typically subscribe to more than one basic tier or premium subscription service.

We believe revenue per subscriber for pay television services will increase substantially over the next few years due to the availability and selection of interactive television services. In addition, the availability of interactive television services may increase the viewing time per person particularly in countries where the average viewing time is less than average, such as in the Nordic countries. We may consider expanding our television activities into selected markets elsewhere in Europe over the next few years.

Broadcasting — TV to the Consumer Market

Satellite Broadcasting to Homes

We provide digital and analog satellite television services through Canal Digital, our 50%-owned joint venture with Canal+, which is a leading pay television company in the Nordic region. Canal Digital distributes satellite digital and analog digital TV-services on our satellite based infrastructure. Canal Digital also provides related value-added services, including the acquisition, packaging, marketing and selling of television channels and interactive services, as well as subscriber management system services. Canal Digital has achieved rapid growth and had revenues of NOK 985 million in 1999. Revenues from satellite broadcasting to homes were equal to NOK 1,008 million in 1999, including revenues from Telenor CTV of NOK 23 million.

Canal Digital sells subscriptions via smart cards, which are inserted into set-top boxes, enabling the subscriber to receive the programming. Canal Digital serves home satellite dish consumers, small antenna network operators such as housing associations, real estate companies and small independent cable companies as well as larger cable television operators. In October 1998, Canal Digital launched digital services. Subscribers must obtain new digital set-top boxes to receive the service. 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.

Canal Digital markets its subscriptions through arrangements with retailers, including large chains as well as independent radio and television shops. The dealers receive a commission for each smart card rented.

The following table shows key operating information for Canal Digital in the Nordic region at and for the years ended December 31, 1997, 1998 and 1999 and at and for the nine months ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
Subscribers (period end):					
Analog	251,000	339,000	295,000	309,000	239,000
Digital	—	13,000	110,000	73,000	213,000
Total	251,000	352,000	405,000	382,000	452,000
Total active smartcards in market	281,000	875,000	1,040,000	845,000	1,026,000
Average revenues per premium subscriber(1)	2,341	2,323	2,664	2,579(2)	2,978(2)

(1) Includes revenues attributed to Telenor CTV.
(2) Annualized.

The rapid increase in our customer base, both measured in subscribers and active smart cards, over the past few years is 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 broadening the analog card-base and introducing digital services.

We and our joint venture partner, Canal +, have been in discussions regarding the question of whether development and aggregation of television-based interactive services for the direct-to-home platform must be conducted through the joint venture. A failure to satisfactorily resolve this discussion could delay or impair our strategy to distribute our Zonavi interactive services through Canal Digital in the same way as we plan to distribute such services in our other networks, as well as affect our overall joint venture relationship.

Cable Television

Under the brand Telenor Avidi, we are the largest cable television operator in Norway following the recent acquisitions of alfaNETT (with approximately 34,800 subscribers) and Norske Fjernsynsantenner (with approximately 10,000 subscribers). As of September 30, 2000, we provided cable television services to approximately 349,900 households, including households that subscribe through their housing associations. We are the only operator in Norway with a nationwide cable network. Our revenues from Telenor Avidi in 1999 were NOK 283 million.

We currently provide a package of 17 channels in our basic tier package. Increases in prices for basic tier cable television services in Norway are regulated and cable television operators are obligated to transmit four "must carry" channels. Our basic tier programming package offers more channels than our competitors. Subscribers pay monthly subscription charges and incremental fees for the purchase of premium programming. As part of our customer satisfaction initiatives, and as required by the Norwegian regulatory authority, we survey our subscribers every two years to determine their preferences for the channels we offer and we replace unpopular channels accordingly. The survey permits us to tailor our premium programming to the specific preferences of our customers in their geographical market.

The following table sets forth key operating information for our cable operations at and for the years ended December 31, 1997, 1998 and 1999 and at and for the nine months ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,	
	1997	**1998**	**1999**	**1999**	**2000**
Basic tier subscribers (period end)	244,000	270,000	282,000	276,000	349,900
Average revenues per subscriber(1)	1,054	984	1,024	983(2)	1,031(2)

(1) Calculated on a net basis after deducting fees payable to content service providers.

(2) Annualized.

We market our cable television services through our own sales organization, which includes a national call center as well as regional offices and sales representatives throughout Norway. We focus in particular on opportunities to achieve growth through greater penetration of housing associations.

In 1999, we launched residential and business cable modem-based broadband Internet access services in southern Norway. We intend to expand this service throughout Norway over the next few years. In early 2000, we launched digital services which we limited to two parts of our cable TV network. The digital service requires subscribers to obtain new digital set-top boxes. In order to achieve the highest possible penetration, Telenor will evaluate different solutions for making digital set-top boxes available to its customers, which will likely involve some form of financing for the benefit of its customers in connection with the installation of the set-top boxes. The degree and extent of financing has not been decided and will depend on market conditions at the time the set-top boxes are rolled out. We expect new businesses such as digital interactive services and Internet access to become an increasingly important source of revenues in the future. With the focus on digital transmission, we intend to expand our programming packages.

To offer our customers improved services and to facilitate two-way digital distribution, our network must be upgraded.

Small Antenna Networks

Under the brand Telenor Vision, we are the leading reseller of analog and digital television channels and television services to small antenna networks and hotels in the Nordic region. We are the exclusive supplier of Canal Digital to small antenna network subscribers in the Nordic region. We also deliver technical services to small antenna networks and pay television systems for hotels as well as operate pay television systems for hotels. Furthermore, we act as agent for foreign film companies. Customers include Choice, Rica and other hotel chains and Svensk Film, Canal+ and BSkyB and other holders of programming rights. Revenues from Telenor Vision for 1999 were NOK 167 million.

The following table shows key operating information for small antenna networks at and for the years ended December 31, 1997, 1998 and 1999 and at and for the nine months ended September 30, 1999 and 2000.

	Year ended December 31,			Nine months ended September 30,	
	1997	1998	1999	1999	2000
Subscribers (period end):					
Households	N/A	686,000	850,000	679,000	948,000
Hotel rooms served	N/A	—	87,000	87,000	118,000
Total	N/A	686,000	937,000	766,000	1,066,000
Average revenues per subscriber	N/A	195	206	220(1)	231(1)

(1) Annualized.

We acquired our small antenna operations as of January 1998.

Colour-SAT — Expatriate broadcasting services

In August 1999, we formed a new operating unit, Colour-SAT, to provide infrastructure support and channel management to television channels and programming for expatriate groups of the countries where the channels originate. We launched commercial services in November 1999 and provide customers with a full range of support services, including digital platform, marketing, sales, distribution, invoicing and collections and customer care. Colour-SAT currently provides services to the expatriate market, including Indian, Russian, Pakistani and Turkish households who desire home language TV.

As of September 30, 2000, we had approximately 8,000 subscribers to ORT International and the Pakistani channel Prime-TV and Nordic channels in continental Europe. Our offer in Europe also includes other Asian channels.

Content and Interactive Services

Overview

We are currently increasing our focus to provide new content and services to attract and retain customers. Our experience in the management of content rights and our early mover advantage place us in a strong position to become a leader in the changing market.

Strategy

To achieve our objective of becoming the leading provider of content and interactive broadband services in the Nordic region, we plan to:

- launch interactive broadband services across all service platforms and be the first to establish a substantial customer base; and
- develop a Nordic content rights operation through acquisitions, alliances, and the pooling of our resources.

Content Rights

Recognizing the importance of developing a Nordic content rights operation to further develop our interactive services and attract customers, we actively manage and coordinate internally our content rights portfolio. We currently have agreements with a broad range of national and international content providers. We manage and coordinate our content rights across all service platforms and networks both within Telenor Broadband Services and on behalf of the whole Telenor group. This permits us to leverage the size of our subscriber base to secure favorable rates from information and content providers. We are also committed to adequately safeguarding the contents to succeed in attracting content providers to our network. For a discussion of our digital rights management, please see ''— Telenor Conax — Conditional Access Systems''.

In furtherance of this strategy, we recently acquired a 29% interest and a 10% interest, respectively, in A-pressen and Sponsorservice. A-pressen is a majority owner of 45 local and regional newspapers, some local television channels, a 33% stake in Norwegian television channel TV2 and other related interests. Sponsorservice is a Norwegian based consulting company that specializes in the sponsoring of events, such as sports events and cultural arrangements. As a part of their deals, Sponsorservice acquires content distribution rights to some of the events that they sponsor. Sponsorservice has operations in Denmark, Finland and Sweden as well as in Norway.

Development of Television-Based Interactive Services — ''Zonavi''

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 television-based services. As a result, we intend to launch a portal of television-based interactive services, to be branded as ''Zonavi''. As the development towards open MHP-based standards proceeds, we expect to make this offering available to both Telenor access networks as well as independent access networks. We expect Zonavi to transform the TV into a unique information/entertainment platform. We aim to deliver the first television-based portal in Norway. Zonavi will offer consumers interactive digital services through their televisions, including video-on-demand, e-commerce, online games, shopping and e-mail.

We will act as a content aggregator, bundling content from e-tailers and retailers, retail banking, games, video content and other services. On behalf of service providers, we will aggregate the services offered aiming to bring all parties together on one standardized platform. Our objective will be to continually aggregate and develop new, innovative services. To date, we have entered into preliminary agreements with key content owners such as Norsk Tipping, Norway's largest betting provider, Yatack, an online general retailer, and E-Line Group, an apparel retailer. We will continue to seek to establish partnerships with other key content owners. We expect to distribute our services through a range of network channels, including cable (through Avidi), satellite (through CanalDigital), terrestrial (through Norkring), broadband, ADSL and external access providers. We expect the Zonavi Services to be introduced in three stages:

- first, on a single access platform using Media Highway (MHy)-based applications and services;

- second, on all our other broadcast access networks using Multimedia Home Platform (MHP); and
- third, on all access platforms using TCP/IP and Internet technology and format (XML and HTML).

We intend to launch pilot versions of these services in the first half of 2001 and expect commercial launch in the fourth quarter of 2001, subject to the factors discussed below.

We believe the Nordic region represents an especially favorable market for television-based interactive services. Nordic consumers are aggressive adopters of digital products and services, and the Nordic region is the leader or among the leaders worldwide in PC, Internet and mobile phone penetration. Furthermore, the Nordic region has a relatively high penetration of pay television services.

The commercial introduction of the Zonavi service will require substantial capital investment. We are currently in the process of negotiating with information and content providers as well as other commercial third parties to secure necessary content rights and technological capabilities to launch commercial services. Any technical or business delays in preparing for commercial launch may result in significant additional investment. We may seek to develop and launch this service together with technology or content partners.

Telenor Conax — Conditional Access Systems

To meet the increasing demand for digital rights management, we provide encryption, conditional access and subscriber management and billing systems for both our analog and digital services. We provide these systems through our wholly-owned subsidiary, Telenor Conax, both for broadcasting networks and the Internet/intranet and other types of systems, referred to as Conax systems. These systems enable video broadcasters and content providers on the Internet to encrypt their digital services so that programming may only be viewed by a subscriber using an authorized smart card contained in the subscriber's decoder, and to manage the base of subscribers and the program authorization and billing processes. A smart card is a plastic card carrying an embedded computer chip which 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, in addition to the Swedish broadcaster SVT and Canal Digital. This business originally grew out of expertise developed in our research division beginning in the mid-1980s. Telenor Conax achieved revenues of NOK 104 million in 1999, of which NOK 37 million was to other Telenor companies.

We are currently evaluating the possibility of seeking partnerships to further develop the company.

Competition in Broadcasting and Content and Interactive Services — Consumer Market

Our main competitors in our broadcasting — consumer market are the Swedish company Modern Times Group, a Swedish conglomerate with operations in TV, print, media and the Internet, and its subsidiary Viasat. We also compete with UPC, which operates within cable television, telephony and the Internet in Norway and Sweden. We also compete with Sweden Online, Comhem and Stofa, subsidiaries of Telia AB, Bredbåndsfabrikken and TeleDanmark. We expect intense competition in the television broadcasting market and expect new entrants in the Nordic market over the next few years. In the broadcasting market, we compete on the basis of the quality of services and programming we offer.

Broadcasting — Satellite and Terrestrial Services to Broadcasters

Satellite

We are the largest provider of commercial satellite services for the transmission of television and radio programs and multimedia services by 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 satellites use to receive and transmit signals. The four satellites are located in orbit approximately 36,000 kilometers above the equator at approximately 1° West. We operate two satellite land earth stations at Nittedal and Eik, Norway. At December 31, 1999, we had 49 transponders available, of which 47 are available for broadcasting services. We transmitted more than 70 digital and 20 analog television channels or services in the Nordic area on behalf of 30 content providers. We believe that our satellites' position at 1° 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. Substantially all of our revenues in this business are derived from leasing transponder capacity for broadcasting by distributors to home satellite dish receivers or headends of cable systems, although a small amount is also derived from business network applications.

The following table shows certain operating statistics from our satellite operations for 1997, 1998 and 1999 and the nine months ended September 30, 2000.

	Year ended December 31,			Nine months ended September 30,
	1997	1998	1999	2000
No. of transponders at period end	38	48	49(1)	49(1)
No. of transponders used for digital transmission	1	8	13	20
No. of transponders used for analog transmission	27	27	27	26
Spare capacity	10	13	9	3

(1) Of the total number of transponders, 47 are used for broadcasting services and approximately two are used for satellite network services.

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. At September 30, 2000, we had 20 transponders devoted to digital transmission. Using analog transmission each transponder can only transmit one channel, while digital transmission allows a single transponder to transmit simultaneously 6-8 channels. We expect increasing use of digital transmission in the future.

We began developing our satellite operations in the mid-1970s by providing communication to and from the North Sea. We commenced our Thor series of satellites in 1992 when we purchased an existing orbiting satellite with 5 Ku-band transponders and renamed it Thor I. We launched Thor II in May 1997, which added 15 new Ku-band transponders, at a total cost of NOK 0.8 billion, and Thor III in June 1998, which added 14 new Ku-band transponders, at a total cost of NOK 1.0 billion.

We have recently issued a request to satellite manufacturers for a proposal to construct and deliver a new 32-transponder satellite, which would be designated Thor IV. If we decide to commission the construction of Thor IV, we intend to deploy Thor IV as a replacement of Thor I, the design life for which ends in 2002. We expect the delivery time for Thor IV, if commissioned, to be approximately two and a half years. The decision concerning commissioning is expected before year-end 2000.

In September 2000, we entered into an agreement to purchase a quarter of the capacity available on the INTELSAT satellite that is to be launched in 2003, as replacement for the capacity we currently lease on the Intelsat 707 satellite today.

Terrestrial

Norkring operates the incumbent terrestrial television transmission system in Norway. Norkring's network consists of approximately 6,500 large and small transmitting stations in Norway and covers more than 99% of the Norwegian population. The principal customers for Norkring's services have until now been the three national television broadcasters NRK, TV2 and SBS Broadcasting and the five national radio broadcasters, as well as local television and radio stations. We were a founder of Norkring and owned 40% of the company until the second half of 1999, when we increased our holding from 40% to 100%. Norkring realized revenues in 1999 of NOK 427 million.

Norkring has recently introduced digital audio broadcasting which has achieved 50% terrestrial coverage in Norway. Norkring intends to continue to roll out digital audio broadcasting throughout Norway and expects 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 in Norway. Norkring has been allowed to develop digital terrestrial television on a test basis in limited areas and wishes to further develop and build this network throughout Norway on a commercial basis. This development is, however, subject to governmental approval and will also require a substantial amount of investment by Norkring. Digital terrestrial television broadcasting will increase the number of channels that can be broadcast over Norkring's network.

Competition in Broadcasting — Satellite and Terrestrial

Our principal competitor in satellite broadcasting in the Nordic region is Nordiska Satellitaktiebolaget, or NSAB. In the European market, our principal competitors are Intelsat, Eutelsat, and SES. NSAB is owned by the Swedish Space Corporation and Astra and operates three leased satellites, Sirius 1, 2 and 3 operating at 5° East. SES is based in Luxembourg and operates ASTRA, the largest satellite system for home satellite dish transmission in Europe. For a discussion of Intelsat and Eutelsat and our participation in these satellite organizations, see "Satellite Holdings".

Satellite Mobile Communications

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, including communications to, from and between units at sea or on land. We are one of the largest operators of this type of mobile service worldwide. We provide our satellite mobile services mainly through our EIK land earth station in Norway. Our customers include commercial and naval maritime vessels and oil installations. External revenues from our satellite mobile communication operations for 1999 were NOK 629 million.

Our objective is to maintain and expand our leading position within satellite-based mobile communications. To achieve this objective, we will seek to:

- create an alliance to secure future coverage in all four ocean areas;
- expand our mobile satellite operations into the retail market to capture a larger market share; and
- introduce value-added services to the maritime market.

We are currently focusing on opportunities to expand our operations in satellite-based mobile communications. We are actively considering possible transactions, which could take the form of joint ventures, acquisitions and/or partnerships with other satellite-based mobile communication companies and/or land earth station operators. We are also considering acquisition opportunities arising from the ongoing restructuring and consolidation of the satellite mobile industry, which could enhance our market position. In addition, we intend to seek possibilities to enhance our capabilities in the area of billing and accounting services to support retail end users, which could allow us to both capture a larger market share and introduce value-added services to a larger group of customers.

We have over 20 years' experience in the development of satellite communications, in particular for the maritime industry. We participated in the discussions that began in 1975, which led to the establishment of INMARSAT in 1984, and we started the Norsat A communications system for the North Sea in 1976. We continue to be a contributor to the INMARSAT international satellite consortium with 13% of worldwide traffic over INMARSAT being handled by our earth stations. We are the largest individual shareholder in INMARSAT with a 15% interest as of September 2000, and have appointed one member of the board of directors. INMARSAT, formally known as the International Maritime Satellite Organization, was founded in 1979 by an intergovernmental treaty to provide global satellite communications for the maritime industry. INMARSAT was privatized in April 1999.

Satellite Mobile Services

In addition to the traditional analog INMARSAT-A service, we offer three digital services that provide more efficient use of the INMARSAT satellite capacity and significantly lower the cost of using satellite communications.

In January 1997, in association with British Telecom, we launched a new personal satellite telephone product, Mobiq, providing satellite telephone communications to and from locations at sea, in air or on land based on an INMARSAT Mini-M satellite service.

In the maritime end user market, INMARSAT services are branded Eik Global Communications. All known INMARSAT standards for the maritime market are included in this brand and all INMARSAT ocean regions are covered under this brand. Eik Global Communication is known for its high quality, reliable service, and highly skilled customer service personnel.

In addition to being a service provider for INMARSAT, we act as an accounting authority 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.

Heavy users of maritime communications are offered leased lines via INMARSAT space segment or our own total communication solution SeaLink. SeaLink is a permanent satellite line for data transmissions and establishes customized communications solutions between a fleet of mobile sites and one or more land based sites. We assume to have close to 100% market share in the Norwegian part of the North Sea and delivers solutions as far as Africa.

In November 1999, we were the first satellite operator to complete beta testing and receive certification to commence commercial operation of INMARSAT's new M4 satellite service, which we are offering under the brand Global Area Network (GAN). A number of manufacturers are making available the terminal equipment for this service. GAN services, together with an easy to operate GAN mobile satellite terminal, provide a user 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.

Competition

Our main competitors are Station 12, Comsat, a subsidiary of Lockheed Martin Global Telecommunications and Stratos, which recently acquired British Telecom's global satellite mobile telecommunications business. Station 12 is the largest operator in this market and a subsidiary of Dutch PTT KPN. In 1999, Station 12 entered a formal joint venture with the satellite mobile subsidiary of the Australian PTT Telstra. We also compete with a number of smaller operators with their own land earth station. The market is concentrated with the four largest operators (ourselves, Comsat, Station 12/Telstra and Stratos) accounting for a majority of the maritime market. Prices for satellite mobile service have fallen in recent years due to competition, and we expect competition to continue to be strong. In addition, we may face competition from systems that will compete with INMARSAT, such as ICO/Globalstar.

A customer that places a call through the INMARSAT System can select any land earth station that serves the respective area. Competitors therefore compete on the basis of pricing, global coverage and brand name.

Satellite Networks

We provide services and solutions based on satellite communication equipment, satellite capacity, operational services and a wide range of applications to meet the needs of customers in various business segments. We expect that the future growth in this market will be within broadband, including satellite based Internet services. The VSAT market is characterized by benefits of scale both within sales, installation and equipment procurement. Due to strong growth in competition, profitability has been declining in recent years. As our revenue growth rate in this market during 2000 has been lower than in previous years, we will need to realign operations to attain profitability.

We recently were awarded a contract for the installation of terminals and operation of a satellite-based network for on-line betting in Poland, and we are evaluating further opportunities for such systems in central and eastern Europe.

Satellite Backbone Services

Under the brand name NORSAT, we provide satellite networks for central and municipal governmental organizations and businesses, which are typically used by these customers for internal communications, but may also be used for communications between enterprises or with public telecommunications networks. Our satellite networks are based largely on the use of very small aperture terminal, or VSAT satellite dishes located at customer premises. VSAT technology enables the satellite communication solutions we provide to be independent of the existing infrastructure in a particular country or region. In addition to using our own capacity, we lease most of the required capacity from other satellite operators providing coverage for the relevant geographic area. Our external revenues in 1999 from providing satellite backbone networks were NOK 413 million, including customer equipment.

Our main market for these services is Europe and we provide services principally for the following types of customers:

- banking and financial institutions;
- governmental organizations for public administration purposes;
- retailers, including customized solutions for stores, gasoline suppliers and hotel chains;
- Internet service providers;
- gateway services for international access by telecommunications operators; and
- occasional services and internal business television networks.

Competition

We face strong competition in our European markets. Our main competitors in Satellite Networks are Hughes Networks, a publicly traded unit of General Motors and the largest operator of satellite networks worldwide, and Gilat Satellite Networks, an Israeli operator listed on the Nasdaq National Market. We also compete with Global Satellite Systems, a subsidiary of BT, Telespazio, a joint venture between Telecom Italia and STET, Loral, an American operator listed on the NYSE, and Telefonica. We also compete with IBM, AT&T and South Spaceline, a subsidiary of Thüssen-krupp. This market is characterized by economies of scale and size, both in equipment acquisition, installation, marketing and operations.

Satellite Holdings

The table below sets forth our satellite holdings as of September 30, 2000.

Satellite Participation	Telenor's ownership interest at September 30, 2000	Book value of Telenor's ownership interest at September 30, 2000
		(NOK in millions)
INMARSAT	15%	1,857
INTELSAT	4.5%	443
EUTELSAT	0.7%	45
New Skies	4.6%	225

INMARSAT was founded in 1979 to provide satellite communications for the maritime industry.

INTELSAT, an international satellite organization, was founded in 1964 to build a global satellite fleet. INTELSAT owns and operates a global communications satellite system with 19 satellites providing services to over 200 countries. It is the leading provider of satellite capacity worldwide. Our equity participation at September 30, 2000 was 4.5%, after the sale of part of our interest.

EUTELSAT was founded to be a common satellite system for Western Europe. EUTELSAT, which is ranked as one of the world's leading satellite operators, has a fleet of 15 satellites.

New Skies Satellites operates five geostationary communications satellites that provide direct-to-home TV broadcasting as well as data and voice transmission services. INTELSAT spun off New Skies Satellites and it is currently owned by INTELSAT's shareholders.

Internet

Overview

Our Internet business area includes the following businesses:

- ***Internet and IP-based Communications.*** Under the "Nextra" brand, we provide Internet services and IP-based communication services in Norway and twelve other European countries (including sales offices in two countries). We are the market leader for businesses in Norway for these services, and since 1998 we have been expanding our operations into other European countries with the aim of becoming one of the leading pan-European providers of IP-based communication services to small and medium-sized businesses throughout Europe.
- ***Internet Service Provider for the Residential Market in Norway.*** We are the leading Internet service provider to the residential market in Norway, and at September 30, 2000, we had approximately 360,000 paying subscribers to our "Telenor Internett" residential access

service and approximately 188,000 registered users of our ''FriSurf'' subscription-free access service. We also operate leading Norwegian Internet portals.

Our Internet business area has been growing rapidly. Total revenues for the Internet business area were NOK 763 million for the nine months ended September 30, 2000, an increase of 23% over the same period in 1999. Of the total revenues for the nine months ended September 30, 2000, NOK 605 million were external revenues and NOK 158 million were revenues from other Telenor business areas.

Nextra — Internet and IP-based Communications Services for Businesses

Our Nextra business offers services for the business market in Norway and twelve other European countries (including sales offices in two countries). In the nine months ended September 30, 2000 revenues from our Nextra business were NOK 423 million, of which NOK 15 million were traffic charges from Telenor Telecom based on estimated generated traffic minutes from Nextra business services.

Strategy

As the capabilities offered by the Internet expand and more businesses seek to make use of these capabilities, we believe the market for business communications will change dramatically. We expect that Internet Protocol, or IP, will eventually become a dominant platform for communications services for businesses and for e-commerce in general and that the demand for services offered to businesses over IP-based networks will grow rapidly in the next few years. In particular, we believe small and medium-sized businesses will increasingly demand standardized, business critical applications delivered over IP-based networks, such as broadband access to the Internet, data communication and voice over IP, wireless applications, outsourcing services such as applications service provisioning and e-commerce solutions.

We are seeking to capitalize on the growth of these services by evolving from being a provider of Internet services to being a provider of IP-based communications services with a focus on the small and medium-sized business market on a pan-European basis. Our concept is to develop into a full service-integrated service provider to medium-sized businesses. We intend to integrate our services with connectivity, hosting, communication and business process support. We intend to provide our customers with fully integrated services that are fully managed, all with cross-border consistency.

Our goal is to be among the leading IP-based business communication service providers in Europe offering an integrated range of Internet services to our targeted small and medium-sized business market. To achieve this objective we intend to:

- expand our coverage in the European market, through both acquisitions and developing our own businesses in our target countries;
- evolve our companies in each country from an Internet service provider to a communications service provider;
- offer common branding, platforms and quality in each country;
- maintain operational control in each country;
- operate through a decentralized, flexible structure to accommodate differences in customer needs, requirements and product expectations in each local market;
- develop new high quality technology products and value-added services to respond to increased Internet capabilities; and
- be non-facility based, focusing on service integration rather than building a fiber-based infrastructure.

Markets

We are the largest provider of Internet services to businesses in our home market and as of September 30, 2000 we had 13,000 subscriptions by medium-sized and large business customers for our Nextra services in Norway. In 1999 we strengthened our position in Norway in web-hotel and other hosting services and we are now one of the leading players in this market in Norway.

We have been expanding our operations into a pan-European business, and since mid-1998 we have acquired 19 local Internet service providers in our target markets and have commenced our own operations in two countries on a start-up basis. In the first half of 2000 we completed the rebranding of all of our businesses acquired prior to that date as Nextra companies. The following table sets forth information about our operations in each country in which we have Nextra communications service provider operations outside of Norway.

Country	Date of acquisitions or start-up	Employees(1) as of September 30, 2000(2)	Subscriptions (000s) as of September 30, 2000(1)
Czech Republic	• September 1998 — Acquisition • April 2000 — Acquisition	158	12.2
Austria	• November 1998 — Acquisition • March 2000 — Acquisition	90	28.5
Slovak Republic	• December 1998 — Acquisition • January 2000 — Acquisition • June 2000 — Acquisition	106	20.4
Switzerland	• April 1999 — Start-up	90	0.3
Italy	• July 1999 — Acquisition • April 2000 — Acquisition • October 2000 — Acquisition	90	12.0
Hungary	• September 1999 — Acquisition	69	2.3
Sweden(2)	• November 1999 — Start-up • September 2000— Acquisition	47	—
Germany	• November 1999 — Acquisition • December 1999 — Acquisition • January 2000 — Acquisition • March 2000 — Acquisition • June 2000 — Acquisition	200	5.7
United Kingdom	• August 2000 — Acquisition	104	0.5
	• October 2000 — Acquisition	66	11.0
Russia	• October 2000 — Acquisition	64	—(3)
Total		1,084(4)	92.9

(1) Includes full-time equivalent employees and subscribers as at such date for business acquired after September 30, 2000.

(2) Includes sales offices in Denmark and Finland.

(3) Among other services we sell approximately 30,000 prepaid IP-telephony cards per month.

(4) In addition to these employees, we have employees outside Norway in other start-up initiatives that are not within the Nextra communications service provider operations.

All of our operations in the above-listed countries are wholly owned, except in Italy, the Czech Republic, the United Kingdom and Russia, in which other companies hold minority interests.

Our ISP operations in each of these countries also include residential customers, and in some countries our Nextra operation is also a significant supplier of Internet access services to the residential market, such as in the Slovak Republic and Austria. Total subscriptions outside Norway includes 54,500 dial-up single user subscriptions.

In Sweden and Germany our ability to offer services is restricted due to other business relationships of Telenor. In Sweden we are restricted from offering services provided by our Telenordia joint venture, and in Germany we are restricted from offering voice services due to agreements related to our interest in VIAG Interkom held through the Mobile Communications business area.

We are continuing to focus on expanding our operations and expect to continue to make further acquisitions in the European market.

Services

We are providing an increasing number of products within our core services areas — connectivity, hosting and communication — while simultaneously developing platforms that will support increased integration to provide fully managed, integrated services.

Internet access

Our largest product is Internet access. We offer a range of solutions for Internet access, from basic connection for a single computer, to an advanced and comprehensive solution for a large company with many users. Single-users can connect to Internet access either via a modem, or in some countries ISDN, and we target both professional users and small companies. We offer companies and organizations several different methods to access the Internet. Multiple users and customers can choose between a leased line, ISDN, ADSL, asynchronous transfer mode or frame relay technology to connect their local network to the Internet. We also offer virtual private network solutions, which provide for the safe communication of information between networks and between personal computers and networks and can be more cost-efficient than leased lines or dial-up solutions for customers whose networks involve greater distances.

Messaging

Currently our most important communication service is our range of integrated, user-friendly communications packages for email service. Our range includes the market's most advanced electronic mail service which, in addition to being able to send and receive faxes, allows users to send messages to mobile phones and pagers. In Norway, we recently launched a service with tailored points of presence and IMAP mailboxes for the professional market, including several additional value-added services, which facilitates users' access to e-mail, faxes, cellular phones and pagers. When the customer's e-mailbox is centrally located, messages can be written and read from any location of the user's whereabouts.

Hosting

Our hosting solutions allow businesses to outsource their own server maintenance, and our Internet hosting portfolio varies from the storage of simple web pages to advanced multimedia and e-commerce solutions. With both NT and Unix servers placed centrally in our IP-net, companies can use this service to post materials on the Internet as well as to establish closed web services or company intranets. We are building a central hosting platform at our Frankfurt operations.

An increasingly common use of web hosting allows the video and sound broadcasting of popular events over the Internet. Several of our European operations have participated in broadcasting streaming video using our web hosting solutions.

On August 21, 2000, we acquired an 80.9% ownership interest in XTML Ltd for GBP 17.4 million (NOK 234 million). XTML provides Internet services to the business market, with a strategic focus on complex web hosting. As of September 30, 2000, XTML had over 120 server customers and over 180 leased line customers. The company incurred a loss of GBP 6.3 million (NOK 85 million) for the nine-month period ended September 30 mainly as a result of expenses related to the build-up of its network infrastructure.

Voice over IP

IP telephony is now a core business for us, and has been recently launched in five countries in Europe: Switzerland, the Czech Republic, the Slovak Republic, Italy and Norway. We intend to be a leader in the development and launch of further IP-based products, such as multi-media telephony, voice virtual private networks, and IP-based call centers.

In Switzerland we have launched local, national and international telephony — which can be either stand alone, or be integrated in a data solution. We offer telephone connectivity to domestic and foreign locations at fixed, attractive prices.

Through the development of innovative products we have gained important experience in Internet-based telephony. Telenor was the first operator in Norway to provide phone-to-phone service over the Internet to the residential market in September 1998 by means of a phonecard. We also launched PC-to-phone IP telephony for Telenor Internet subscribers, giving them the opportunity to use their personal computer as a telephone and make calls by clicking on the screen. Telenor was the first operator in the world to implement the H.323 standard for a nationwide network.

Infrastructure

Backbone Network. Currently we lease capacity for our backbone network through flexible, short-term contracts, rather than owning our own transmission infrastructure, as we believe leasing network capacity is more cost-effective. Our objective is to link the Nextra business communication service providers in the various countries together in a seamless IP logical network supported by information systems with local sales and marketing as well as service offering development and implementation skills.

To measure the quality of services we provide, we focus on such parameters as stability of our network (% up-time), utilization of lines (%) and delays in the network response time. For Telenor Internett customer service, our response time is an important factor in measuring the quality of our services.

We expanded our backbone network in 1999 to secure high capacity and end-to-end control, allowing us to offer voice services over IP, virtual private networks and new value-added services to our customers. Our network, known as "Nextbone", has multi-megabit capacity with points of presence in Amsterdam, Bratislava, Frankfurt, London, Milan, New York, Oslo, Prague, Stockholm, Vienna and Zurich, where we maintain our own network routers. Our network connects to the U.S. Internet via several high-speed links. The network is based on a ring structure with synchronous digital hierarchy circuits, which provides greater redundancy. The network is operated and monitored continuously by our network operations center in Norway.

To satisfy increased demand for the network we are installing additional links and increased capacity. We are planning new points of presence and further high-speed lines between Europe and the U.S., as well as expansive plans for further IP infrastructure within the United States.

We exchange traffic with other major IP networks in Europe and throughout the world at various interconnection points, and are an active partner in the further development of the Internet.

Czech Wireless Network. In September 2000, we were awarded one of three new Czech network operator licenses for fixed wireless access, and we are currently rolling out the network in the four largest cities in the Czech Republic. We expect to use this network to provide customers with access to the Internet and other high capacity services, and we plan to sell capacity to third parties as well as making it available for use by Nextra service providers.

Competition

The industry and markets in which we provide Internet services are highly competitive. Incumbent carriers are our primary competitors in each of our target markets. In addition, we also compete with ISPs and other niche players in each market. Competitors that are seeking to compete in the market for small and medium-sized businesses on a pan-European basis include KPNQwest, UUNet and PSINet. Companies compete on the basis of the range and quality of communications services offered, network quality, prices and quality of customer services.

New Initiatives

We are implementing a new initiative to create additional value in our Nextra business by establishing product-focused operating units that will operate independently from the Nextra country-based organizations. It is intended that the new units will both address the customer market directly and make use of the Nextra country-based organizations as distribution channels. Our objective is to expand our product offering, either directly or through outsourcing, to serve certain needs of our customers.

As a first initiative pursuant to this strategy, we have recently established a new subsidiary to focus on managed messaging services called TTYL (''Talk To You Later''). The new unit will market messaging service solutions to the small and medium-sized business market in Europe, initially through the Nextra country organizations and other service providers and later, directly to businesses.

In Switzerland, we have recently expanded our hosting business into the area of application service provisioning through the establishment of a new company, Aspectra. Aspectra will offer e-business applications to medium and large businesses as well as dedicated hosting services for complex web sites, portals and e-business applications.

We are also investigating the formation of other product- or technology-centered units in the areas of hosting, horizontal e-commerce portals directed at the small and medium-sized business market, and mobile Internet solutions for the small and medium-sized business market. We may elect to pursue these initiatives through acquisitions or joint ventures. In addition, we are also considering establishing a business operation that will act as a source of funding and make investments in ventures that we believe have potential strategic value for our core businesses. While there is a competitive arena for providing high bandwidth at low cost, there is an increasing demand for more value added services. As more and more business critical processes are being moved to IP the demand for services such as security, hosting and unified messaging increases. This development plays into the Nextra strategy focusing on the integration of IP-based services, giving the customer the opportunity to choose, change and benefit from the widest range of communications solutions available. Unlike some of our competitors, we are not facility based.

Although we are focused primarily on the business market, we also plan to introduce new initiatives within the residential market, seeking opportunities within mobile Internet and portals.

Internet Service Provider for the Residential Market in Norway

We provide both subscription and subscription-free dial-up Internet access services to consumers in Norway. We are the leading Internet service provider to consumers in Norway with an estimated market share as of September 30, 2000 of 57% according to Norsk Gallup.

Strategy

Our strategy in the consumer Internet access market is to:

- aggressively compete for users in the subscription-free access market;
- continue to enhance the services we offer to the subscription market, in order to maintain and increase our subscriber base;
- offer access through broadband technologies such as ADSL, which we are implementing as part of a common project with our Telecom business area and wireless technologies, and to seek partnering opportunities with other companies in this area;
- aggressively develop segmented portals for the Internet access market, including broadband portals;
- offer Internet-based telecommunications services to the consumer market; and
- seek opportunities to expand internationally.

Our objective is to further develop our leading position as a provider of Internet services by developing new product areas within communications, creating new services based on broadband access and establishing a strong position within portals.

Services

Subscription Internet Services.

We offer three principal levels of access products:

- ***Telenor Internett Basis*** is our standard service, providing standard Internet access at a monthly subscription fee of NOK 98. The subscription fee includes free customer service.
- ***Telenor Internett Pluss*** is our main subscription product, with a monthly subscription fee of NOK 129. Subscribers receive free customer service, anti-virus and other services.
- ***Telenor Internett Total*** is our premium service with a monthly subscription fee is NOK 225. Customers receive free priority customer service, free helpdesk MS office applications, firewall, anti-virus and other additional services.

Both our subscription Internet customers and our FriSurf users pay the same per minute charge for accessing the Internet (digital or analog telephone traffic). We believe that as people spend more on the Internet they also become more price sensitive. To meet this demand we have introduced new prefix services providing heavy users with an opportunity to surf the Internet for 150 hours per month at a fixed rate of NOK 499 since June 2000.

Our access services generally include free e-mail service, which can be accessed through the Internet from any personal computer worldwide, with multiple e-mail addresses and storage space on our servers for a subscriber's web page. We are hosting home pages for more than 40,000 users. We also offer additional services such as telefaxing at a per page charge, per message charges for SMS messages sent to GSM mobile phones in Norway or abroad, messaging to Minilink within Norway, and our premium services include Interfon PC capability.

Our Telenor Internett service is marketed through various retail channels (approximately 1000 retailers across Norway), through our own customer service organization, and through our portals. Bulk sales have in addition become an important sales channel as more and more businesses buy home PC's with the Internet access for their employees (e.g. Statoil with more than 10,000 home PC's). We recently mailed a CD-ROM to all Norwegian households advertising our three principal access products (Basis, Pluss, and Total) as well as FriSurf (described below).

Subscription-free Internet Service.

We were the first Norwegian company to launch a subscription-free Internet service. In 1999, we launched "FriSurf" and at the end of 1999 we distributed the FriSurf access software to all Norwegian households in the form of a CD-ROM. Customers are not required to pay monthly subscription fees, but must pay the per-minute charges of local telephone calls while they are on-line. We receive revenues in the form a pass-through of a portion of the cost of the telephone calls charged by the telephone service provider.

The following table sets forth information regarding our consumer Internet access services:

	Year ended December 31,			Nine months ended September 30,
	1997	1998	1999	2000
Subscription				
Telenor Internett — Subscriptions (dial-up single user) at period end	165,000	260,000	355,000	360,000
Estimated average hours of usage per dial-up subscriptions per month(1)	N/A	13.3	15.1	16.2
Annualized subscriber churn rate(2)	N/A	11.7%(3)	14.0%	21.4%
FriSurf				
Registered user accounts at period end	—	—	45,000	188,000
Estimated average hours of usage per registered user account per month	—	—	3.6(4)	7.8
Internet household penetration rate in Norway(5)	17%	23%	37%	50%

(1) Total dial-up subscriptions includes dial-up business network connections. 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 convert to our FriSurf product or terminate their subscription and re-enter through special offer campaigns are included in churn rate.

(3) Calculated on an annualized basis, using churn numbers from July 1, 1998 to December 31, 1998. Churn numbers for the first half of 1998 are not available.

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

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

Internet Portals. We operate the following Internet portals in Norway:

- *Online.no and FriSurf.no.* Online.no and FriSurf.no are the home pages for our Norwegian residential subscription and subscription-free access services, respectively.

- *ABC Startsiden AS.* In October 2000 we increased our ownership to 83.3% in ABC Startsiden AS from 51.3%, which we have consolidated as of September 2000. ABC Startsiden operates startsiden.no, which is second largest portal in Norway, and had an average of 17.0 million monthly page views in the third quarter of 2000. Startsiden.no averaged 281,000 daily users and 536,000 weekly users in the third quarter of 2000, according to Norsk Gallup. Startsiden obtains revenues principally from the sale of advertising on the portal. We promote startsiden.no by displaying prominent links to it on our online.no and FriSurf.no homepages.

We intend to expand our activities in the portal area, and we may make further investments or acquisitions in this area. In addition to further expanding our mass-market narrowband portal startsiden.no, we intend to explore the development of mass-market niche narrowband portals. Under a common project with the Telecom business area, the Internet business area is currently implementing an ADSL broadband portal. We also intend to explore opportunities for portal activities internationally.

Ownership Interest in Other Nordic Portals

In the first half of 2000 we transferred our ownership interest in Scandinavia Online AS (SOL AS) to Scandinavia Online AB (SOL AB). SOL AB became a listed company on the OM Stockholm Exchange and the Oslo Stock Exchange in June 2000 and our ownership represents 17%. SOL AB owns a pan-Nordic network of portals including sol.no the leading Norwegian portal, the leading portal in Sweden (passagen.se), the third leading portal in Denmark (sol.dk) and the Finnish portal (sirkus.fi). The portals generally provide a broad range of news, information, entertainment and shopping content tailored to the mass market in their home countries.

Competition

Telenor is by far the biggest ISP in the Norwegian residential market and the brands Telenor Internett and FriSurf together had a market share of 57% at September 30, 2000, according to Norsk Gallup. The main competitor within the residential market is Tele2 with a market share of 24%. The remaining 19% is shared between many small competitors including Start, Enitel, Netcom, Liberty Surf, VG, Sense, Spray and World Online. The main bases of competition are price of subscriptions and usage, and the ability to bundle different services together as a single offering. We believe that Tele2 has been successful in the Norwegian residential market as a result of its price focus, direct marketing and policy of bundling Internet with telephone subscription.

Media

Overview

Through our Telenor Media business area, we are a leading provider of directory information and directory advertising in Norway. Telenor Media publishes over 100 different directories in Norway and a wide variety of directories in nine other European countries. Our total annual circulation of directories in 1999 was 19.5 million, of which we circulated 9.0 million directories in Norway and 10.5 million directories outside Norway. In addition to print directories, we also distribute the content of our directories through a range of media, including the Internet, CD-ROM, telephone and wireless application protocol.

We derive our revenues principally from advertising revenues generated by our directory products and services. Our target market is small to medium-sized businesses. Over the years, we have developed strong brand recognition and high penetration rates among Norwegian businesses. The Norwegian market accounts for approximately 79% of our revenues in this business area, which in 1999 represented approximately NOK 1.2 billion of our total revenues. Our international operations account for approximately 21% of our revenues, which in 1999 represented approximately NOK 0.3 billion of our total revenues. Our international media operations are organized through subsidiaries or joint ventures in nine European countries: Poland, Spain, the Baltic states, Russia, the Czech Republic, France and Finland.

Strategy

Our goal is to be a leading provider of directory information and marketing services in Europe. We seek to continue to develop new products and services for users and advertisers and to further expand the functionality of current brands for the Internet. We intend to continue to improve our operating efficiency and profitability within our established businesses as well as to continue to expand internationally through partnerships, start-ups and acquisitions. We expect to continue to leverage our experience in the Norwegian market to develop competencies in our operations abroad. We believe we are well positioned to achieve these objectives through:

- the bundling of our print and electronic products through the use of multiple technologies to expand our product range;
- the development of new products and services to respond to the increased use of electronic media (i.e, the Internet);
- our strong brand recognition for Yellow Pages directories;
- our unique and exclusive databases in Norway; and
- our efficient and focused sales forces.

In particular, we expect to focus on the development of our Internet services. We currently operate a number of customer and business-related web portals, many of which are designed to support and expand upon our print products. We expect to further develop our local and business portals in Norway and abroad.

We may also consider strategic alternatives to enhance the value of our Media business area, which could consist of, among other possibilities, a combination or alliance of Media with one or more third parties, the establishment of a public shareholding through a separate stock exchange listing or another form of divestment.

Norway

In Norway, our largest directory market, we generated revenues of approximately NOK 1.2 billion in 1999. We are the leading provider of commercial directories in Norway, with more than 95% of the directory market and a 10% share of the national advertising market in Norway. Approximately 1.3 million people use our printed products daily in Norway, although the use of Internet directory services have increased substantially. During the last five years, we have developed the market in Norway to become one of the most well-developed directory markets in Europe.

Our Principal Products

In Norway we produce a variety of directories in both print and electronic format for households and businesses. Our principal products are described below.

White and Pink Pages Directories

Our white pages directories list households and our pink pages directories list businesses, both of which are available nationwide in print and on CD-ROM. Our pink pages directories are also currently available on the Internet and we expect to launch our white pages directories on the Internet in December 2000. We are required to provide our White Pages directories in Norway under the terms of our fixed telephony license.

Yellow Pages Directories and Services

Our yellow pages directories list businesses by subheadings and are available nationwide in print, and on the Internet. We also operate an Internet portal, Yellow Pages Internet, which allows a user to view selected information from the yellow pages on the Internet. Yellow Pages Internet has become one of the most popular web sites in Norway, with approximately 2.8 million page views per month. Advertising on the Yellow Pages Internet accounts for approximately 25% of Norway's total sales on the Internet, which amounted to approximately NOK 170 million in 1999. An aggregate of approximately 7.3 million copies of our white and yellow pages directories are circulated annually to households and businesses in Norway.

In October 1999, we launched Yellow Pages Operator Assisted Services, a telephone service that users can call to obtain information on advertisers. Advertisers can enter information, for example, on brand names, hours of operations and directions to their location of business.

In November 1999, we launched GULeHANDEL, a website offering advertisers a platform to present their products for a fee. Users can access the website to shop among various advertisers, creating a virtual shopping trolley. The service allows users to have the goods delivered in one consignment by courier or via the post office and pay with a single invoice. We expect to continue to develop our Internet-related products as well as to optimize our print business by introducing new features.

Local Directories

Our local directories in Norway list households and businesses and are distributed in print nationwide in 73 areas and on the Internet. Approximately 1.9 million copies are circulated annually to households in Norway.

Business to Business Directories.

Our business to business directories list businesses and are available nationwide in print, on CD-ROM and on the Internet. Approximately 300,000 copies of our business to business directories are circulated annually to businesses in Norway.

The Media business area has recently formed a joint venture with the Internet business area to develop an electronic marketplace in the business to business segment, under the name BizKit.no.

Specialty Directories

We also publish specialty directories, such as the Fax Directory, the Golf Guide and Kvalex, which lists ISO certified companies in Norway. Approximately 100,000 copies of our specialty directories are circulated annually to households and businesses in Norway.

Competitors

Our main competitors are companies providing any form of media, including TV, radio, magazines, newspapers and portal/search engines on the Internet. We have no major competitors in the Norwegian market for our print products. The market for electronic media, such as our Internet and on-line products, however, is quite competitive. There are many competing market players, including both national and international electronic media companies. These companies compete in the directory area as well as in the general advertising business.

International Operations

We produce telephone and commercial directories for nine European markets in both print and electronic formats. We began our expansion outside of Norway in 1995 and have continued to grow through the formation of partnerships, start-ups and the acquisition of businesses. We plan to expand further internationally and expect to selectively target countries with an under-developed directory market and strong growth potential. We intend to leverage the experience and competence we have gained in the Norwegian and European markets to further develop our international operations.

Our European operations focus on both directories and Internet portals designed primarily for local markets. Set forth below is a brief description of our international operations.

Spain

Our principal subsidiary in Spain is Telenor Media Espana, or TME. TME's core products and services in Spain include printed local telephone directories (white and yellow pages). We also have a 50% interest in a joint venture with Grupo Godo in Spain through which we produce printed directories for large cities (white and yellow pages). TME operates local Internet portals, which incorporate editorial information, maps and directory information. TME's market share of the directory industry in Spain is approximately 4%. As of September 30, 2000, we had four local portals on the web.

Our largest competitor in Spain is TPI, Telefonica's subsidiary within the yellow pages industry. TPI currently has a market share in the directory industry in Spain of approximately 90%. As of September 30, 2000, we had over 27,000 customers, most of which were small to medium-sized businesses. Our operations in Spain generated revenues of approximately NOK 44 million in 1999.

Poland

We have a 50% joint venture with Bell Atlantic in Poland in Polskie Ksiazki Telefoniczne, or PKT. PKT offers directory advertising in Poland in directories on CD-ROM, in print, and the Internet. Similar to our other operations, we expect that PKT's products and services will gradually migrate to Internet-related products in response to the growth of electronic media. PKT currently hosts a web site offering links, advertisement, e-mail, banners and web hosting services.

In 1999, we distributed over 4.3 million directories throughout Poland. PKT's primary customers in Poland are small to medium-sized businesses. Poland is a rapidly emerging country with a burgeoning consumer market. PKT currently has over 68,000 customers and generated revenues of approximately NOK 208 million in 1999.

France

Soleil Publicité, our wholly-owned French subsidiary, produces printed yellow pages directories covering the greater Paris metropolitan area. Soleil Publicité produces nine local editions of these directories and distributes approximately 2.7 million copies a year. Soleil Publicité's market share in the French directory advertising market is approximately 2.5%. As of September 30, 2000 we had more than 3,000 customers in France, all of which were small to medium-sized businesses. We focus primarily on offering business to customer products and services. Soleil Publicité competes with France Telecom and small publishers of local directories. Our strategy is to expand our operations in France by the acquisition of small local directory companies that can serve as the basis for future growth. In line with this strategy, we recently acquired a 75% ownership interest in Annuaires Téléphoniques de Bretagne, a publisher of yellow pages directories in France, with over 600,000 directories circulated annually. We plan to launch an on-line directory in Fall 2000. Our operations in France generated revenues of approximately NOK 40 million in 1999.

Baltic States

We currently publish directory products in CD-ROM and print versions in Estonia, Latvia and Lithuania. As of September 30, 2000 we had over 29,000 customers in the Baltic States. Our principal products in Estonia include the Estonian Business Directory and the Tallin telephone directory. We began Internet operations in May 1999. Our principal products for the Latvian market are five business to consumer directories and one business to business directory, each published annually. We introduced Internet related services in Latvia in June 2000. Our principal products in Lithuania include business to business and business to consumer directories, which are available in print, on CD-ROM and over the Internet.

In the Baltic States, we intend to seek alliances with selected telecommunications operators to become a leading directory company. In line with this strategy, we recently agreed to sell 25% of our

Latvian operations to Lattelekom to become the official directory publisher. The transaction is not yet closed. We signed a contract with Lietuves Telekomas in September to become the official publisher in Lithuania. The operations of our subsidiaries in the Baltic States generated revenues of approximately NOK 40 million in 1999.

Russia

We currently produce three business to business and three business to consumer directories for several regions in Northern Russia. We also produce four business to consumer directories in St. Petersburg. We intend to produce CD-ROM and Internet versions of these directories. In this region, we compete with a large number of small publishers. As of September 30, 2000, we had over 5,000 customers, 90% of which were small to medium-sized businesses. In Russia, we intend to seek alliances with selected telecommunications operators to become a leading directory company. In September 2000, our acquisition of 100% of Euro-Adress Moskva, the primary directory publisher in Moscow, was approved by the Russian competition authorities. The operations of our subsidiaries in Russia generated revenues of approximately NOK 5 million in 1999.

The Czech Republic

Inform Net Partners, our 50% joint venture with TeleDanmark, currently produces travel atlases and business to business directories in print and on CD-ROM. Inform Net Partners also maintains Internet databases supporting its publications and providing further information to consumers. As of September 30, 2000, we had over 7,000 customers. In this region, we compete primarily with a large number of small publishers. Inform Net Partners generated revenues of approximately NOK 14 million in 1999.

Finland

In August 2000, Telenor Media acquired a 60% ownership interest in Telefakta Telemarketing OY, a Finnish provider of a business-to-business directory. Telefakta distributes its business-to-business directory primarily via the Internet. The directory includes Yellow pages information on all Finnish businesses, supplemented with general information and services.

Pursuant to the acquisition agreement, we have an option to purchase up to an additional 20% ownership interest in Telefakta. This option is exercisable between September 15, 2003 and November 15, 2003.

Bravida

Overview

On October 23, 2000, Bravida merged with a holding company of BPA AB, a Swedish provider of electrical, plumbing and ventilation systems. At the closing of the merger, we owned approximately 51% of the merged company but we expect that by the end of 2000, this will be reduced to 48%. For more information, see ''— Merger with BPA'' below.

Bravida is currently Norway's largest provider of network installation, maintenance and operating services. Bravida targets network operators, of which Telenor is the most important, as well as businesses, public sector activities and contractors. While Norway is Bravida's primary market, Bravida also offers similar services in Sweden. Bravida also operates Bravida Geomatikk, through which it offers geographical information services and electronic filing systems. Bravida made over 1 million customer visits in 1999 and its revenue in 1999 was NOK 6,057 million, of which NOK 3,145 million was from other Telenor companies and NOK 2,912 million was from sales to external customers.

Historically, this business area's primary activity was the installation and maintenance of telecommunications and data services in Telenor's networks. Bravida currently is seeking to expand its revenues by marketing these services to customers other than external customers of Telenor. The market for these services is expected to grow significantly and Bravida intends to take advantage of this trend by taking advantage of its high level of technical expertise and resources.

Set forth below is a summary of the current business of Bravida.

Services

Bravida currently provides a comprehensive range of products and services, including consultancy and planning, installation, maintenance and operation of telecom, data, electronic and security solutions. The range of products and services is based on advanced 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:

Network Expansion

Bravida plans, designs and installs network infrastructure, access networks, switching facilities, transmission elements and GSM 900 and GSM 1800 mobile networks. Bravida can install and deliver telecommunications networks on a turnkey basis. Bravida also provides project management for network expansion projects.

Network Service

Bravida provides installation and maintenance of analog, ISDN, ADSL and security systems. In addition, Telenor Nett refers fault reports from the Telenor network to Bravida.

Contracting Services

Bravida provides counseling/projecting and delivery of integrated solutions and structured cabling for telecommunications, data, security/alarm and electrical systems, access control and BUS technology.

Business Service

Bravida installs and operates, as well as provides remote and on-site service for, voice and data equipment for the business market. In addition, Bravida sells customers premises equipment, computer and telecommunications equipment.

Historically, its services in the areas of network expansion and network service have been provided exclusively to customers within Telenor. It is expected that demand for these services will increase from external customers, in part as competing telecommunications operators increase their infrastructure activities in Norway.

Bravida also includes our Bravida Geomatikk operation, through which it offers geographical information services and electronic filing systems. Bravida Geomatikk also offers the Geoweb solution, which, in concept, is an electronic map of the underground infrastructure, such as electrical wires, telecommunication cables and pipes, within different geographical areas. To date these services have been primarily provided to Telenor Telecom, although Bravida has successfully competed for a number of contracts from external customers.

Recently, Bravida has successfully obtained several major contracts, including one with Det Norske Rikstrygdeverket for installation of a new IT-platform in a total of 514 locations throughout Norway. In addition, Bravida will be providing project management and installation for Telenor's new office complex at Fornebu.

Bravida and our Telecom business area this year entered into a five-year agreement, concerning expansion, maintenance and service on the Telenor infrastructure in Norway. According to this agreement, Telecom will buy and Bravida will make available certain capacity equaling 75% of Telecom's service demand in 2001. In 2002 the commitment of both parties is 67.5% and the last three years 60% of Telecom's service demand.

Merger with BPA

We have merged Bravida with a holding company of BPA AB, a Swedish provider of electrical, plumbing and ventilation systems and a leading provider of contracting services throughout the Nordic region. The merged company is the largest provider of installation and operating services in the Nordic region. Prior to the merger, BPA operated in Norway, Sweden and Denmark with over 6,592 full-time equivalent employees. At the completion of this transaction, Telenor and a consortium led by former shareholders of BPA will each own 48% of the new company, which retains the name Bravida. The remaining 4% of the merged company will be held by management. Pursuant to the merger agreement, we are, subject to certain conditions, required to reduce our stake in Bravida to approximately 33% within two years. The merged company is registered in Norway and headquartered in Stockholm. We believe that the merger represents an attractive combination of complementary businesses, including their products and geographic operations. We also expect the merger to generate cost synergies between the two companies. Upon completion of the transaction, we will treat Bravida as an associated company.

Under the merger agreement, Telenor and the former BPA shareholders have agreed to divest certain non-core assets of 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 Telenor for the shortfall through either cash payments or by transferring a part of their shares in the merged company to Telenor.

BPA's operations are conducted through eight regional companies in 140 communities in Sweden, Norway and Denmark. BPA's installation expertise provides customers with cost-effective and co-ordinated installations solutions. Its customers include private industry and clients in the public sector as well as real estate and construction companies. In Sweden BPA is the largest provider of heating and plumbing and ventilation installations, and the second largest in electrical installations and, overall, the largest installation company. BPA's net sales in 1999 amounted to SEK 6,793 million (NOK 6,413 million).

Under the merger agreement between Bravida and BPA, the partners have agreed to restructure the Bravida business, which may result in restructuring charges.

EDB Business Partner

Overview

Our 52.6%-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, Ireland, France, Poland and the United States. EDB Business Partner had total revenues in 1999 of NOK 3,015 million, of which NOK 1,508 million were external sales and NOK 1,507 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 May 1999 merger of our software and IT business with EDB, a publicly traded company. 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 objective is to be a leading expertise-based IT business, focusing on systems (software and service), computer consultancy and computer operating services. EDB Business Partner expects the market for IT services to continue to grow as more businesses focus on their core activities and outsource their IT needs. EDB Business Partner, through its operating units, intends to take advantage of this trend 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.

Operating Units and Services

EDB Business Partner operates through several operating units, each of which is discussed below.

IT Operating Services

EDB Business Partner is one of the largest suppliers of IT operating services in the Nordic region, after the acquisition of Fellesdata. After the planned integration of Fellesdata and reorganization, the EDB Teamco operating unit will include the computer operations activities of both EDB Novit and Fellesdata. EDB Novit is one of EDB's operating units, and offers a wide range of services, including IT operating services. EDB Teamco's current activities are focused in Norway but, in the future, EDB Teamco intends to target the Nordic region as its primary market.

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. In February 2000, EDB Teamco launched its ''powerhost'' concept for computer operating services for application service providers becoming one of the largest suppliers of these services in Norway.

IT Systems for Banking and Finance

EDB Fellesdata is a leading full service application, IT operating systems and consultancy provider to the banking and finance sector in Norway. EDB Fellesdata combines Fellesdata's operations in this sector with those of EDB Novit, EDB's operating unit for these services, representing a combined revenue in 1999 of NOK 1,722 million. Novit offers an IT systems product range designed for large, conventional banks covering all banking requirements. Novit also launched its Novit Internettbank product, which was one of the first real-time banking systems offered on the Internet, becoming one of the few international suppliers of a complete, standardized Internet banking product. During 1999, Novit launched the first service in Norway that allows users to make payments through the banking system from their mobile telephones.

Software for Telecommunications Operators

EDB 4tel is a leading European software supplier specializing in the development of operational support systems for the telecommunications industry, EDB 4tel also specializes in offering flexible and advanced software systems, systems integration, implementation support and consultancy services. EDB 4tel has designed an order management solution which reduces significantly the time to market for new products and services for telecommunications operators. EDB 4tel's revenues in 1999 were approximately NOK 850 million. Telenor is EDB 4tel's principal customer and accounted for a majority of its 1999 revenues. Telenor and EDB 4tel have entered into multi-year agreements concerning pricing and minimum levels of purchases by Telenor. EDB 4tel was recently selected by Swisscom to supply elements of their customer care and billing support systems.

IT Systems for the Public Sector

Through its 50% owned joint venture, Ephorma AS, EDB Business Partner is the leading supplier of software and IT services to public sector organizations in Norway. Ephorma provides advisory services, administrative applications for local authorities and the state, operations services and application service provisioning. Ephorma had revenues of NOK 362 million in 1999.

IT Consultancy

EDB Business Partner employs IT consultants in its various operating units, which include:

- EDB Fundator: provides ''full service'' project management and systems development services related to IT infrastructure and IT efficiency, including implementing SAP systems. Its 1999 revenues were NOK 293 million.
- Business Data Consulting AS: EDB Business Partner owns Business Data Consulting AS, which provides project management and systems development consultancy services. Its 1999 revenues were NOK 94 million.
- EDB Stradec AS: provides strategic consulting, project and enterprise management, IT applications, e-commerce and case management systems. Its 1999 revenues were NOK 35 million.
- EDB MaXware: provides high-tech solutions for directories, message exchange, Internet systems and security. Its 1999 revenues were NOK 74 million.
- EDB Dolphin: provides development, marketing and support of call systems for the integration of computing and telephony. Its 1999 revenues were NOK 45 million.

System Integration

EDB Intech is a system integrator, supplying IT hardware including infrastructure and communications systems. Intech focuses on consultancy advice, installation and upgrading, communications, e-commerce and the Internet for small and medium-sized companies.

In September 2000, we agreed that the EDB Intech business would be combined with the sale of equipment division of Telecom Business Solutions to form a single company from January 1, 2001.

IT Systems for the Health Care Sector

EDB Business Partner's subsidiary, EDB InfoMedica, recently merged with Tieto Enator Medical. EDB Business Partner now owns 42% of the combined company which develops and markets software for health care institutions in Norway and Sweden.

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.

Other Activities

International Center

In order to support and facilitate our international activities, we have established an international center at the corporate level. The center's resources are based in Oslo, with local offices in 12 cities in Europe and South East Asia.

The main tasks of our international center are to maintain country offices in countries in which more than one business area is established, to provide technical and administrative support units to our foreign operations, to monitor international regulatory issues, and to provide analyses on political risk issues and socio-cultural and macro-economical relationships.

Furthermore, the international center has business responsibilities outside the business areas in strategic projects, such as Comincom/Combellga and Telenordia. The international center also is involved in coordinating our Nordic strategy.

Comincom/Combellga (Russia)

In July 2000, we entered an agreement to acquire a majority interest in Comincom for US$120 million. Comincom will own 100% of Combellga. Comincom, established in 1990, is an alternative long distance carrier and international operator with operations in 22 regions. Comincom has recently obtained a license to operate a so-called ''non-geographical area code'', which allows it to offer public long distance traffic in competition with the incumbent operator. Combellga, established in 1991, is the third largest competitive local exchange carrier in Moscow offering a complete package of international, national and local telecommunication services. At present, its main revenues are derived from traditional voice-services, but it has commenced an extensive roll out of ADSL and it expects that services based on IP-technology will, in time, account for the majority of its revenues.

Telenordia (Sweden)

Telenordia AB is a 50/50 joint venture between us and BT to provide telecommunications services in Sweden. In September 2000, we and BT each increased our respective 33% interests in Telenordia to 50% through purchasing one-half of TeleDanmark's interest. Telenor's part of the acquisition cost in connection with the increase in its share was NOK 1.3 billion.

Telenordia is Sweden's fourth-largest fixed network operator, supplying telephony, Internet and data communications services to over 400,000 customers. Telenordia had revenues of NOK 1,440 million in 1999. Telenordia, Tele Danmark and we have connected our national data communications networks to offer a common service platform in the Nordic region, called Nordicom. Telenordia has submitted an application for a UMTS license in Sweden, which is being awarded in a so-called beauty contest tender process. Licenses are expected to be awarded by November 30, 2000.

Norsk Data UK (United Kingdom)

Norsk Data UK provides hardware maintenance and support, enterprise management, network maintenance and management and other computer and Internet related management, training and support services. In 1999, Norsk Data UK had revenues of NOK 445 million. In September 2000 Norsk Data acquired a majority stake in XTML, a provider of business critical Internet hosting and application service provisioning for businesses in the U.K. The results of operations of XTML will be reported in our Internet business area, see ''Internet'' above.

Other Group Activities

Other business units include:

Teleservice AS. Teleservice AS manages our directory inquiry services, telephone conferencing and call center services.

Telenor Venture AS. Telenor Venture AS is a venture capital enterprise seeking value creation through active ownership in profitable projects in the areas of telecommunications and information technology. We currently own 63.7% of Telenor Venture AS. Telenor Venture AS is expected to be dissolved June 30, 2002.

Telenor Venture II ASA. We established Telenor Venture II ASA in September 2000 in order to continue and expand the successful venture capital investment activities pursued by the first fund Telenor Venture AS. We own 50.1% of Telenor Venture II ASA.

TeleVenture Management AS. In 1998, the management of Telenor Venture AS, together with Telenor Communication AS, formed TeleVenture Management AS, which is now acting as general manager for Telenor Venture AS and Telenor Venture II ASA. We own 23.85% of TeleVenture Management AS.

E-Commerce Joint Venture

We have recently formed a joint venture with Den Norske Bank, the largest bank in Norway, to capitalize on opportunities arising from the convergence of banking and telecommunications.

Research and Development

We are committed to maintaining our position as a leading innovator in deploying and developing telecommunications technology. In order to do this we are investing in both short-term product development and medium- to long-term research activities. It is essential to provide the necessary environment to obtain success of our research and development efforts. These include creating new, innovative business units close to the market and at the same time performing research to build competence and investigate new areas.

Currently we have over 300 researchers working in the corporate R&D department with units located throughout Norway and our employees in our business areas are actively involved in product research and development. We participate extensively in international as well as national research projects and collaborate with colleges and universities, other telecommunications companies and user environments. Examples of organizations and companies involved in such cooperation are BT, Cisco, HP, Bang & Olufsen, Ericsson, Alcatel, MIT and most of the Norwegian universities. On a yearly basis, Telenor R&D is involved in some 40 projects in Europe and is also actively involved in efforts to standardize telecommunications technologies.

Our objective is to provide products and services that fulfill both the current and future accessibility and capacity requirements of our customers, while at the same time being able to provide high-level services and applications.

Our development activities focus on providing integrated solutions to both the business, the residential and the individuals markets. On top of Internet and the Internet protocols we will provide voice, data and video services. A full service network with quality of service over IP is being tested, and Europe's first extensive VDSL trial for broadband access is being launched in Western Norway. The traditional separation of voice and data communication on the one hand, and radio and TV broadcasting on the other hand is fading, and we are building both services and networks to support this development towards interactive multimedia. As mobility is becoming a commodity in the Nordic countries in the traditional sense, we are working to extend mobility to include both fixed and mobile networks, e.g. providing mobile IP technology across heterogeneous networks to extend the current UMTS definitions.

To implement these objectives, we are committed to allocating a significant portion of Telenor's budget on research and development. In 1999, we spent approximately NOK 528 million in R&D,

representing a 27.5% increase over 1998 spending. We expect approximately the same level of research and development expenditure in 2000.

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. We are currently not aware of any legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or results of operations.

In July 2000, Enitel ASA filed a complaint against our subsidiary Telenor Nett AS before an arbitration court. Enitel ASA claims damages for loss of income, increased costs and damage to customers due to late implementation of carrier preselection as directed by the PT in 1999. On the basis that carrier preselection is an interconnection service, Enitel ASA claims that Telenor Nett AS breached the interconnection agreement, and that their maximum economic loss is NOK 120 million. However, in the event Telenor Nett is held liable by the arbitration court, we believe that the compensation will be substantially less. In October 2000, Tele 2 Norge AS also filed a complaint against Telenor Nett AS before an arbitration court on similar grounds as Enitel ASA alleging damages of NOK 78 million. Tele 1 Europe AS has also announced a similar claim alleging damages of NOK 30 million.

In March 1998, NetCom filed a complaint against Telenor Nett AS before the Oslo City Court. NetCom claims that Telenor's prices on leased lines in the years 1993 through 1996 were not in accordance with the official telecommunications regulations requiring cost orientated pricing of leased lines. NetCom claims approximately NOK 97 million in reimbursement, plus interest, alleging that it paid excess fees for leased lines.

We originally filed a complaint against Nesset Kommune, a Norwegian municipality in the local city court disputing real-estate taxes levied on Telenor Nett's infrastructure. In late October 2000 we won a judgment on this case in the appeals court after having initially lost in the lower court. We expect that Nesset Kommune will seek to have the decision by the appeals court reviewed by the Norwegian Supreme Court. Telenor Nett was incorporated in 1996, and the dispute relates to real estate tax after such incorporation. So far, approximately 20 municipalities have assessed real estate tax on Telenor Nett's infrastructure. Real estate tax is not levied by all municipalities. If 80% of Norway's municipalities were to assess real estate tax on telecoms infrastructure, we have calculated Telenor's annual real estate tax cost to be NOK 45-65 million, based on current real estate tax rates.

A company we considered acquiring, but ultimately did not acquire, has informed us that it and/or its owners believe they have a claim against us in the amount of approximately NOK 194 million due to our conduct of the acquisition negotiations. The company asserts that Telenor's alleged conduct damaged it due to lost opportunities. Telenor does not believe the claim has merit. To date, no legal proceedings have been instituted.

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.

Properties

Our principal executive offices are located at Universitetsgaten, 2, P.O. Box 6701, St. Olavs Plass, Oslo, Norway, and comprise 45,000 square meters of office space. The total area of all our properties comprise 860,000 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 300,000 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:

	2000	2001	2002	2003	2004	2005-2007
			(in NOK millions)			
Total lease obligations	335	288	214	137	122	125

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 of Oslo. Our new headquarters will be equipped with state of the art facilities and will comprise approximately 137,000 square meters of office space for over 6,000 employees. We expect that our new headquarters will be completed in the fall of 2002 and will cost in the aggregate approximately NOK 4.4 billion. On November 29, 2000, we entered into a letter of intent to sell our current headquarters site for approximately NOK 550 million to Entra Eiendom AS, a Norwegian government-owned entity, and Selmer ASA. In connection with the planned sale, we intend 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.

Employees

As of December 31, 1999, we had 21,968 full-time equivalent employees, of whom we employed 18,818 in Norway and 3,150 outside Norway. During the nine months ended September 30, 2000, we added 1,773 full-time equivalent employees to our operations in Norway and 1,859 full-time equivalent employees to our operations outside Norway. Set forth below are the number of our full-time equivalent employees in each of our business areas and other companies at the dates indicated.

	Number of Employees(1) December 31, 1998			Number of Employees(1) December 31, 1999			Number of Employees(1) September 30, 2000		
Business Area	Norway	Outside Norway	Total	Norway	Outside Norway	Total	Norway	Outside Norway	Total
Mobile Communications	1,698	376	2,074	1,941	486	2,427	1,906	524	2,430
Telecom	4,948	156	5,104	5,067	105	5,172	5,306	144	5,450
Broadband Services	487	130	617	672	272	944	851	279	1,130
Internet	340	69	409	374	361	735	496	978	1,474
Media	855	605	1,460	876	531	1,407	875	990	1,865
Bravida(2)	5,594	295	5,889	5,512	454	5,966	5,456	307	5,763
EDB Business Partner	1,367	53	1,420	2,015	154	2,169	3,052	154	3,206
Other(3)	2,437	816	3,253	2,361	787	3,148	2,649	1,633	4,282
Total	17,726	2,500	20,226	18,818	3,150	21,968	20,591	5,009	25,600

(1) Full-time equivalents.

(2) Figures represent the number of employees prior to the merger of Bravida and BPA AB on October 23, 2000.

(3) Of the total as of September 30, 2000, 1,239 related to Teleservice AS; 1,373 related to Telenor Communication AS; 634 related to Comincom/Combellga and 679 related to Norsk Data UK.

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 64% of our employees are union members. The unions are entitled to appoint three members to our board of directors. Two members are elected from KTTL, 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.

Since our transformation to a public limited company in 1994, we have been involved in one labor dispute. This took place in connection with the wages settlement in 1998 when Tele- and Dataforbundet, a labor federation association, led 1,172 members on a strike lasting 10 days and totaling 9,778 member strike days. The strike ended following the Government's resolution to agree to compulsory arbitration due to the danger of telephone services being disconnected to hospitals and emergency services. The strike affected primarily Telenor Installation and IT-Service (now Bravida) and resulted in the reduction or cessation of operation and maintenance of data and telephone-systems for Telenor and Telenor's customers. Employees in Telehuset (sales personnel), Telenor Nett (operating personnel), Telenor Bedrift (personnel engaged in long distance telephony) also participated in the strike. The strike had little impact on our relations with our customers.

The conflict occurred following disagreement on wages and working conditions. This formed part of the transformation from public wages and working conditions to competitive conditions for a company in the private sector.

The State Wages Arbitration Council handled the dispute and reached a verdict in favor of Telenor in January 1999. The verdict did not affect the intermediary union wage negotiations in January 1999 or the main union wage negotiations in 2000. We do not anticipate that the strike will adversely affect future wage negotiations. The next wage negotiation, in 2001, will be subject to a no strike clause.

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.

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 EU member, the Norwegian regulatory environment has been heavily influenced by the initiatives undertaken by the European Union (EU). As a member of the European Economic Area, 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 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 and 900 MHz frequency band (analog systems) and the 900 and 1800 MHz frequency band (digital systems).

On November 29, 2000, the Ministry of Transport and Communications announced that licenses for third generation mobile systems would be awarded to us and three other applicants.

- **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.

- **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 1998. For 1998, the PT calculated our permitted rate of return to be 14%. 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.** The Ministry of Transport and Communications is currently preparing revisions to its regulations which will require us to offer unbundled access to the local loops. The revised regulations are expected to be implemented early 2001. 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 xDSL, on leased local loops to offer higher bandwidth services. Since April 1, 2000, we have been offering competitors the ability to lease capacity in the local loop. Our leased capacity service does not include shared access to the local loop which will also be required by the revised regulation.

- **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. 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.

- **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 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.
- **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. The PT is currently considering introducing regulations for mobile number portability, with a proposed implementation target date of September 1, 2001.
- **Prospects for Regulatory Reform.** 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. The Ministry of Transport and Communications has therefore undertaken reviews of the Norwegian regulatory framework in several areas. At the EU level, a total 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 starting in 2002. It is expected that the Norwegian authorities will follow the same scope, aim and timeframe as the EU as they further develop the Norwegian regulatory regime.

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 Register Act and other consumer protection laws. The Broadcasting Act and secondary legislation under this Act is 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.

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, and 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 regulatory committees under 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 proposals 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. A case can additionally 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; and
- 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. The standard fees currently range from NOK 10,000 to NOK 30,000. The estimated fee applies to us for our fixed and mobile licenses. In 2000, we paid NOK 32.3 million, including the standard fee, for our fixed network license. We also paid NOK 24.2 million, including the standard and the frequencies fees, for our mobile licenses.

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 and 900 MHz frequency band (analog systems) and the 900 and 1800 MHz frequency band (digital systems).

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. Other license holders in the mobile market are NetCom GSM with one license for GSM 900 and one license for GSM 1800 and, until recently, Telia, the Swedish incumbent telecommunications operator, with one license for GSM 1800. Telia recently acquired all of the share capital of NetCom GSM. Due to regulatory requirements, Telia was not permitted to have an interest in both GSM licenses and consequently, Telia's license has been withdrawn.

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

In the fixed network and public telephony service market, there are a total of 70 registered operators as of October 15, 2000. Of these registered operators, 16 have registered in all categories; 29 have registered with the PT for transmission capacity provision; 38 have registered for networks; and 45 have registered with the PT for public telephony service provision. A number of the registered operators, however, are currently not operating in Norway.

License Conditions

The principal requirements to be observed by all registered and licensed operators are established by secondary legislation. 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 concerning: 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 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, among others. We are the only operator with universal service obligations. 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 within two years.

Licenses granted for mobile communications systems also contain geographical coverage requirements and specific roll-out schedules. We have fulfilled these requirements. 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 (applies only to GSM 1800), preparedness as specified by the telecommunication authorities and reporting and control. Our current license for NMT 450 (analog system) expires November 1, 2003. However, there is reason to believe that the authorities will wish to see the continuation of analog mobile service after 2003 in the regions solely covered currently by NMT 450. The authorities have accepted Telenor's proposal to phase out the NMT 900 (analog system) license by March 1, 2001. The frequency band allocated to NMT 900 is prescribed for use by the GSM once NMT 900 has been phased out. Our current GSM 900 license expires on November 1, 2005, and our current GSM 1800 license expires on March 9, 2010. Operators may apply for additional frequencies in response to procedures established by the Ministry of Transport and Communications in conjunction with the PT. The Norwegian government has recently proposed to the Storting (the Norwegian Parliament) that the available 900 and 1800 MHz frequencies should be auctioned off in 2001.

Generally, licenses may be extended by the Ministry of Transport and Communications. The license conditions may be subject to change, pursuant to administrative procedures. The administrative procedures require that operators be notified and have an opportunity to comment on proposed changes before the changes become effective. Our current license on the fixed network and public voice telephony service was last amended on March 2, 1999. 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 Communication AS (previously Telenor AS). Under the terms of the licences, we may exercise our rights under the licenses through Telenor Communication AS or through any of its wholly owned subsidiaries. Our licenses provide that we are not entitled to sell 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 and 1800 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 Telenor's mobile systems are:

Network	Frequency bands	No. of channels	Channel bandwidth
NMT-450	453-457.5/ 463-467.5 MHz	180	25 kHz
NMT-900	890.1-894.5/ 935.1-939.5 MHz	176	25 kHz
GSM-900	894.5-904.1/ 939.5-949.1 MHz	48	200 kHz
GSM-1800	1771.3-1781.3/ 1866.3-1876.3 MHz	50	200 kHz

Third Generation Mobile Licenses

In June 1999 we were granted a license for the trial operation of a 3G mobile system based on UMTS, valid until August 31, 2000 with an option for renewal. This license is not valid for commercial purposes. On November 29, 2000, after a so-called ''beauty contest'' selection procedure, the Ministry of Transport and Communications announced that licenses for 3G mobile systems will be awarded to us and three other applicants. Our license will be effective from December 1, 2000, for a 12-year period. The frequency bands allocated for 3G technologies like UMTS are 1900-1980/2110-2170 MHz. At a minimum, operators with a 3G license will be required to cover the 12 major Norwegian city areas within five years. The general requirements of the regulatory framework will also apply to the 3G operations, and operators building 3G systems like UMTS will have the right to national roaming in the GSM network outside their own 3G networks. Each of the 3G licenses to be granted will cost NOK 200 million and will be subject to a further annual spectrum fee of NOK 20 million which must be specified and may be changed as part of the government's annual budget process.

Moreover, 3G licenses will be made available in all EU/EEA Member States based on the EU's UMTS Decision of December 14, 1998. This decision provides for a coordinated licensing regulatory framework for third generation mobile communication systems in the EU member states as well as EFTA/EEA countries and aims to ensure pan-European roaming similar to GSM today. Licenses are therefore based on the coordinated allocation of frequencies and the use of European Telecommunications Standards Institute (ETSI) and Third Generation Partnership Project standards. The introduction of UMTS services is dependent upon a number of factors, including the development of commercially viable technology and the ability of telecommunications operators to license such technology on commercially acceptable terms. We intend to be active in submitting applications for 3G licenses based on UMTS technology in several European countries.

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.

Cost and Price Regulation

General

As an operator with significant market power, we are obliged 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 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 most recent year for which the PT has completed its review of our ONP report is 1998. For 1998, the PT calculated our permitted rate of return to be 14% on public telephony, interconnection and transmission capacity services without violating the requirement for cost-orientation as defined by the PT. These services amounted to 62% of revenue and 94% of operating profit in 1999. Telenor submitted its annual ONP report for 1999 in August 2000. Telenor expects the PT to complete its review of the report for 1999 by the end of 2000 or early 2001.

The 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 throughout the last years, but volumes of traffic have continuously increased more than expected. The PT has, however, to a large extent focused on the interconnect and wholesale market and less on the end-user market to ensure promotion of competition.

In this respect, the PT, in a letter dated July 3, 2000, announced its intention to impose on Telenor Mobile a reduction of 15% of the mobile termination charge based on the PT's view that certain expenses may not be included in the calculation of the termination charges. We have filed a response challenging the proposed decision. We intend to reduce our mobile termination interconnection fees effective January 1, 2001.

On September 14, 2000, the PT decided that the interconnection charges in our fixed network system must be reduced by 7%, with effect from February 1, 2000. We have filed an appeal with respect to this decision. The final outcome is still not clear.

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 the ONP report, the PT reviews our compliance with the regulatory requirements for cost, pricing and transparency as well as to determine that our prices are set 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 July 13, 2000, announced its intention to require us to implement a new model for accounting separation and reporting. The PT has informed us that the new model is intended to be implemented with effect from January 1, 2001.

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.

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.

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 applying 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. Fixed network interconnection tariffs are calculated on the basis of forecasted costs and volumes.

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. The PT has mediated in some cases, 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.

Telenor Mobile Communications has direct interconnection with NetCom GSM and our fixed network. National mobile Telenor traffic with other fixed operators goes in transit through the Telenor fixed network. At present, Telenor Mobile Communications uses one international carrier (Telenor Global Services) for all international traffic. Currently, changes to international interconnection practice, introducing different termination charges to fixed and mobile networks, are being effected. These changes are therefore likely to reduce the possibility of re-filing incoming traffic to our mobile network, as a result of higher charges being introduced for such traffic terminating on our mobile network.

Access

We are required to offer access to our competitors to the internal services we use to provide certain services in a particular market. As a result of this obligation, services are required to be provided in a manner that avoids discrimination between an external and an internal provider of services, unless different conditions can be objectively justified.

Access for Mobile Virtual Network Operators

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 August 1999, the Ministry of Transport and Communications launched an industry review to address the question of access to mobile networks for MVNOs, among other matters. Following this review, the issue of MVNOs was handled in a report from the Ministry to the Storting in December 1999. Based on the argument that regulated access for MVNOs could reduce the incentives for investing in mobile network infrastructure, the Ministry concluded that mobile operators are not currently required to give access to their networks for MVNOs. The Storting has endorsed this conclusion. The scope of access to mobile networks will be governed by a revised regulation that is expected to be implemented early 2001.

During the last six months, both Telenor and NetCom GSM have signed several wholesale agreements with mobile service providers. Unlike MVNOs, service providers buy all network services, including SIM-cards, from the mobile operators. Some service providers have already launched their mobile services based on Telenor's or NetCom's infrastructure, and others are expected to follow in the near future. It is expected that approximately 20 mobile service providers will offer their services in the Norwegian market by the end of 2000.

Access for Value-Added Telephony Service Providers

The PT has decided that 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. An external service provider has requested access to our network's internal technical interfaces, but we have not been obligated to provide such access. All external service providers are offered access via standardized network external interfaces. An external service provider has also requested access to our mobile network in order to produce SMS and voice mail services. This request is now pending mediation by the PT, and the outcome is still not clear.

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 defined capacity in the copper local loop, thus enabling them to have the sole billing relationship with the end user. Local loop unbundling has increased the possibility for competition in the access network. Competitors may also install supplementary equipment, such as xDSL, on leased local loops to offer higher bandwidth services. The Ministry of Transport and Communications is preparing revised regulations that will require us to offer local loop unbundling, and which is expected to be in accordance with a proposed EU Regulation of the European Parliament and of the Council. The proposed EU Regulation will be of general application and be binding in its entirety and directly applicable in all member states. The European Parliament approved the proposed Regulation on October 26, 2000 and the Council must also now confirm acceptance of proposed amendments for final adoption of the Regulation. If it is implemented according to schedule, full local loop unbundling must be provided in the member states by year end 2000. The revised Norwegian regulation is expected to take effect from early 2001 (probably February 1, 2001). Since April 1, 2000, we have been offering competitors the ability to lease capacity in the local loop, and we allow competing operators to deploy technical equipment in connection with our installations. Our pricing structure is based on costs. Our product does not include shared access (Telenor offering the telephony service and the new entrant offering the broadband data service) to the local loop or access to local sub-loops, which is required by the proposed EU Regulation. We have currently signed 10 agreements regarding access to defined capacity in the copper local loop.

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. In September 1998, the PT decided that carrier pre-selection was to be introduced in mobile networks by November 1, 2000. However, in March 2000 the Ministry of Transport and Communications informed the Storting that the current legal requirement for carrier pre-selection in mobile networks would be reconsidered in light of recent developments in the EU based on the 1999 Communications Review. The PT has since published a consultative document signalling that it will cancel the regulatory requirement for carrier pre-selection in mobile networks. The PT restated this in September at a public meeting with the industry on the issue. No formal decision has yet been made, but is expected shortly.

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 prescribe the conditions and 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, national roaming between GSM networks has not yet been implemented in Norway.

The Ministry of Transport and Communications has indicated that the 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 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. In 2000, we paid approximately NOK 1.5 million in numbering fees related to fixed telephony and NOK 0.8 million related to mobile telephony.

Directory Inquiry Services

In August 2000, the PT issued a consultation document regarding numbering for directory inquiry services. Two possible numbering options for such services were presented. The PT's intention is to create more competition in the area of directory inquiry services by making short numbers available for new service providers. Up to now, we have been the only service provider with three-digit numbers allocated for our directory enquiry services (180 and 181).

The numbering option favored by the PT in the consultation document, and supported by most of the respondents, means that four-digit numbers will be used for directory inquiry services (18xx). If the PT adopts this solution we will have to change our numbers for directory inquiry services. It is expected that the PT will decide on this matter by the end of 2000.

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 will be introduced in two phases in Norway. On June 1, 1999, the first phase, a simple call forwarding solution was implemented. The second phase, offering a better technical solution optimizing routing of calls, will be introduced by February 1, 2001.

The PT is currently considering introducing regulations for mobile number portability, with a proposed implementation target date of September 1, 2001. It is expected that all licensed operators and service providers will be required to support mobile number portability, except for Telenor's NMT services. However, the PT has not made a final decision on mobile number portability and the implementation date and conditions have yet to be determined.

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 Communication. The Ministry may further decide to give such providers individual permission to claim the right to own or use property for installing telecommunication networks or equipment. Currently only Telenor and NetCom GSM have been granted individual permissions. 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 Register Act of June 9, 1978 and certain other regulations impose restrictions on the use of electronically stored personal data. The Data Inspectorate is an independent administrative body under the Norwegian Ministry of Justice and supervises the 1978 Act and secondary legislation. The Storting has passed new legislation to replace the 1978 Act, and the new Act is expected to take effect by January 1, 2001. Under the current Act, a license is required to establish personal data filing systems. One notable exception to the general rule is for customer databases. We have one license for mobile services, one for fixed network services and one for IP telephony, allowing us to store traffic data for a certain period primarily for billing and customer care purposes. Most telecommunications service providers in the Norwegian market are subject to similar licensing obligations. As a result of the EU directive on data protection in the telecommunications sector, the Data Inspectorate has issued a new license applicable to all telecommunications service providers. 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. The EFTA Surveillance Authority is evaluating the implementation of the EU directives on Data Protection in the telecommunications sector in Norway.

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 part of the EEA Agreement, and 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 has granted us a temporary license for operation of earth stations and radio systems for satellite communications issued in January 1996. The temporary license is valid until a new license is issued. PT is expected to issue three new licenses, one for the space segment, one for land based installations and equipment in Norway, and one for land based installation and equipment operated on the territory of the arctic island of Svalbard. We expect that the new licenses will be issued in late 2000 or mid 2001. The licenses will most likely be issued before the coordination process in ITU is completed and the licenses will therefore be amended accordingly at a later stage to adhere to the outcome of the ITU coordination process.

The temporary license is a general license and authorizes satellite communications, including satellite mobile communications in Norway, including authorization for Telenor to use the frequencies and orbital slot at 1°W in respect of Thor I, II and III. 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 was issued in 1998 and is valid until December 2003 and the INMARSAT M 4 was issued in 2000. Both licenses can be renewed, but as stated above, we expect that new licenses will be issued prior to the expiry of these two licenses. Our other INMARSAT services are covered by the general temporary license from 1996.

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 licence 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 licence. 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 licence to operate local broadcasting services or possess a holding of more than 49 per cent 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 wilfully 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, among other things, to 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.

A separate law relating to distribution of films and videos will have an impact on video-on-demand and near-video-on-demand services over our existing and future technological platforms regarding distribution of such content. There is a proposal to change the law in this respect to adapt the existing rules to electronic distribution.

As a result of the governmental report on convergence it is likely that a harmonization and modernization of the rules regarding our activities in the TV-distribution and media sector will take place.

Prospects for Regulatory Reform

At the EU level, a total review of the telecommunications regulations has been undertaken, commonly known as the 1999 Communications Review. The European Commission announced its proposals based on this review on July 12, 2000. The objective is to develop a harmonized regulatory framework for electronic communications networks and services across the EU, effective as of 2002. As a member of EEA, it is expected that the Norwegian policy makers will follow the same scope, objective and timeframe as the EU in the further developments of the Norwegian regulatory regime. However, the Norwegian policy makers have indicated a need to actively re-examine, and possibly update, the regulatory framework due to the fast pace of technological and market developments. As a result, the Ministry of Transport and Communications has undertaken a review of several areas of the Norwegian regulatory framework. The recommendations made since 1999 include the following:

- proposing a requirement for local loop unbundling in a report to the Storting which was endorsed by the Storting;

- proposing conditions for 3G licenses and non-access for MVNOs in a report to the Storting which was endorsed by the Storting;
- appointing a public committee, which has delivered a report on Convergence, (NOU 1999:26), describing the convergence among the digital industries and the need for changes in the national regulations and laws to accommodate this market development; and
- appointing a working group with members from several Ministries who have delivered a report (''Broadband Services Report'') to the Minister of Transport and Communications proposing a national strategy for introducing broadband networks and services to the whole country.

The Broadband Services Report proposes to focus primarily on strengthening competition for building and operating networks and services, supplemented by initiatives to stimulate demand for broadband communications in the public sector. First, this is intended to ensure, by developing and maintaining the regulatory framework, that dominant operators do not abuse their market position to impede competition. Second, the Broadband Services Report proposes to stimulate systematically demand for broadband communications by requiring that broadband capacity be made available to all schools, libraries, hospitals and community administrations by the end of 2002. As a response the Norwegian government released a Broadband Action Plan in October 2000 stating its ambition to both strengthen competition in this area and to contribute to an increased public demand. The government's ambition is to promote the delivery of broadband access products to all primary and secondary schools, public libraries, hospitals and community administrations by the end of 2002 and to all households by the end of 2004.

Furthermore, as a result of the report on Convergence, changes and amendments are expected to the Telecommunications Act and the Broadcasting Act. We expect that new legislation concerning information services may be forthcoming. Finally, changes and amendments in the field of intellectual property rights are also anticipated.

A new act on electronic signatures was proposed to the Storting on 29 September 2000. The act has not yet been passed by the Storting. The Act is based on the EU directive on electronic signatures to promote the effective and secure use of electronic signatures which is to be implemented in member states by July 2001. The main principles and the regulations proposed would require that a ''qualified electronic signature'' be accepted as a signature, assuming that the transaction could be done electronically. It is currently proposed that the PT would act as the supervising authority for certificate service providers that issue qualified certificates. The draft act will serve as a legal basis for more detailed regulation of certificate services and certificate service providers.

The outcome of the European Commission's proposed directives and the proposed Norwegian regulations are uncertain at this time and could result in significant changes to telecommunications regulation in the European Union and possibly Norway. 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 Members 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 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. Two cases are currently pending before the EFTA Surveillance Authority (ESA) and the EU Commission. One relates to a complaint regarding access to the fixed network, and one relates to a complaint regarding refusal to deliver subscriber data. There are three cases pending before the Norwegian Competition Authority. One relates to access to functionality that permits call transfer between the mobile and the fixed telecommunication network. It is claimed that Telenor is preventing competition by strengthening its dominant position in both the fixed and mobile telecommunications markets. The second relates to a sales campaign regarding discounted ISDN access. It is claimed that Telenor is preventing competition by requiring a six month lock-in period in which the subscriber is not permitted to apply carrier preselection. The third one relates to pricing of satellite transponder capacity (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 addition to these three cases, the Competition Authority is currently, on its own initiative, investigating the terms in Telenor's Smartphone service. 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.

Our current strategy includes expanding our mobile operations in the Nordic region and in selected countries in Europe and in Southeast Asia and expanding our Internet operations in Europe. Most of these countries 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 EU 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.

Following the outcome of the 1999 Communications Review on July 12, 2000, the EU Commission proposed a package of legislative reforms intended to consolidate, simplify and update the existing regulatory framework. These proposals include a new framework directive for electronic communications networks and services, four specific directives covering the authorization of operators and service providers, access and interconnection, universal service and data protection and privacy as well as a regulation on the unbundling of the local loop. The directives are expected to take effect in 2002 and the regulation is expected to enter into force by December 31, 2000. On July 12, 2000, the EU Commission also proposed a draft Competition Directive aiming to replace by a single text all existing ''liberalization'' directives in the telecommunications sector. The draft has been submitted to public consultation. 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 (the Data Protection Directive) 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 EU 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. 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 Data Protection Directive will, among other things, affect companies like us and our affiliates that collect and maintain information from and about individuals in EU member states.

The EU has also adopted a directive on the processing of personal data and the protection of privacy in the telecommunications sector (the Telecommunications Data Protection Directive). The Telecommunications Data Protection Directive covers the processing of personal data in connection with publicly available telecommunications services and public telecommunications networks, and includes provisions relating to the confidentiality of communications, the use of traffic and billing data and the use of personal data for direct marketing. Under the Telecommunications Data Protection Directive, providers of public telecommunications services and networks are 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.

Electronic Commerce

On June 8, 2000, the directive on legal aspects of information society services, in particular electronic commerce in the internal market (the Electronic Commerce Directive) was adopted by the EU. This directive aims to ensure the free movement of information, including electronic commerce, within the member states of the EU 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 implementation, by January 17, 2002, of the Electronic Commerce Directive will reduce the liability of intermediary service providers and thus 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 Electronic Commerce Directive will have to be implemented by the EU member states by 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 must implement the directive under the EEA Agreement.

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, thus aiming 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, or the Copyright Directive. This proposed directive was adopted by the European Commission on December 10, 1997, and the final version is expected to be adopted by the end of 2000. The Copyright Directive is supposed to be implemented by EU member states within one year of its entry into force.

The draft 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 Community Framework for Electronic Signatures of December 13, 1999, or the Electronic Signatures Directive, 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 is required to be implemented by EU member states by July 19, 2001.

Distance Selling

Our activities in the field of electronic commerce will also be subject to the Directive of May 20, 1997 on the Protection of Consumers in respect of Distance Contracts, or the Distance Selling

Directive, which sets out rules for contracts concluded at a distance, including contracts for goods and services sold over the Internet. The deadline for implementation of the Directive by EU member states was June 4, 2000.

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.

MANAGEMENT

Directors and Executive Officers

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 nine directors, of which three are employee representatives.

The current board of directors (excluding employee representatives) has been elected by the general meeting. In the future, the board of directors will be 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 in Oslo, Norway.

Board of Directors

Name	Address	Age	Position
Eivind Reiten	Oslo	47	Chairman of the Board of Directors
Åshild M. Bendiktsen	Salangen	55	Deputy Chairman of the Board of Directors
Kari Broberg	Østre Toten	44	Director
Mai Buch	Copenhagen, Denmark	49	Director
Bente Halvorsen	Skedsmo	46	Director
Inge K. Hansen	Oslo	54	Director
Harald Stavn(1)	Kongsberg	46	Director
Per Gunnar Salomonsen(1)	Skien	46	Director
Irma Tystad(1)	Trysil	57	Director

(1) Elected by the employees

Eivind Reiten. Eivind Reiten has served as the Chairman of the board of directors since May 29, 2000 and as Deputy Chairman of the board of directors since December 20, 1999. Mr. Reiten is currently the Executive Vice President of Norsk Hydro ASA in charge of light metals activities. Previously, he served in the government of Norway as Minister of Oil and Energy, Minister of Fisheries, and Under-Secretary in the Ministry of Finance.

Åshild M. Bendiktsen. Åshild M. Bendiktsen was elected to the 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 the board of directors of Telenor.

Kari Broberg. Kari Broberg was elected to the board of directors on December 20, 1999 and was re-elected to the board on May 29, 2000. She is a business consultant with Hartmark Consulting AS. Previously, Ms. Broberg has served as Vice-President at Jordan AS and Alcatel AS. She has served as a board member of Alcatel Telettra Norge AS, Norsk Regnesentral, Norsk forum for ledelse og kvalitet (Norwegian forum for leadership and quality) and Nera ASA.

Mai Buch. Mai Buch was elected to the board of directors on May 29, 2000. She is President of Competence House A/S, the chairman of Denmark's Virtual University, and a board member of the Hovedstadens Sygehusfællesskab (The Copenhagen Hospital Corporation). She has previously served as manager of the development office of the Ministry of the Environment, and head of Forskningsministeriet (the department of IT and research) and assistant director and financial director of Det Kongelige Teater (The Royal Theater) in Copenhagen.

Bente Halvorsen. Bente Halvorsen was elected to the 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).

Inge K. Hansen. Inge K. Hansen was elected to the board of directors on May 29, 2000. He is an Executive Vice President at Statoil. He was previously president of Orkla Finans AS and served at Bergen Bank and Den norske Bank.

Harald Stavn. Harald Stavn was elected to the 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 the 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 Telenor, most recently as operational engineer.

Irma Tystad. Irma Tystad was elected to the 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	Age	Position
Tormod Hermansen	Oslo	60	President and Chief Executive Officer
Torstein Moland	Lier	55	Senior Executive Vice President and Chief Financial Officer
Arve Johansen	Lier	51	Senior Executive Vice President, Telenor Mobile Communications
Jon Fredrik Baksaas	Sandvika	46	Senior Executive Vice President, Norwegian Operations
Henrik Torgersen	Oslo	53	Executive Vice President, International Operations
Berit Svendsen	Oslo	37	Executive Vice President and Chief Technology Officer
Jan Edvard Thygesen	Nesbru	49	Executive Vice President, Telenor Telecom
Stig Eide Sivertsen	Oslo	41	Executive Vice President, Telenor Broadband Services
Gun Bente Johansen	Oslo	39	Executive Vice President, Communications HR and Framework
Morten Lundal	Oslo	36	Executive Vice President, Telenor Internet

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.

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 Chief Executive Officer of Telenor Mobile Communication 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.

Jon Fredrik Baksaas. Jon Fredrik Baksaas has served as an Senior Executive Vice President since 1997. 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.

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 was deputed Executive Vice President and Chief Technology Officer of Telenor on September 15, 2000. Since joining Telenor in 1988 Ms. Svendsen has held various positions, 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 Nett 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 Broadband Services. 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 at 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. 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.

Corporate Assembly

Our Corporate Assembly consists of 15 members. The general meeting elects 10 members with three alternates. Our employees elect an additional 5 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
Anne Cathrine Høeg Rasmussen	Oslo	Member
Eystein Gjelsvik	Ski	Member
Bjørg Simonsen	Rana	Member
Kristian Zachariassen	Arendal	Member
Erna Beate Støren	Porsgrunn	Member
Stein Erik Olsen	Bergen	Member
Berit Kopren	Stavanger	Member
Karstein Rystad	Bodø	Member
Ole-Morten Olsen	Steinkjer	Member
Jan Riddervold	Lillehammer	Member

Compensation to the Board of Directors, Corporate Assembly and Group Management

The board of directors currently receives in the aggregate annual remuneration of NOK 1,400,000. Similarly, the aggregate annual remuneration paid to the Corporate Assembly is NOK 380,000.

The Chief Executive Officer for Telenor ASA receives an annual salary of NOK 3,000,000 and certain other benefits including a company car.

The employment agreements for the Group Management were revised as of April 1, 2000. According to these new agreements, the members of the Group Management have the right to receive salary for six months after the agreed period of notice if Telenor terminates the employment. The head of the business area Broadband Services has no right to receive salary beyond the agreed period of notice. The head of the Media business area has the right to receive salary for fifteen months beyond the agreed period of notice.

Incentive Programs

Telenor has established incentive arrangements that link remuneration and bonuses to the achievement of defined financial and non-financial goals. Examples include growth of income, EBIT/EBITDA-margins, market share, competence and innovation. The bonus arrangement includes our management group as well as the management of our business units and subsidiaries, totaling approximately 400-500 managers. The amount of bonus compensation varies depending on the employee's management level. Certain business units and companies in specific business sectors may have other market competitive incentive plans for their management and key personnel.

We believe that these benefit plans, together with base salary, are competitive and in line with other companies in the industry.

Following the global offering, our board of directors may consider introducing such share-based benefit plans in order to link remuneration for key personnel to the market price of our shares. Proposed arrangements may include both management and key personnel and will, if introduced, be within the framework of common practices among Norwegian companies quoted on the OSE.

Pension Benefits

We provide pension benefits to substantially all of our employees in Norway through the foundation Telenor Pension Fund (Telenor Pensjonskasse). The fund was established on January 1, 1988 and was established as a pension fund for Telenor since September 1, 1995. On that date, all of Telenor's 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 Telenor.

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. 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 the Telenor pension fund are used to calculate the value of the commitments made. In addition to the standard benefits described above, a supplementary foundation, the Telenor pension fund II, was established 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. 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.

The 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.

Statutory Auditors

The following currently serve as our statutory auditors for purposes of the Norwegian Public Limited Companies Act: Arthur Andersen & Co.

Remuneration to Accountants

For 1999 we paid our statutory auditors an audit fee of NOK 11.2 million and fees for additional services totaling NOK 16.1 million.

RELATIONSHIP BETWEEN TELENOR AND THE KINGDOM OF NORWAY

Background

We and our predecessors 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

The following table shows how many shares of Telenor the Kingdom of Norway owns now and how many shares it will own after the global offering is completed, if the underwriters exercise their over-allotment option in full.

	Shares owned prior to offering		Number of shares to be sold in offering assuming full exercise of the over-allotment option	Shares owned after offering	
	Number	%		Number	%
Kingdom of Norway	1,400,000,000	100(1)	51,608,776	1,348,391,224	76.09

(1) Excluding the treasury shares that were issued on November 10, 2000. See ''Description of the Shares and Share Capital — Share Capital''.

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%.

As the Kingdom of Norway will own in excess of two-thirds of the shares in Telenor following completion of the global offering, it will have 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.

DESCRIPTION OF THE SHARES AND SHARE CAPITAL

Set forth below is a summary of material information relating to our share capital, including summaries of certain provisions of our articles of association and the applicable Norwegian law in effect at the date of this prospectus, including the Norwegian Public Limited Companies Act. You should refer to the full text of our articles of association in English, which is filed as an exhibit to the registration statement of which this prospectus forms a part. Please refer to ''Available Information'' to obtain a copy of our articles of association.

Telenor ASA is a public limited company organized under the laws of Norway. Its registration number in the Norwegian Register of Business Enterprises is 982463718. Telenor ASA was incorporated on July 21, 2000 and registered with the Norwegian Register of Business Enterprises on October 6, 2000.

On October 3, 2000, Telenor ASA became the new ultimate parent company for the Telenor Group, through a contribution of Telenor AS shares into Telenor ASA by the Norwegian Ministry of Trade and Industry. Telenor AS subsequently changed its name to Telenor Communication AS.

In the near future, Telenor ASA intends to demerge Telenor Communication AS into a number of holding companies in order to reflect the operational structure of the Group and to retain flexibility for future reorganization.

Share Capital

At our incorporation on July 21, 2000, our share capital 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 will be used to grant additional bonus shares to retail investors in Norway pursuant to the global offering.

The general meeting further resolved to increase the share capital by a minimum of NOK 6 and a maximum of NOK 2,232,911,394 from NOK 8,580,000,000 to a minimum of NOK 8,580,000,006 and a maximum of NOK 10,812,911,394 through the issuance of a minimum of one and a maximum of 372,151,899 new ordinary shares of NOK 6 nominal value each in the global offering described herein.

Authorization to the board

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 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 lasts to 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.

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 dividends 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-US 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 ''Management — 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.

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 8,580,000,000, divided into 1,430,000,000 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.

Exchange Controls and Other Limitations Affecting Shareholders of a Norwegian Company

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.

NATURE OF THE NORWEGIAN TRADING MARKET

Introduction

The OSE was established in 1819 and is the principal market in which shares, bonds and derivative instruments are traded in Norway. The OSE is a non-profit institution regulated by the Ministry of Finance. As of December 31, 1999, the total capitalization of companies listed on the OSE amounted to approximately NOK 583 billion. As of December 31, 1999, a total of 195 domestic and 20 foreign companies were listed on the OSE.

The Norwegian stock market was characterized by limited volumes until the mid-1980s. Since then, the OSE has experienced significant growth. The All Share Index, based on all domestic shares listed on the Main List of the OSE, rose from 100 at its inception on January 1, 1983 to 1,359.6 at the close of trading on December 31, 1999. Foreign shareholdings as a percentage of total market capitalization at December 31, 1999 amounted to approximately 31.5%.

Company Listing

There are three equity markets on the OSE, the Main List, the small and medium-sized companies list (the ''SMB List'') and the primary capital certificate list. Larger companies in Norway are listed on the Main List, which accounted for approximately 88% of the total market capitalization of the OSE at December 31, 1999. The Main List is divided into ten sections: Real Estate, Finance, Trade, Manufacturing, IT and Communication, Media and Publishing, Offshore, Shipping, Transportation and other businesses. As at December 31, 1999, the Manufacturing section accounted for the largest share of market capitalization on the OSE at 43%, followed by Finance and Shipping stocks, which accounted for 12%, and 11% of the OSE's market capitalization, respectively. As of December 31, 1999, 78 Norwegian companies were listed on the Main List.

The SMB List was established in April 1992 to facilitate organized trading in shares of small and medium-sized companies and to assist such companies in raising new equity capital. The SMB List is divided into the same ten sections as the Main List. As of December 31 1999, 78 companies were listed on the SMB List, which accounted for approximately 9% of the total market capitalization of the OSE.

Securities Registration

The VPS System was established by law in 1985 and is a self-financed, non-profit institution. The VPS System is a computerized registration system in which the ownership of, and all transactions related to, Norwegian publicly-traded securities are recorded.

All transactions related to securities registered with the VPS System are executed through computerized book-entries. The VPS System confirms each entry by sending a notification of the transaction to the relevant investor. Investors also receive an annual statement of their holdings as of December 31. In order to effect entries in the VPS System, the investor or its nominee must establish a securities account with a Norwegian account operator. Norwegian banks, Norwegian branches of credit institutions established within the European Economic area, bond issuing mortgage companies, authorized securities brokers in Norway, the Central Bank of Norway and unit trust managing companies are permitted to act as account operators.

The broker and account operator effecting a securities transaction must report such transaction to the VPS System concurrently with any trade. The recording of a transaction in the VPS System is generally determinative of the legal rights of the parties to the transaction in relation to the legal rights of the issuer of the security or any third party claiming an interest in the security. Companies registered with the VPS System may not issue share certificates.

The VPS System is strictly liable for any loss suffered as a result of a faulty registration or an amendment to, or deletion of, rights in respect of registered securities. Damages payable by the

VPS System, however, are reduced in the event of contributory negligence on the part of the aggrieved party.

The VPS System must provide ongoing information to the Banking, Insurance and Securities Commission of Norway (Kredittilsynet), or the BISC, as well as any information that the BISC requests. Additionally, Norwegian tax authorities may demand certain information regarding any individual's holdings of securities, including dividends and interest payment information.

Trading and Settlement

In February 1999, the OSE officially opened a decentralized fully automated order driven transaction system that facilitates continuous trading, replacing the system from 1988. With the new system, traders can place orders from their ordinary place of business and foreign brokerage houses can participate from their home country. The new system encompasses trade in shares, primary capital certificates, bonds and interest rate futures.

Since the start of the trading and clearing co-operation among the OM Stockholm AB(OM), the OMLX Exchange in London, the Norwegian Futures & Options Clearing House, and the OSE on February 14, 1997, trading in Norwegian equity derivatives has occurred electronically through OM's Click Exchange System. In this system, market makers and brokers register their buying and selling interests, and deals are directly carried out using the system. Brokers who are not electronically linked to the Click Exchange System may still trade by using OSE's Market Place Securities (MPS). MPS is managed by OSE staff who, acting on behalf of the brokers, registers their interests and trades in the system.

Official trading takes place between 10:00 am and 4:00 pm each trading day. Orders may be placed in the system beginning at 9:15 am. Transactions executed after 4:00 pm must be reported by 9:50 am the next trading day. Other off-floor transactions must be reported within five minutes of completion of the trade.

The settlement period for trading on the OSE is three days (T+3).

The ability of brokerage houses to trade for their own account is restricted to trading that occurs as an integral part of either its investment services or its general capital management. Trading by individual employees is restricted.

Norwegian brokerage houses must be credit institutions or public limited companies holding a license or branches of brokerage houses from an EEA-state. EEA-state brokerage houses may also conduct cross-border investment services in Norway. Each Norwegian brokerage firm must provide a guarantee covering liabilities that are incurred when conducting investment services. The guarantee covers NOK 200,000 per investor per incident, limited to a total amount of NOK 25 million.

It is possible for brokerage houses to undertake market-making activities in listed Norwegian shares if they have a license to do so under the Norwegian Securities Trading Act or, in the case of EEA — state brokering houses, a license to carry out market making activities in their home jurisdiction. Such market-making activities will be governed by the regulations of the Securities Trading Act covering broker's trading on his or her own account. Such market-making activity, however, does not require notification of the BISC or the OSE.

Foreign Investment in Norwegian Shares

Foreign investors may trade shares listed on the OSE through any broker whether Norwegian or foreign.

Information, Control and Surveillance

Under Norwegian law, the OSE is required to perform a number of surveillance and control functions. The Surveillance and Corporate Control unit monitors all market activity on a continuous basis and is responsible for the dissemination of information from listed companies to the market. Market surveillance systems are largely automated, promptly warning department personnel of abnormal market developments.

The OSE controls issuance of securities in both the equity and bond markets in Norway. The OSE evaluates whether the issuance documentation contains the required information and whether it would otherwise be illegal to carry out the issuance.

Each listed company must deliver to the OSE copies of all reports and communications sent to its shareholders. Each company must also release promptly to the OSE any other information that may have a not insignificant effect on the current pricing of the shares of the company. The OSE may levy fines on companies which violate such requirements.

Insider Trading Legislation

Under Norwegian law, the subscription, purchase, sale or exchange of securities that are listed must not be undertaken by anyone who has precise and confidential information about the securities, the issuer thereof, or other factors which may have a significant influence on the price of the securities. The same restriction applies to entering into the purchase, sale or exchange of derivative rights connected to such securities. Insider trading laws also prohibit trading by directors, control committee members, certain key employees and auditors of a company for a certain period immediately prior to the publication of the quarterly and annual accounts of that company.

Membership in the OSE

Brokerage houses permitted to operate under the provisions of the Securities Trading Act are entitled to apply for membership in the OSE. The board of directors of the Exchange considers all applications. The board of directors may withdraw membership or impose monetary penalties on any member for a violation of the Stock Exchange Act of 1988 or regulations. Alternatively, the OSE may issue an official warning or suspend a member for less serious violations.

Regulation

The regulation of the securities market in Norway is based primarily on the Stock Exchange Act of 1988, the Stock Exchange Regulations of 1994, as amended in 1999, the Financial Institutions Act of 1998, the Central Securities Depository Act of 1985 and the Securities Trading Act of 1997.

Indices

The OSE calculates yield indices for the Finance, Manufacturing and Shipping sections of the Main List. The base for each index is all the listed domestic shares in the relevant section. The OSE also calculates an All Share Index using all the shares on the Main List. Separate indices are produced for the SMB List and for primary capital certificates, respectively. There are also trade indices that span lists for IT and for Real Estate. The OSE weights the shares according to market capitalization. Substantial state ownership interests which are considered not to be subject to ‘‘free trading’’ are excluded when calculating market capitalization. For foreign companies, only the portion of the share capital which is listed in the VPS is included in the market capitalization. The indices are adjusted for new listings, delistings, new issues and for payments of dividends. The OSE updates these official indices every minute during trading.

The OSE is considering introducing a new global share classification structure and a new index family, including a benchmark index to replace the All Share Index and new sector indices.

DESCRIPTION OF AMERICAN DEPOSITARY RECEIPTS

American Depositary Receipts

Morgan Guaranty Trust Company of New York as depositary will issue the ADSs which you will be entitled to receive in the offering. Each ADS will represent an ownership interest in three shares which we will deposit with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and yourself as an ADR holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which they have not distributed directly to you. Your ADSs will be evidenced by what are known as American depositary receipts or ADRs.

The depositary's office is located at 60 Wall Street, New York, NY 10260.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Because the depositary's nominee will actually be the registered owner of the shares, you must rely on it to exercise the rights of a shareholder on your behalf. The obligations of the depositary and its agents are set out in the deposit agreement. The deposit agreement and the ADSs are governed by New York law.

The following is a summary of the material terms of the deposit agreement. Because it is a summary, it does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed as an exhibit to the registration statement of which this prospectus forms a part. You may also obtain a copy of the deposit agreement at the SEC's Public Reference Room which is located at 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330.

Share Dividends and Other Distributions

How will I receive dividends and other distributions on the shares underlying my ADSs?

We may make various types of distributions with respect to our securities. The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after deducting its expenses. You will receive these distributions in proportion to the number of underlying shares that your ADSs represent.

Except as stated below, to the extent the depositary is legally permitted it will deliver such distributions to ADR holders in proportion to their interests in the following manner:

- *Cash.* The depositary will distribute any US dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered holders, and (iii) deduction of the depositary's expenses in (1) converting any foreign currency to US dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or US dollars to the United States by such means as the Depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. *If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.*

- *Shares.* In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. Any shares which would result in fractional ADSs will be sold and the net proceeds will be distributed to the ADR holders entitled thereto.

- *Rights to receive additional shares.* In the case of a distribution of rights to subscribe for additional shares or other rights, if we provide satisfactory evidence that the depositary may lawfully distribute such rights, the depositary may arrange for ADR holders to instruct the depositary as to the exercise of such rights. However, if we do not furnish such evidence or if the depositary determines it is not practical to distribute such rights, the depositary may:

  - sell such rights if practicable and distribute the net proceeds as cash; or

  - allow such rights to lapse, in which case ADR holders will receive nothing.

  We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADR holders.

- *Other Distributions.* In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute such securities or property in any manner it deems equitable and practicable, (ii) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash, or (iii) hold the distributed property in which case the ADSs will also represent the distributed property.

Any US dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents (fractional cents will be withheld without liability for interest and added to future cash distributions).

The depositary may choose any practical method of distribution for any specific ADR holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADR holder as deposited securities.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADR holders.

There can be no assurances that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period.

Deposit, Withdrawal and Cancellation

How does the depositary issue ADSs?

The depositary will issue ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian. In the case of the ADSs to be issued in connection with this offering, we, at the instruction of the underwriters named herein, will deposit such shares.

Ordinary shares or evidence of rights to receive shares may be deposited through (x) electronic transfer of such ordinary shares to the account of the depositary in our share registry on the VPS System, or (y) evidence satisfactory to the custodian of irrevocable instructions to cause such ordinary shares to be transferred to such account. Ordinary shares deposited in the future with the custodian must also be accompanied by certain documents which the custodian or depositary may request.

The custodian will hold all deposited ordinary shares (including those being deposited by us or on our behalf in connection with the offering to which this prospectus relates) for the account of the depositary. ADR holders thus have no direct ownership interest in the ordinary shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as ''deposited securities''.

Upon each deposit of ordinary shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name of the person entitled thereto evidencing the number of ADSs to which such person is entitled. Certificated ADRs will be delivered at the depositary's principal New York office or any other location that it may designate as its transfer office.

How do ADR holders cancel an ADS and obtain deposited securities?

When you turn in your ADS at the depositary's office, the depositary will, upon payment of certain applicable fees, charges and taxes, and upon receipt of proper instructions, deliver the underlying ordinary shares to an account within the VPS System as directed by you. At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Voting Rights

How do I vote?

As soon as practicable after receipt from us of a notice of any meeting or solicitation of consents or proxies of our shareholders, the depositary shall mail to ADR holders a notice, which shall contain (a) such information (or a summary thereof) as is contained in such notice of meeting received by the depositary from us, (b) a statement that such ADR holders as of the close of business on a specified record date set forth in such notice will be entitled, subject to any applicable provisions of Norwegian law, our articles of association and any agreement which may be reached with, and according to the rules of the VPS System, to instruct the depositary as to the exercise of the voting rights, if any, pertaining to the deposited securities represented by the ADSs evidenced by such ADR holders if such ADR holder is registered as a shareholder of the Company in the VPS System not less than 14 days prior to such meeting, (c) a statement as to the shares and other deposited securities represented by the ADSs evidenced by such holders ADRs and a statement as to the manner in which such instruction may be given. Upon written request of a ADR holder on such record date received on or before the date established by the depositary for such purpose, the depositary shall endeavor, insofar as practicable and permitted under Norwegian law, the Deposit Agreement, the provisions of our articles of association, any agreement which may be reached with the VPS System and the rules of the VPS System to cause the corresponding deposited securities to be temporarily transferred in the VPS System to the account of the ADR holder, to cause notice to be given to us and, as proxy, to vote or cause to be voted (or to grant a discretionary proxy to a person designated by us to vote), or otherwise to give effect to such ADR holders written request by voting or causing to be voted, the amount of shares or other deposited securities the right to receive which is represented by the ADSs evidenced by such holders ADR in accordance with instructions set forth in such request.

There is no guarantee that ADR holders will receive voting materials in time to instruct the depositary to vote and it is possible that ADR holders, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Record Dates

The depositary may fix record dates for the determination of the ADR holders who will be entitled:

- to receive a dividend, distribution or rights, or
- to give instructions for the exercise of voting rights at a meeting of holders of ordinary shares or other deposited securities subject to the limitations discussed under ''— Voting Rights'' above,

all subject to the provisions of the deposit agreement.

Reports and Other Communications

Will I be able to view our reports?

The depositary will make available for inspection by ADR holders any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities. We will furnish these communications in English when so required by any rules or regulations of the SEC.

Additionally, if we make any written communications generally available to holders of our ordinary shares, including the depositary or the custodian, and the depositary or the custodian actually receive those written communications, the depositary will mail copies of them, or, at its option, summaries of them to ADR holders.

Fees and Expenses

What fees and expenses will I be responsible for paying?

ADR holders will be charged a fee for each issuance of ADSs, including issuances resulting from distributions of ordinary shares, rights and other property, and for each surrender of ADSs in exchange for deposited securities. The fee in each case is $5.00 for each 100 ADSs (or any portion thereof) issued or surrendered. ADR holders or persons depositing ordinary shares may also be charged the following expenses:

- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the depositary in connection with the conversion of foreign currency into US dollars.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The fees described above may be amended from time to time.

Payment of Taxes

ADR holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. Additionally, if any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities (except under limited circumstances mandated by securities regulations). If any tax or governmental charge is required to be withheld on any non-cash distribution, the depositary may sell the distributed property or securities to pay such taxes and distribute any remaining net proceeds to the ADR holders entitled thereto.

Reclassifications, Recapitalizations and Mergers

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to:

(1) amend the form of ADR;

(2) distribute additional or amended ADRs;

(3) distribute cash, securities or other property it has received in connection with such actions;

(4) sell any securities or property received and distribute the proceeds as cash; or

(5) none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. ADR holders must be given at least 30 days notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or affects any substantial existing right of ADR holders. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder is deemed to agree to such amendment. Notwithstanding the foregoing, an amendment can become effective before notice is given if this is necessary to ensure compliance with a new law, rule or regulation.

No amendment will impair your right to surrender your ADSs and receive the underlying securities. If a governmental body adopts new laws or rules which require the deposit agreement or the ADS to be amended, we and the depositary may make the necessary amendments, which could take effect before you receive notice thereof.

How may the deposit agreement be terminated?

The depositary may terminate the deposit agreement by giving the ADR holders at least 30 days prior notice, and it must do so at our request. After termination, the depositary's only responsibility will be (i) to deliver deposited securities to ADR holders who surrender their ADRs, and (ii) to hold or sell distributions received on deposited securities. As soon as practicable after the expiration of six months from the termination date, the depositary will sell the deposited securities which remain and hold the net proceeds of such sales, without liability for interest, in trust for the ADR holders who have not yet surrendered their ADRs. After making such sale, the depositary shall have no obligations except to account for such proceeds and other cash. The depositary will not be required to invest such proceeds or pay interest on them.

Limitations on Obligations and Liability to ADR holders

Limits on our obligations and the obligations of the depositary; limits on liability to ADR holders and holders of ADSs

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents. Neither we nor the depositary nor any such agent will be liable if:

- law, regulation, the provisions of or governing any deposited securities, act of God, war or other circumstance beyond its control shall prevent, delay or subject to any civil or criminal penalty any act which the deposit agreement or the ADRs provide shall be done or performed by it;
- it exercises or fails to exercise discretion under the deposit agreement or the ADR;
- it performs its obligations without gross negligence or bad faith;
- it takes any action or inaction by it in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information; or
- it relies upon any written notice, request, direction or other document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as we require.

The depositary will not be responsible for failing to carry out instructions to vote the deposited securities or for the manner in which the deposited securities are voted or the effect of the vote.

The depositary may own and deal in deposited securities and in ADSs.

Disclosure of Interest in ADSs

From time to time we may request you and other holders and beneficial owners of ADSs to provide information as to:

- the capacity in which you and other holders and beneficial owners own or owned ADSs;
- the identity of any other persons then or previously interested in such ADSs; and
- the nature of such interest and various other matters.

You agree to provide any information requested by us or the depositary pursuant to the deposit agreement. The depositary has agreed to use reasonable efforts to comply with written instructions received from us requesting that it forward any such requests to you and other holders and beneficial owners and to forward to us any responses to such requests to the extent permitted by applicable law.

Requirements for Depositary Actions

We, the depositary or the custodian may refuse to

- issue, register or transfer an ADR or ADRs;
- effect a split-up or combination of ADRs;
- deliver distributions on any such ADRs; or
- permit the withdrawal of deposited securities (unless the deposit agreement provides otherwise), until the following conditions have been met:
  - the holder has paid all taxes, governmental charges, and fees and expenses as required in the deposit agreement;
  - the holder has provided the depositary with any information it may deem necessary or proper, including, without limitation, proof of identity and the genuineness of any signature; and
  - the holder has complied with such regulations as the depositary may establish under the deposit agreement.

The depositary may also suspend the issuance of ADSs, the deposit of shares, the registration, transfer, split-up or combination of ADRs, or the withdrawal of deposited securities (unless the deposit agreement provides otherwise), if the register for ADRs or any deposited securities is closed or if we or the depositary decide it is advisable to do so.

Books of Depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs. You may inspect such records at such office during regular business hours, but solely for the purpose of communicating with other holders in the interest of business matters relating to the deposit agreement.

The depositary will maintain facilities to record and process the issuance, cancellation, combination, split-up and transfer of ADRs. These facilities may be closed from time to time, to the extent not prohibited by law.

Pre-release of ADSs

The depositary may issue ADSs prior to the deposit with the custodian of shares (or rights to receive shares). This is called a pre-release of the ADS. A pre-release is closed out as soon as the underlying shares (or other ADSs) are delivered to the depositary. The depositary may pre-release ADSs only if:

- the depositary has received collateral for the full market value of the pre-released ADSs; and
- each recipient of pre-released ADSs agrees in writing that he or she
  - owns the underlying shares,
  - assigns all rights in such shares to the depositary,
  - holds such shares for the account of the depositary and

- will deliver such shares to the custodian as soon as practicable, and promptly if the depositary so demands.

In general, the number of pre-released ADSs will not evidence more than 30% of all ADSs outstanding at any given time (excluding those evidenced by pre-released ADSs). However, the depositary may change or disregard such limit from time to time as it deems appropriate. The depositary may retain for its own account any earnings on collateral for pre-released ADSs and its charges for issuance thereof.

The Depositary

Who is the depositary?

Morgan Guaranty Trust Company of New York, a New York banking corporation, is a commercial bank offering a wide range of banking and trust services to its customers in the New York metropolitan area, throughout the United States and around the world.

TAXATION

Norwegian Tax Matters

This section, in the opinion of Thommessen Krefting Greve Lund, Norwegian tax counsel to Telenor, 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 the shares offered. 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.

In its proposal for the state budget for 2001, the Norwegian government has proposed that the credit against the Norwegian tax on dividends received, shall be reduced as from September 5, 2000. According to the original proposal, this would mean that a shareholder receiving dividend distributions normally would be effectively taxed at a rate of 14%. Political parties representing a majority in the Storting (the Norwegian Parliament) have entered into an agreement, where the effective tax rate according to the proposal from the government, is reduced to 11%. The reduced credit applies primarily to individuals and not to limited companies and other companies subject to similar tax treatment. As of the date of this prospectus, the Storting has not decided whether and in what form the proposal would be enacted.

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 US-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 US Holders properly demonstrating to the company that they are entitled to the benefits of the convention.

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%.

The above mentioned proposal from the Ministry of Finance for a higher effective tax rate for dividend distributions, will not have any influence on taxation of dividend distributions at source for non-resident shareholders.

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.

In its proposal for the state budget for 2001, the Norwegian government has also proposed to change the rules for computing the RISK amount on shares owned by individuals when shares are subject to redemption and when shares are sold to the company. According to this proposal, and the above-mentioned agreement between political parties representing a majority in the Storting, such shares will only receive a part of the positive RISK amount allocated to such shares at the time the shares are sold, redeemed or otherwise disposed of by an individual to the company.

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, in the opinion of Sullivan & Cromwell, United States federal income tax counsel to Telenor, describes the material United States federal income tax consequences of owning shares or ADSs. It applies to you only if you acquire your shares or ADSs in this offering and hold them 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 US 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.

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.

A "non-U.S. holder" is a beneficial owner of shares or ADSs that is not a United States person for United States federal income tax purposes.

You should consult your own tax advisor regarding the United States federal, state and local and other tax consequences of acquiring, owning and disposing of shares and ADSs in your particular circumstances.

Taking into account the earlier assumptions, 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.

Taxation of Dividends

U.S. Holders

Under the United States federal income tax laws, and 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 US dollar value of the Norwegian Kroner payments made, determined at the spot Norwegian Kroner/US dollar rate on the date the dividend distribution is included in your income, regardless of whether the payment is in fact converted into US 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 US 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.

Non-U.S. Holders

If you are a non-U.S. holder, dividends paid to you in respect of shares or ADSs will not be subject to United States federal income tax unless the dividends are ''effectively connected'' with your conduct of a trade or business within the United States and attributable to a permanent establishment or fixed base that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to United States taxation on a net income basis. In such cases, you will generally be taxed in the same manner as a U.S. holder. If you are a corporate non-U.S. holder, ''effectively connected'' dividends may, under certain circumstances, be subject to an additional ''branch profits tax'' at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

Taxation of Capital Gains

U.S. Holders

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 US dollar value of the amount that you realize and your tax basis, determined in US 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 U.S.-source ordinary income or loss 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 US dollars.

Non-U.S. Holders

If you are a non-U.S. holder, you will not be subject to United States federal income tax on gain recognized on the sale or other disposition of your shares or ADSs unless:

- the gain is "effectively connected" with your conduct of a trade or business in the United States, and the gain is attributable to a permanent establishment or fixed base that you maintain in the United States if that is required by an applicable income tax treaty as a condition for subjecting you to United States taxation on a net income basis or
- you are an individual, you are present in the United States for at least 183 days in the taxable year of the sale, and certain other conditions exist.

If you are a corporate non-U.S. holder, "effectively connected" gains that you recognize may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate or at a lower rate if you are eligible for the benefits of an income tax treaty that provides for a lower rate.

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.

Following the listing and trading our ADSs on the Nasdaq National Market, you 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.

Backup Withholding and Information Reporting

Dividend payments, or other taxable distributions, made within the United States to you generally will be subject to information reporting requirements and backup withholding tax at the rate of 31% if you are a non-corporate United States person and you:

- fail to provide an accurate taxpayer identification number,
- are notified by the Internal Revenue Service that you have failed to report all interest or dividends required to be shown on your federal income tax returns, or
- in certain circumstances, fail to comply with applicable certification requirements.

Persons that are not United States persons may be required to establish their exemption from information reporting and backup withholding by certifying their status on Internal Revenue Service Form W-8.

If you sell your shares or ADSs to or through a United States office of a broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless you certify that you are a non-U.S. person, under penalties of perjury, or you otherwise establish an exemption. If you sell your shares or ADSs outside the United States through a non-U.S. office of a non-U.S. broker, and the sale proceeds are paid to you outside the United States, then United States backup withholding and information reporting requirements generally will not apply to that payment. However, United States information reporting, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the United States, if you sell your shares or ADSs through a non-U.S. office of a broker that:

- is a United States person,
- derives 50% or more of its gross income for a specified three-year period from the conduct of a trade or business in the United States,
- is a "controlled foreign corporation" as to the United States, or
- with respect to payments made after December 31, 2000, is a foreign partnership, if at any time during its tax year:
  - one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership or
  - at any time during its tax year the foreign partnership is engaged in a United States trade or business,

unless the broker has documentary evidence in its records that you are a non-United States person and does not have actual knowledge that you are a U.S. person or you otherwise establish an exemption.

You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the United States Internal Revenue Service.

UNDERWRITING

The global offering consists of (1) a public offering in the United States of 20,042,390 ordinary shares, in the form of ordinary shares or ADSs, (2) an offering to institutional investors outside of the United States and Norway of 148,799,962 ordinary shares, in the form of ordinary shares or ADSs, (3) an offering to institutional investors in Norway of 175,216,157 ordinary shares, in the form of ordinary shares and (4) an offering of ordinary shares to retail investors in Norway. As part of the Norwegian retail offering, we are offering ordinary shares to our employees and those of our 90% or greater owned subsidiaries and certain affiliates in Norway. At the end of the subscription period for employees, 5,863 employees out of the approximately 12,500 eligible employees had submitted orders to purchase ordinary shares in the Norwegian retail offering. The Norwegian retail offering is not being underwritten by the underwriters. Goldman Sachs International, Peterborough Court, 133 Fleet Street, London EC4A 2BB, England and DnB Markets, Stranden 49, Aker Brygge, P.O. Box 1171 Sentrum, N-0107 Oslo, Norway are the joint global coordinators of the global offering.

Telenor, the selling shareholder and the underwriters, including the international underwriters and Norwegian institutional underwriters named below, have entered into an underwriting agreement with respect to the ordinary shares and ADSs being offered. Subject to conditions described in the underwriting agreement, each international underwriter and Norwegian institutional underwriter has agreed to purchase the number of ordinary shares indicated in the following table.

Underwriters	Number of Ordinary Shares
International Underwriters:	
Goldman Sachs International	46,550,182
Merrill Lynch International	20,002,030
Credit Suisse First Boston (Europe) Limited	18,911,010
Den norske Bank ASA, DnB Markets	24,060,040
HSBC Investment Bank plc	20,729,370
Kleinwort Benson Limited	10,546,520
Schroder Salomon Smith Barney	8,000,810
Subtotal	148,799,962
Norwegian Institutional Underwriters:	
Den norske Bank ASA, DnB Markets	52,564,847
Christiania Bank og Kredit Kasse ASA acting through Christiania Markets	35,043,230
Goldman Sachs International	21,025,940
Orkla Enskilda Securities ASA	18,397,700
Sundal Collier & Co ASA	18,397,700
Fondsfinans ASA	16,645,530
Pareto Securities ASA	13,141,210
Subtotal	175,216,157
Total	324,016,119

The international underwriters may choose to take some or all of their ordinary shares in the form of ADSs. The purchase and sale of the ordinary shares by the international underwriters and Norwegian institutional underwriters is conditional on the closing of the other parts of the global offering, including the Norwegian retail offering.

If the underwriters sell more ordinary shares than the total number set forth in the underwriting agreement, the underwriters have an option to buy from the selling shareholder up to an additional 51,608,776 ordinary shares, which represents 15% of the ordinary shares sold in the global offering (excluding the ordinary shares sold in the Norwegian retail offering), to cover these sales. They may exercise that option for 30 days from the date of this prospectus. If any ordinary shares are purchased pursuant to this option, the international underwriters and Norwegian institutional underwriters will severally purchase ordinary shares in approximately the same proportion as set forth in the table above. The international underwriters may choose to take some or all of their additional ordinary shares in the form of ADSs.

The joint global coordinators have entered into a share lending agreement with the selling shareholder which provides that the joint global coordinators may borrow ordinary shares up to a number equal to the maximum number covered by the over-allotment option.

The following tables show the per share, per ADS and total underwriting discounts and commissions to be paid to the international underwriters and Norwegian institutional underwriters by Telenor and the selling shareholder. The selling shareholder will pay selling concessions only to the extent that the international underwriters and Norwegian institutional underwriters exercise their over-allotment option. Such amounts are shown assuming both no exercise and full exercise of the international underwriters' and Norwegian institutional underwriters' option to purchase additional shares.

Paid by Telenor	No Exercise	Full Exercise
Per ordinary share	NOK 0.5670	NOK 0.5670
Per ADS	US$ 0.1839	US$ 0.1839
Total, at ordinary share price	NOK 183,717,139	NOK 183,717,139

Paid by the Selling Shareholder	Full Exercise
Per ordinary share	NOK 0.3402
Per ADS	US$ 0.1103
Total, at ordinary share price	NOK 16,534,542

The underwriting agreement among Telenor, the selling shareholder and the underwriters also contains an agreement with the underwriters for the sale of 20,042,390 ordinary shares in the United States. The terms and conditions of the offerings are the same. Goldman, Sachs & Co. is the representative of the underwriters for the offering in the United States.

The underwriters for each of the offerings have entered into an agreement in which they have agreed to restrictions on where and to whom they and any dealer purchasing from them may offer shares as part of the distribution of shares. The underwriters have also agreed that they may sell shares among each of the underwriting groups subject to certain restrictions.

We and the selling shareholder may, in our and its discretion, pay to some or all of the underwriters (other than the U.S. underwriters) and the managers in the Norwegian retail offering after the closing an additional performance-related commission in an aggregate amount of up to NOK 0.0630 times the total number of ordinary shares sold in the global offering. We and the selling shareholder will consider the following criteria in evaluating the pre-pricing performance of the underwriters eligible to receive the performance-related commission: quality of preparation; quality of pre-marketing; level and quality of demand; pricing and sizing; quality of cooperation within the underwriting syndicate; and quality of interaction with and service to us and the selling shareholder. We and the selling shareholder will not take into account any trading, research or other activities of any underwriter after the pricing of the offering. Notwithstanding the foregoing criteria, the decision to pay any performance-related fee and the amount of any such fee remains entirely within our discretion and the discretion of the selling shareholder.

Ordinary shares or ADSs sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any ordinary shares sold by the underwriters to securities dealers may be sold at a discount of up to NOK 0.3402 per ordinary share or US$0.1103 per ADS from the initial public offering price. If all the ordinary shares or ADSs are not sold at the initial offering price, the representatives may change the offering price and the other selling terms. The initial offering price and the underwriting commission per share for each of the U.S. offering, the international offering and the Norwegian institutional offering are the same.

Buyers of ordinary shares and ADSs sold by the underwriters in this offering may be required to pay stamp taxes and other charges in accordance with the laws and practices in the country of purchase in addition to the initial public offering price on the cover of this prospectus.

Telenor and the selling shareholder each have agreed with the underwriters that neither of them will offer, sell, contract to sell, or otherwise dispose of, other than in the global offering, any of Telenor's securities that are substantially similar to the ordinary shares or ADSs, including but not limited to any security convertible into or exchangeable for or which represents the right to receive, ordinary shares or such substantially similar securities, during the period from the date of this prospectus continuing for a period of 180 days after the date of this prospectus, except with the prior written consent of the joint global coordinators (which consent shall not be unreasonably withheld or delayed). This agreement does not apply to:

- ordinary shares, options on ordinary shares or other securities issued or sold on or after the date 90 days after the date of this prospectus pursuant to incentive plans for employees or directors of us or our subsidiaries in an aggregate amount not exceeding 2% of our share capital, or

- the issuance or sale by us after the date 90 days after the date of this prospectus of ordinary shares or securities convertible into ordinary shares in connection with a strategic alliance, joint venture or acquisition in an aggregate amount not to exceed 10% of our share capital, provided that the transferee of such ordinary shares or securities enters into an agreement containing substantially the same restrictions as described in this paragraph.

Prior to the offerings, there has been no public market for the ordinary shares or the ADSs. The initial public offering price was negotiated among the selling shareholder, the representatives and Telenor. Among the factors considered in determining the initial public offering price of the ordinary shares and ADSs, in addition to prevailing market conditions, were Telenor's historical performance, estimates of the business potential and earnings prospects of Telenor, an assessment of Telenor's management and consideration of the above factors in relation to market valuation of companies in related businesses.

The ordinary shares have been approved for listing on the Oslo Stock Exchange under the symbol ''TEL'' and the ADSs have been approved for quotation on the Nasdaq National Market under the symbol ''TELN''.

In connection with the offering, the underwriters may purchase and sell ordinary shares and ADSs in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of ordinary shares or ADSs than they are required to purchase in the offering. ''Covered'' short sales are sales made in an amount not greater than the underwriters' option to purchase additional ordinary shares from the selling shareholder in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional ordinary shares or purchasing ordinary shares or ADSs in the open market. In determining the source of ordinary shares or ADSs to close out the covered short position, the underwriters will consider, among other things, the price of ordinary shares or ADSs available for purchase in the open market as compared to the price at which they may purchase ordinary shares through the overallotment option. ''Naked'' short sales are any sales in excess of such option. The underwriters must close out any naked short position by purchasing ordinary shares or ADSs in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the ordinary shares or ADSs in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of ordinary shares or ADSs made by the underwriters in the open market prior to the completion of the offering.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased ordinary shares or ADSs sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or retarding a decline in the market price of Telenor's ordinary shares or ADSs, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the ordinary shares or ADSs. As a result, the price of the ordinary shares or ADSs may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on the Oslo Stock Exchange, on the Nasdaq National Market, in the over-the-counter market or otherwise.

Each underwriter has also represented and agreed that:

- it has not offered or sold and prior to the date six months after the date of issue of the ordinary shares will not offer or sell any ordinary shares or ADSs to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances that have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;
- it has complied, and will comply with, all applicable provisions of the Financial Services Act 1986 of Great Britain with respect to anything done by it in relation to the ordinary shares or ADSs in, from or otherwise involving the United Kingdom; and
- it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issuance of the ordinary shares or ADSs to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) of Great Britain or is a person to whom the document may otherwise lawfully be issued or passed on.

The ordinary shares and ADSs may not be offered, sold, transferred or delivered in or from The Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, other than to banks, pension funds, insurance companies, securities firms, investment institutions, central governments, large international and supranational institutions and other comparable entities, including, among others, treasuries and finance companies of large enterprises, which trade or invest in securities in the conduct of a profession or trade. Individuals or legal entities who or which do not trade or invest in securities in the conduct of their profession or trade may not participate in the offer and this communication may not be considered an offer or the prospect of an offer to sell the ordinary shares or ADSs.

Each underwriter has acknowledged and agreed that the ordinary shares and ADSs have not been registered under the Securities and Exchange Law of Japan and are not being offered or sold and may not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (1) pursuant to an exemption from the registration requirements of the Securities and Exchange Law of Japan and (2) in compliance with any other applicable requirements of Japanese law. As part of the offering, Goldman Sachs International only may offer ordinary shares and ADSs in Japan to a list of 49 offerees in accordance with the above provisions.

No action has been or will be taken in any jurisdiction other than the United States and Norway that would permit a public offering of the ordinary shares or ADSs or the possession, circulation or distribution of this prospectus in any jurisdiction where action for that purpose is required. Accordingly, the ordinary shares and ADSs may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the ordinary shares or ADSs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of ordinary shares (including ordinary shares in the form of ADSs) offered.

Telenor estimates that its total expenses of the offering, excluding underwriting discounts and commissions, will be approximately US$25,760,586.

Telenor and the selling shareholder have agreed, to the extent permissible under Norwegian law, to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. Telenor and the selling shareholder also have agreed to pay the representatives an amount in reimbursement of some of their expenses.

Certain of the underwriters are providing, have provided or may in the future provide investment banking and other financial services to the selling shareholder and us in the ordinary course of business and will receive customary compensation in connection therewith. Affiliates of some of the underwriters are lenders to Telenor under a DKK 14.0 billion credit agreement, a portion of which may be repaid from the proceeds of the offering.

The selling shareholder owns approximately 61% of the share capital of Den norske Bank, which is an underwriter and one of the joint global coordinators of the global offering. Also, Tormod Hermansen, our President and Chief Executive Officer, is a director of Den norske Bank.

VALIDITY OF SECURITIES

The validity of the ordinary shares will be passed upon by Thommessen Krefting Greve Lund, Haakon VII's gate 10, P.O. Box 1484 Vika, N-0116 Oslo, Norway, our Norwegian counsel, and by Wiersholm, Mellbye & Bech, Ruseløkveien 26, Post Boks 1400 Vika, N-0115 Oslo, Norway, Norwegian counsel for the underwriters. The validity of the ADSs will be passed upon by our U.S. counsel, Sullivan & Cromwell, 9a Ironmonger Lane, London EC2V 8EY, England, and by Skadden, Arps, Slate, Meagher & Flom LLP, One Canada Square, Canary Wharf, London E14 5DS, U.S. counsel for the underwriters.

EXPERTS

The consolidated financial statements of Telenor ASA at December 31, 1998 and 1999 and for each of the years in the three-year period ended December 31, 1999, appearing in this prospectus have been audited by Arthur Andersen & Co., Drammensveien 165, Post Boks 228 Skøyen, N-0212, Oslo, Norway, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of Sonofon Holding A/S at December 31, 1998 and 1999 and for each of the years in the two-year period ended December 31, 1999, appearing in this prospectus have been audited by Deloitte & Touche, independent auditors, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

TELENOR ASA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholder of
Telenor ASA

We have audited the accompanying consolidated balance sheets of Telenor ASA (newly formed holding company — see ''Summary of Significant Accounting Policies'') and its subsidiaries (the ''Company'') as of December 31, 1998 and 1999, and the related consolidated statements of income, shareholder's equity and cash flows for each of the three years in the period ended December 31, 1999. 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 (''GAAS'') in Norway, which are substantially the same as GAAS 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, 1998 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999 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 shareholder's equity to US generally accepted accounting principles is set forth in Note 29.

ARTHUR ANDERSEN & CO.
Oslo, Norway, April 3, 2000,
except for Note 29 which is as of June 29, 2000 and
Note 28 which is as of November 10, 2000

TELENOR ASA

Consolidated Statement of Profit and Loss

	Note	1997	1998	1999	1999*
		Year ended December 31,			
		NOK	NOK	NOK	US$
		(in millions, except per share amounts)			
Revenues	2	25,692	28,662	32,685	3,603
Gains on sale of fixed assets and operations	2	177	248	783	86
Total revenues		25,869	28,910	33,468	3,689
Operating expenses					
Cost of materials and traffic charges	4	6,581	7,355	9,016	994
Own work capitalized	5	(791)	(1,219)	(1,773)	(195)
Salaries and personnel costs	6,7	7,130	7,880	8,961	988
Other operating expenses	8,9	6,204	6,627	7,913	872
Loss on sale of fixed assets and operations		40	9	302	33
Depreciation and amortization	14,15	4,048	4,461	5,047	556
Total operating expenses		23,212	25,113	29,466	3,248
Operating profit		2,657	3,797	4,002	441
Associated companies	16	(534)	(1,097)	(1,239)	(137)
Financial income and expenses					
Financial income		338	553	677	75
Financial expenses		(407)	(565)	(761)	(84)
Net gain financial items		—	220	635	70
Net financial items	12	(69)	208	551	61
Profit before taxes and minority interests		2,054	2,908	3,314	365
Taxes	13	(729)	(1,242)	(1,323)	(146)
Profit before minority interests		1,325	1,666	1,991	219
Minority interests		64	44	44	5
Net income		1,389	1,710	2,035	224
Net income per share in NOK (basic and diluted)		1.157	1.293	1.454	0.160

* Convenience translation at September 29, 2000 rate of NOK 9.0725 = US$1.00.

TELENOR ASA

Consolidated Balance Sheet

	Note	At December 31, 1998 NOK	1999 NOK	1999* US$
		(in millions)		
Assets				
Intangible assets	14	1,285	1,950	215
Tangible assets	15	23,277	25,868	2,851
Financial assets	16	7,221	9,799	1,080
Total fixed assets		31,783	37,617	4,146
Inventories		748	680	75
Current receivables, etc.	17	6,579	7,202	794
Short-term investments	18	597	403	44
Cash and cash equivalents	27	1,043	2,124	234
Total current assets		8,967	10,409	1,147
Total assets		40,750	48,026	5,293
Equity and liabilities				
Equity and minority interests				
Shareholder's equity		18,515	20,033	2,208
Minority interests		239	1,232	136
Total equity and minority interests		18,754	21,265	2,344
Liabilities				
Provisions	19	842	629	69
Long-term interest-bearing liabilities	20	11,300	14,942	1,647
Long-term non-interest-bearing liabilities	22	146	391	43
Total long-term liabilities		11,446	15,333	1,690
Short-term interest-bearing liabilities	20	153	127	14
Short-term non-interest-bearing liabilities	22	9,555	10,672	1,176
Total short-term liabilities		9,708	10,799	1,190
Total equity and liabilities		40,750	48,026	5,293
Contingent liabilities				
Mortgages	23	1,857	1,747	193
Guarantee liabilities	23	2,830	3,107	342

* Convenience translation at September 29, 2000 rate of NOK 9.0725 = US$1.00.

TELENOR ASA

Consolidated Cash Flow Statement

	Year ended December 31,			
	1997	1998	1999	1999*
	NOK	NOK (in millions)	NOK	US$
Proceeds from sale of goods and services	29,448	33,168	37,544	4,138
Payments to suppliers of goods and services	(7,367)	(7,317)	(9,627)	(1,061)
Payments to employees, pensions, social security tax, tax deductions	(7,257)	(7,495)	(8,104)	(893)
Payment of other operating expenses	(5,926)	(6,750)	(7,148)	(788)
Interest etc, received	327	504	619	68
Interest etc. paid	(420)	(643)	(892)	(98)
Other proceeds and payments related to operating activities	119	74	(137)	(15)
Payment of taxes and public duties	(3,530)	(4,499)	(4,885)	(538)
Net cash flow from operating activities(1)	5,394	7,042	7,370	813
Proceeds from sale of tangible and intangible assets	476	470	204	22
Purchase of tangible and intangible assets	(6,018)	(6,392)	(6,761)	(745)
Cash receipts from sale, of subsidiaries and associated companies, net of cash sold	109	113	1,063	117
Cash payments on purchase of subsidiaries and associated companies, net of cash sold	(2,452)	(4,188)	(4,501)	(496)
Proceeds from sale of other investments	1,082	1,874	1,350	149
Purchase of other investments	(1,337)	(1,896)	(560)	(62)
Net cash flow from investment activities	(8,140)	(10,019)	(9,205)	(1,015)
Proceeds from long-term liabilities	10,366	9,624	7,844	865
Proceeds from short-time liabilities	10,298	10,975	5,636	621
Payments on long-term liabilities	(6,858)	(7,458)	(4,251)	(469)
Payments on short-time liabilities	(10,449)	(11,011)	(5,689)	(627)
Paid in equity from minority	163	68	74	8
Paid in equity from majority	—	2,000	—	—
Payment of dividend	(950)	(570)	(700)	(77)
Net cash flow from financing activities	2,570	3,628	2,914	321
Effect on cash and cash equivalents of changes in foreign exchange rates	4	7	2	—
Net change in cash and cash equivalents	(172)	658	1,081	119
Cash and cash equivalents at January 1	557	385	1,043	115
Cash and cash equivalents at December 31	385	1,043	2,124	234

* Convenience translation at September 29, 2000 rate of NOK 9.0725 = US$1.00.

TELENOR ASA

Consolidated Cash Flow Statement — (Continued)

	Year ended December 31,			
	1997	1998	1999	1999*
	NOK	NOK (in millions)	NOK	US$
(1)Reconciliation:				
Net income	1,389	1,710	2,035	224
Minority interests	(64)	(44)	(44)	(5)
Taxes	729	1,242	1,323	146
Profit before taxes and minority interests	2,054	2,908	3,314	365
Taxes paid	(574)	(898)	(1,107)	(122)
Net gain/loss	(137)	(459)	(1,116)	(123)
Depreciation, amortization and associated companies	4,582	5,558	6,286	693
Changes in inventories	(56)	(85)	77	8
Changes in accounts receivable and prepayments from customers	(628)	(837)	(646)	(71)
Changes in accounts payable and prepaid expenses	539	181	536	59
Difference between expensed and paid pensions and other provisions	(435)	(244)	(129)	(14)
Change in other accruals	(154)	703	(163)	(17)
Net VAT and investment tax unrelated to operating activities	203	215	318	35
Net cash flow from operating activities	5,394	7,042	7,370	813

* Convenience translation at September 29, 2000 rate of NOK 9.0725 = US$1.00.

Consolidated Statements of Shareholder's Equity

	Number of shares	Nom Amount	Share Capital	Other paid capital	Other equity	Cumulative translation adjustment	Total
		(NOK)	(NOK mill.)	(NOK mill.)	(NOK mill.)	(NOK mill.)	(NOK mill.)
Balance as of December 31, 1996	1,200,000,000	6	7,200	4,800	2,657	(10)	14,647
Net income for the year 1997.					1,389		1,389
Dividends					(570)		(570)
Translation adjustments						12	12
Balance as of December 31, 1997	1,200,000,000	6	7,200	4,800	3,476	2	15,478
Profit for the year 1998.					1,710		1,710
Dividends					(700)		(700)
Translation adjustments						27	27
Issuance of common shares	200,000,000	6	1,200	800			2,000
Balance as of December 31, 1998	1,400,000,000	6	8,400	5,600	4,486	29	18,515
Profit 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

There were no dilutive securities outstanding during the periods presented.

Minority Interests

	Minority share in % 12.31.99	Minority part of result -97	Minority part of result -98	Minority part of result -99	Minority interests 12.31.98	Minority interests 12.31.99
			(NOK in millions)			
Telenor Venture AS	32.00	—	33	23	106	137
Norcom Network Communication Inc	8.38	(5)	(8)	(9)	3	5
Grameen Phone Ltd. *	54.00	(34)	(50)	(52)	89	76
Storm Telecommunication Ltd.	28.40	(3)	(22)	(23)	23	—
Clarion Inc.	—	—	(11)	(5)	5	—
Lokaldelen AB	—	2	4	2	11	—
EDB Business Partner ASA	40.20	—	—	16	—	724
Telenor B-invest AS	26.67	—	—	3	—	233
Nextra SPA	30.00	—	—	(3)	—	42
Other	—	(24)	10	4	2	15
Total		(64)	(44)	(44)	239	1,232

* 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 September 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 incidental to its formation. For purposes of these financial statements, Telenor ASA is treated as if it had been the parent company of the Telenor Group for all periods presented.

The consolidated financial statements for Telenor ASA and its subsidiaries (the Group) are prepared in accordance with Norwegian GAAP. The Group's accounting principles differ, in certain respects, from United States generally accepted accounting principles (US GAAP). The differences and the approximate related effects on the Group's net income and shareholder's equity are set forth in note 28.

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, 1999 have been translated into US dollars, using the end noon buying rates in The City of New York for cable transfers, which was NOK 9.0725 per US dollar, as of September 29, 2000. The translations should not be construed as a representation that the amounts could have been or could be converted into US 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 through allocating results to minority.

Basis of presentation

On March 30, 1999, the Norwegian Government and the Swedish Government agreed to form a jointly held company for the combination of Telenor AS with Telia AB. The Governments formed the company Newtel AB for this purpose. After obtaining necessary approval by the EU Commission, in a shareholders' meeting for Newtel on October 18, 1999, the Norwegian Government and the Swedish Government contributed shares in Telenor AS and Telia AB, respectively, in exchange for common shares of Newtel. In their capacity as shareholders of Telenor AS and Telia AB, the Norwegian and Swedish governments decided on December 16, 1999 to abandon the combination.

Telenor has not recognized for accounting purposes any of the effects of the abandoned combination in the accompanying financial statements, other than its share of the direct costs of NOK 250 million, which have been charged to operations in 1999.

On April 10, 2000, Telenor signed an agreement with Telia with respect to the unwinding of the above transaction.

Net income per share

Net income per share have been retroactively adjusted for a share split. See Note 28.

Goodwill and license costs

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations accounted for under the purchase method. Goodwill is amortized on a straight-line basis over the estimated useful economic life, based on an individual assessment.

License cost and goodwill relating to business with licenses are amortized over the term of the license.

Revenue

Revenues are primarily comprised of traffic fees, subscription and connection fees, interconnection fees, fees for leased lines, fees for leased networks, fees for data network services, fees for TV distribution and satellite services, IT service, installation and software service fees and sale of customer equipment and directory advertising.

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. Subscription fees 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 of the cards.

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 the cost of a printed telephone directory given to each new subscriber. 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 are recognized when the directories are published.

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 percent 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, including 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. Liabilities are valued at the present value of minimum lease payments.

Foreign currency transactions

Transactions involving foreign currencies are translated into Norwegian Kroner using exchange rates in effect 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 the financial instrument has been designated as a qualifying hedge.

Foreign currency translation

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 as hedges of net foreign investments, 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

Telenor uses various derivatives (interest rate and foreign currency swaps and forwards, caps, FRAs and electricity contracts) primarily to manage its exposure to fluctuations in foreign exchange rates, interest rates and electricity.

To qualify for hedge accounting, the instruments must meet defined correlation and effectiveness criteria, and be designated as hedges and generate financial statement effects, which substantially offset those of the position being hedged.

Gains and losses on foreign exchange contracts that are designated as hedges of foreign currency liabilities are included in the value of the hedged item. In the case of forward contracts being used, the premium or discount is amortized over the term of the contract, and classified as interest. 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.

Amounts to be paid or received under interest rate swaps that are designated and effective as a hedge of interest bearing assets are accrued as interest income or expense, respectively.

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.

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 ventures activities, are valued at historical cost or estimated fair value if the fall in value is not temporary.

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 and depreciation

Tangible and intangible assets are carried at historical cost less accumulated depreciation and amortization. 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 fair value or sales price less cost to sell is recorded. Interest has been capitalized on assets under construction.

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:	10-20%
Cable and power supply installations:	6-8%
Buildings:	3-4%

Year 2000 expenses

Expenses related to modifications that have not produced improvements through increased functionality or which have not extended the expected economic useful life are expensed.

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, and 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 Accounting Principles

The following changes in accounting principles have been made:

1999

The new Norwegian accounting act came into effect January 1, 1999. Telenor has made changes in accounting principles as a result of the new accounting act. Except for capitalized internal costs on software for internal use, all comparable figures in the profit and loss accounts, balance sheets and cash flow statements have been restated.

Under the old accounting act Telenor did not capitalize interest on assets under construction. Under the new accounting act interest is required to be capitalized on assets under construction. Capitalized interest was NOK 131 million in 1998, and NOK 79 million in 1997. Depreciation of capitalized interest was NOK 36 million and NOK 25 million for 1998 and 1997, respectively.

Internal cost for software is capitalized from January 1, 1999. Capitalized costs for software were NOK 100 million in 1999.

Under the old accounting act a deferred tax asset could only be recognized to the extent it was highly probable that the tax asset could be utilized. A net deferred tax asset could not be recognized in the balance sheet. Under the new accounting act deferred tax assets are recognized when it is more likely than not that the tax asset will be utilized. Deferred tax assets amounting to NOK 652 million for 1998 and NOK 311 million for 1997 have been recognized in the balance sheet. Profit for the year for 1998 and 1997 has been increased by NOK 341 million and NOK 147 million respectively. Most of the deferred tax assets are recorded in associated companies.

Under the old accounting act properties for sale were valued as a group for assessment for impairment. Under the new accounting act each property for sale is assessed for impairment on an individual basis. Sales-type leases where Telenor is the lessor were previously recorded as rent of assets. This is now recorded as a financial lease (sale). The effect on equity and profit is immaterial.

Classification and other

Roaming revenue from mobile telephony is now presented gross instead of net. Revenue and related traffic costs increased with NOK 483 million and NOK 325 million for 1998 and 1997 respectively.

Own work capitalized is presented gross as a separate caption in the profit and loss statement. This mainly relates to salary for own personnel in the companies in the Group and for investment purchases between the companies in the Group.

The following table reconciles the equity as of December 31, 1998, with the restated equity after changes made in the accounting principles:

	(in NOK millions)
Equity at December 31, 1998, before changes in accounting principles	17,626
Capitalization of interest, net of depreciation and tax	238
Write-down of properties, net of tax	(16)
Leasing, net of tax	15
Recognition of deferred tax asset	652
Equity at December 31, 1998, restated	18,515

1998

No change in accounting principles.

1997

In 1997 the Group implemented the equity method of accounting for associated companies and joint ventures.

1 ACQUISITIONS AND DISPOSALS

During the three years ended December 31, 1999, Telenor entered into the following significant acquisitions. Each acquisition was recorded using the purchase method of accounting. The summary does not include capital increases or other types of financing by Telenor. Disposals have been insignificant in 1998 and 1997.

1999 Acquisitions

Telenor acquired the following significant subsidiaries or significant interests in associated companies and joint ventures:

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

(*) Excess value/goodwill of equity investments is included in the book value of associated companies and joint ventures

1999 Disposals

In October 1999 Telenor sold its ownership in Lokaldelen AB, Telenor Företagsinfo AB and Internordia AB. The total consideration was NOK 935 million. A gain of NOK 753 million was recorded.

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

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

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

1998 Acquisitions

Telenor acquired the following significant subsidiaries or significant interests in associated companies and joint ventures:

Company	Country	Change in interest %	Business	Purchase price	Excess value/ goodwill	Amortization period
			(in NOK millions)			
Kyivstar J.S.C	Ukraine	35.0	Mobile telecommunication	257	243(*)	15 years
Pannon GSM RT	Hungary	5.5	Mobile telecommunication	405	388(*)	10 years
Telehuset AS	Norway	30.0	Wholesales	109	53	5 years
Telenor Magnet GmbH	Austria	100.0	Internet	57	59	5 years
SF Vision AB	Sweden	100.0	TV distribution	85	81	10 years
Soleil Publicite SA	France	75.0	Directory services	44	56	5 years

(*) Excess value/goodwill of equity investments is included in the book value of associated companies and joint ventures.

1997 Acquisitions

Telenor acquired the following significant subsidiaries or significant interests in associated companies and joint ventures:

Company	Country	Change in interest %	Business	Purchase price	Excess value/ goodwill	Amortization period
			(in NOK millions)			
Viag Intercom GmbH & Co.	Germany	10.0	Wired and mobile telecomm	301	216(*)	18 years
Cosmote S.A.	Greece	30.0	Mobile telecommunication	678	267(*)	23 years
Polskie Dsiakie Telefoniczne sp z o o	Poland	50.0	Directory services	61	53(*)	5 years
Canal Digital AS	Nordic countries	50.0	TV distribution	71	—	—
Lokaldelen AB	Sweden	92.6	Directory services	174	123	5 years

(*) Excess value/goodwill of equity investments is included in the book value of associated companies and joint ventures.

Pro forma information

Had the 1999 and 1998 purchase business combinations taken place on January 1, 1998 and January 1, 1997, respectively, the pro forma effect on revenue, net income and income per share would not be material.

2 REVENUES

	1997	1998	1999
		(in NOK millions)	
Analog (PSTN)/digital (ISDN)	11,696	12,272	13,355
Mobile telephony	3,526	4,429	5,426
Leased lines	820	866	810
Satellite and TV-distribution	1,551	2,229	2,485
Other network based activities	1,106	1,291	1,593
Customer equipment	2,360	2,265	2,940
IT service and installations	2,609	3,004	3,501
Advertising, etc.	1,259	1,456	1,588
Other	765	850	987
	25,692	28,662	32,685
Gain on sale of fixed assets and operations	177	248	783
Total	25,869	28,910	33,468

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

Mobile telephony includes revenue from traffic, subscription and connection for mobile telephones and paging.

Leased lines includes revenue from subscription and connection for digital and analogue circuits.

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

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

Other network-based activities include 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 revenue 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 revenue from contracting, rent, etc.

3 BUSINESS AREAS

Telenor Mobile Communication is responsible for the Group's mobile communication comprising voice, data, Internet, content services and electronic commerce in the Norwegian and the international markets. **Telenor Telecom** operates the Group's fixed network, delivers services including analog (PSTN), digital (ISDN), broadband and leased lines to residential and business customers and to other network operators, and provides a range of business solutions. **Telenor Broadband Services** offers TV services mainly within the Nordic region, other satellite based services and fixed network services within global niche markets. **Telenor Internet** is a European supplier of Internet-based services and solutions. **Telenor Media** delivers directory service in Norway and abroad. **Bravida** delivers installation, maintenance and operating services to network operators and other customers. **EDB Business Partner** is an Oslo Stock Exchange listed IT group which delivers solutions, consulting services and operating services. **Other** includes Group functions and other activities including ND Holding Ltd, Teleservice and Telenor Venture.

The segments and the amount of each segment item reported below are consistent with reporting to the chief operating decision-maker. The primary measure used by the chief operating decision-maker for assessing performance and allocating resources is earnings before interest, tax, depreciation and amortization (EBITDA).

Significant changes in the business area structure have been implemented. Bedrift and Privat now report together with Nett as Telenor Telecom. The previous business area Plus included Directory services, Teleservice, and TV distribution. Directory services now reports as a separate business segment and TV distribution is included in Broadband Services. Teleservice is included in Other. The activity in the former business area International consisted of Satellite, Global and Mobility. Mobility is included in Mobile Communication while Global is included in Telenor Telecom Solutions.

Furthermore, the internal IT operating department of Telenor has been transferred from Bedrift to Other. In addition, 4Tel is included in Programvare. Parts of customer equipment have been transferred from Bedrift to Bravida.

Due to the significant changes in the business area structure, the generation of segment information by business area for 1997 would be impracticable.

All the figures have been presented to reflect the establishment of the new business areas.

Deliveries of network-based regulated services within the Group are priced based on cost prices in negotiations between the units. For contracts-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 and dividends are not included in the profit and loss account for the business areas.

Notes to the consolidated financial statements — (Continued)

Profit and loss 1999

	Revenue(1)	External revenue	EBITDA	Operating profit	Associated companies and joint ventures	Net financial items	Profit before taxes and minority interest
			(in NOK millions)				
Mobile Communication	8,033	6,540	2,161	1,106	(1,071)	(150)	(115)
Telecom	17,602	15,921	5,146	2,509	(26)	(2)	2,481
Internet	886	566	(27)	(138)	14	(4)	(128)
Broadband Services	2,798	2,655	530	8	(140)	92	(40)
Media	2,368	2,277	1,085	1,006	(3)	42	1,045
Bravida	6,057	2,912	147	19	—	(22)	(3)
EDB Business Partner	3,015	1,508	341	127	(5)	(13)	109
Other	4,536	1,089	(18)	(463)	(8)	608	137
Elimination	(11,827)	—	(316)	(172)	—	—	(172)
Total	33,468	33,468	9,049	4,002	(1,239)	551	3,314

(1) Revenue includes gains on sales of fixed assets and operations.

Profit and loss 1998

	Revenue(1)	External revenue	EBITDA	Operating profit	Associated companies and joint ventures	Net financial items	Profit before taxes and minority interest
			(in NOK millions)				
Mobile Communication	6,793	5,448	1,569	704	(820)	(231)	(347)
Telecom	15,921	14,528	5,414	3,028	(17)	16	3,027
Internet	469	342	(122)	(186)	(51)	(4)	(241)
Broadband Services	2,502	2,356	484	123	(122)	172	173
Media	1,584	1,495	337	245	(15)	2	232
Bravida	5,507	2,743	202	118	—	7	125
EDB Business Partner	2,097	855	300	110	2	(8)	104
Other	4,031	1,143	271	(173)	(74)	254	(15)
Elimination	(9,994)	—	(197)	(172)	—	—	(150)
Total	28,910	28,910	8,258	3,797	(1,097)	208	2,908

(1) Revenue includes gains on sales of fixed assets and operations.

Balance and investments 1999

	Fixed Assets	Associated companies	Current assets	Total assets	Long-term liabilities incl. provisions	Short-term liabilities	Investments
				(in NOK millions)			
Mobile Communication	4,757	6,834	5,872	17,463	7,122	3,655	6,183
Telecom	13,400	15	6,565	19,980	3,976	7,797	3,377
Internet	594	27	577	1,198	94	865	442
Broadband Services	5,314	31	1,513	6,858	3,505	1,751	919
Media	250	38	958	1,246	23	574	71
Bravida	452	—	1,626	2,078	176	1,370	240
EDB Business Partner	1,288	80	1,123	2,491	569	798	1,027
Other	34,747(**)	482	5,073	40,302	13,007	8,203	911
Elimination	(30,692)	—	(12,898)	(43,590)	(12,510)	(14,214)	—
Total	30,110	7,507	10,409	48,026	15,962	10,799	13,170

(**) Includes shares in subsidiaries.

Balance and investments 1998

	Fixed Assets	Associated companies	Current assets	Total assets	Long-term liabilities incl. provisions	Short-term liabilities	Investments
				(in NOK millions)			
Mobile Communication	7,264	3,175	1,526	11,965	5,629	2,008	3,670
Telecom	12,884	13	8,806	21,703	5,760	6,588	3,156
Internet	211	—	426	637	21	333	125
Broadband Services	4,198	274	1,453	5,925	3,064	1,088	1,069
Media	463	40	911	1,414	637	542	31
Bravida	365	—	1,308	1,673	172	1,238	165
EDB Business Partner	732	—	817	1,549	591	534	201
Other	28,334(**)	376	653	29,363	9,288	4,418	1,011
Elimination	(26,546)	—	(6.933)	(33,479)	(12,874)	(7,041)	—
Total	27,905	3,878	8,967	40,750	12,288	9,708	9,428

(**) Includes shares in subsidiaries.

Geographic distribution of revenue based on customer location(*)

	Year ended December 31,		
	1997	1998	1999
	(in NOK millions)		
Norway	23,013	24,727	27,637
Other Nordic	1,259	1,841	2,666
Western Europe	901	1,170	1,474
Central Europe	134	191	362
Eastern Europe	201	189	132
USA	128	344	587
Asia	152	240	328
Other countries	81	208	282
Total operating revenue	25,869	28,910	33,468

Geographic distribution of revenue based on company location(*)

	Year ended December 31,		
	1997	1998	1999
	(in NOK millions)		
Norway	24,671	26,942	29,862
Other Nordic	567	763	1,595
Western Europe	476	803	1,140
Central Europe	97	49	248
Eastern Europe	18	112	82
USA	1	153	336
Asia	39	88	205
Total operating revenue	25,869	28,910	33,468

(*) Revenue includes gains on sales of fixed assets and operations. Gain on sale of foreign subsidiaries is recorded as relating to the country in which the subsidiary was located.

Assets by geographical location of the company

	Year ended December 31,			
	Long lived assets		Total assets	
	1998	1999	1998	1999
	(in NOK millions)			
Norway	22,594	24,956	34,904	37,689
Other Nordic	81	41	949	759
Western Europe	88	209	1,965	3,696
Central Europe	62	97	1,817	1,698
Eastern Europe	—	3	303	1,467
USA	72	65	381	286
Asia	380	497	431	2,431
Total assets	23,277	25,868	40,750	48,026

4 COST OF MATERIALS AND TRAFFIC CHARGES

	Year ended December 31,		
	1997	1998	1999
	(in NOK millions)		
Traffic charges — network capacity	1,859	2,560	3,255
Traffic charges — satellite capacity	528	722	623
Energy	58	63	46
Costs of materials etc.	4,136	4,010	5,092
Total cost of materials and traffic charges	6,581	7,355	9,016

5 OWN WORK CAPITALIZED

	Year ended December 31,		
	1997	1998	1999
	(in NOK millions)		
Cost of materials etc.	181	286	493
Salary and personnel costs	328	544	796
Other operating expenses	282	389	484
Total own work capitalized	791	1,219	1,773

6 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. 18,625 of the Group's employees (1,347 in Telenor Communication AS) 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 on 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 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. The early retirement plan does not have any plan assets.

	Year ended December 31, 1998	Year ended December 31, 1999
	(in NOK millions)	
Change in benefit obligation		
Benefit obligation at the beginning of the year	2,162	2,260
Service cost	278	288
Interest cost	151	160
Changes in schemes	27	—
Actuarial gains and losses	(141)	298
Acquisitions and sale	—	104
Benefits paid	(217)	(256)
Benefit obligations at the end of the year	2,260	2,854
Change in plan assets		
Fair value of plan assets at the beginning of the year	990	1,231
Actual return on plan assets	20	161
Acquisitions and sale	1	96
Pension premium	294	365
Benefits paid	(74)	(74)
Fair value of plan assets at the end of the year	1,231	1,779
Funded status	1,029	1,075
Unrecognized net actuarial loss	(294)	(271)
Unrecognized prior service costs	(56)	(316)
Prepaid social security tax	29	21
Total provision for pensions	708	509

	1997	1998	1999
Assumptions as of December 31			
Discount rate in %	7.0	7.0	6.5
Expected return on plan assets in %	8.0	8.0	7.5
Rate of compensation increase in %	3.5	3.5	3.5
Expected increase in the social security base amount in %	3.5	3.5	3.0
Annual adjustments to pensions in %	2.5	2.5	3.0

Components of net periodic benefits cost

	Year ended December 31, 1997	1998	1999
	(in NOK millions)		
Service cost	246	278	288
Interest cost	138	151	160
Expected return on plan assets	(69)	(89)	(111)
Amortization of prior service costs	21	32	24
Social security tax	36	43	43
Net periodic benefit costs	372	415	404
Contribution schemes	8	19	24
Total pension costs charged to profit for the year	380	434	428

7 SALARIES AND PERSONNEL COSTS

	Year ended December 31,		
	1997	1998	1999
	(in NOK millions)		
Salaries and holiday pay	5,700	6,213	7,016
Social security tax	777	831	991
Pension costs including social security tax	380	434	428
Other personnel costs	273	402	526
Total salaries and personnel costs	7,130	7,880	8,961

The Chief Executive Officer of Telenor AS was Tormod Hermansen for the first four months of 1999 and Peter Pay the rest of the year. As of January 1, 2000 Tormod Hermansen was reinstated as Chief Executive Officer of Telenor AS. The total salary for the Chief Executive Officers for 1999 was NOK 1,544,000. In addition Telenor paid pension premiums of NOK 4,787,000 and other remuneration of NOK 468,000.

Remuneration for the Board of Directors and the Corporate Assembly for 1999 was NOK 1,868,000 and NOK 398,000, respectively.

The employment agreements for the Group Management have been revised as of April 1, 2000. According to these new 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. The head of the business area Broadband Services has no right to receive salary beyond the agreed period of notice. The head of the business area Media has the right to receive salary for fifteen months beyond the agreed period of notice.

Furthermore, the members of Group Management, except for the Chief Executive Officer, have bonus schemes up to an amount corresponding to six months' salary. As of April 3, 2000 no contract had been established with the head of the business area Internet regarding any right to receive salary beyond the agreed period of notice or regarding bonus.

Members of Group Management have a voluntary right to retire at the age of 60/62 years with a supplementary pension, making their pension 66% of their salary at the retirement date.

The audit fee for 1999 to the auditor of the Group (Arthur Andersen & Co) is NOK 11.2 million, of which NOK 0.9 million relates to the parent company (Telenor Communications AS). For other services the auditor of the Group has invoiced NOK 16.1 million, of which NOK 6.1 million relates to the parent company (Telenor Communications AS).

Total loans to employees were NOK 45.3 million as of December 31, 1999. The loans were mainly given to finance the employees' purchases of cars as an alternative to company cars. The average number of employees was 22,461 in 1999.

8 OTHER OPERATING EXPENSES

	Year ended December 31,		
	1997	1998	1999
	(in NOK millions)		
Cost of premises, vehicles, office equipment, etc	1,005	1,076	1,416
Travel and travel allowances	573	607	641
Marketing and sales commission	1,030	945	1,239
Advertising	493	456	423
Bad debt	195	231	351
Consultancy fees and rent of personnel(1)(2)	1,623	1,936	2,259
Other(2)	1,285	1,376	1,584
Total other operating expenses	6,204	6,627	7,913

(1) Includes fees for consultations and hired personnel, which perform services that are sold to external customers or capitalized on fixed assets.

(2) Includes costs (mainly consultancy fees) related to the abandoned merger with Telia of NOK 250 million in 1999.

9 BAD DEBT

	Year ended December 31,		
	1997	1998	1999
	(in NOK millions)		
Provisions as of January 1	254	271	371
Provisions as of December 31	271	371	538
Change in provisions for bad debt	17	100	167
Realized losses for the year	210	163	230
Recovered on amounts previously written off	(32)	(32)	(46)
Total bad debt	195	231	351

10 RESEARCH AND DEVELOPMENT COSTS

Research and development costs amounted to NOK 528 million, NOK 414 million and NOK 418 million for 1999, 1998 and 1997, 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

In connection with the establishment of Telenor AS as a limited company in 1994, Telenor recorded a restructuring provision of NOK 1,100 million. This provision was made to cover the costs of staff reductions and eliminate other operating redundancies. The provision has been utilized during the subsequent periods and had no balance remaining at December 31, 1998.

In 1996 a restructuring provision of NOK 39 million was recorded to cover certain costs to restructure the dealer network in Telehuset. The provision was utilized by NOK 32 million in 1997 and NOK 7 million in 1998.

In 1997 a restructuring provision of NOK 95 million was recorded mainly relating to workforce reductions in Bedrift and Privat, and NOK 87 million in International was recorded to withdraw from paging activities abroad. The provisions were utilized in the amount of NOK 150 million in 1998, and NOK 27 million in 1999.

In 1998 a restructuring provision of NOK 14 million was recorded relating to workforce reductions. The provision was utilized in 1999.

In 1999 provisions of NOK 69 million to exit certain activities were recorded.

The following table displays rollforward of the accruals for business restructuring from December 31, 1996:

	Year ended December 31,									
	Dec 31, 1996 balance	1997 additions	1997(*) amounts utilized	Dec 31, 1997 balance	1998 additions	1998(*) amounts utilized	Dec 31, 1998 balance	1999 additions	1999(*) amounts utilized	Dec 31, 1999 balance
	(in NOK millions)									
Redundancy provision	341	—	296	45	—	45	—	—	—	—
Restructure Telenor Telehuset	39	—	32	7	—	7	—	—	—	—
Workforce reduction	—	95	—	95	14	85	24		19	5
Withdraw paging	—	87	—	87	—	65	22	—	22	—
Exit activities	—	—	—	—	—	—	—	69	—	69
Total	380	182	328	234	14	202	46	69	41	74

(*) Of these amounts NOK 0 million, NOK 35 million and NOK 88 million for 1999, 1998 and 1997, respectively, are adjustments to the liability without corresponding expenses.

12 FINANCIAL INCOME AND EXPENSES

	Year ended December 31,		
	1997	1998	1999
	(in NOK millions)		
Dividends from satellite organizations	171	253	235
Interest income	122	262	245
Other financial income(*)	45	38	197
Total financial income	338	553	677
Interest expense	(462)	(594)	(812)
Other financial expenses(*)	(24)	(102)	(63)
Capitalized interest	79	131	114
Total financial expenses	(407)	(565)	(761)
Gain on sale of financial assets	—	303	680
Loss and write-downs of financial assets	—	(83)	(45)
Net gain on financial assets	—	220	635
Net financial items	(69)	208	551

(*) In 1999 a net currency gain of NOK 104 million was included in other financial income. In 1998 other financial expenses included a net currency loss of NOK 73 million and in 1997 a net currency gain of NOK 26 million was included in other financial income.

The main part of net currency gains and losses relates to the situation where a portion of liabilities or other financial instruments designated as a hedge of a net investment in foreign currency exceeds the book value of the investment. Currency gain or loss related to this excess portion is recorded as financial income and expenses.

13 TAXES

Income tax expenses

	Year ended December 31,		
	1997	1998	1999
	(in NOK millions)		
Profit before taxes			
Norway	2,952	4,350	4,720
Outside Norway(*)	(898)	(1,442)	(1,406)
Total profit before taxes	2,054	2,908	3,314
Current taxes			
Norway	857	1,129	1,638
Outside Norway	18	25	20
Total current taxes	875	1,154	1,658
Deferred taxes			
Norway	(146)	82	(289)
Outside Norway	—	6	(46)
Total deferred taxes	(146)	88	(335)
Total tax expense	729	1,242	1,323

(*) Includes associated companies outside Norway. Gains from sale of companies are related to the country in which the sold company was located.

Effective tax rate

	Year ended December 31,		
	1997	1998	1999
	(in NOK millions)		
Expected income taxes according to statutory tax rate (28%) (1)	575	814	928
Net losses from associated companies and subsidiaries abroad	195	371	380
Non-deductible expenses/ Non-taxable income	11	22	2
Amortization of goodwill	29	41	58
Previous not recognized deferred tax assets	(140)	(76)	(24)
Tax assets not recognized current year	53	—	—
Realization of tax assets from business combinations	—	56	—
Other	6	14	(21)
Income tax expense	729	1,242	1,323
Effective tax rate in %	35.5	42.7	39.9

(1) Norwegian nominal statutory tax rate is 28%

In 1997 the rest of the previously unrecognized tax losses in acquired companies in Norway were utilized.

In 1998 tax losses carried forward in Telehuset were utilized, and goodwill relating to the purchase of Telehuset was correspondingly reduced.

At year-end 1999 Telenor had tax losses carried forward of NOK 1,092 million, primarily abroad. Amounts carried forward expire as follows:

Tax losses carried forward

	December 31, 1999
	(in NOK millions)
2000	71
2001	5
2002	66
2003	122
2004	147
2005 and later	538
Not time-limited	143
Total tax losses carried forward	1,092

Deferred taxes

	December 31,			
	Assets 1998	Liabilities 1998	Assets 1999	Liabilities 1999
	(in NOK millions)			
Tangible and intangible assets	355	(768)	658	(884)
Associated companies	509	—	673	(19)
Other long-term items	191	(44)	195	(63)
Total long-term assets and liabilities	1,055	(812)	1,526	(996)
Current assets	182	(14)	186	(49)
Current liabilities	80	(28)	105	(18)
Total current assets and liabilities	262	(42)	291	(67)
Tax losses carried forward	269	—	384	—
Deferred tax/tax assets	1,586	(854)	2,201	(1,033)
Valuation allowances	(833)	—	(965)	—
Net deferred tax/tax assets		(101)	203	

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.

Valuation allowances relate mainly to associated companies and subsidiaries abroad.

14 INTANGIBLE ASSETS

	Year ended December 31,							
	Accumul. cost 01.01.99	Additions 1999	Foreign exchange adjustm. 1999	Disposals 1999	Amortization 1999	Acc. amort. and write-downs 12.31.99	Book value 12.31.99	Book Value 12.31.98
	(in NOK millions)							
Goodwill	1,807	1,045	6	(445)	(290)	(865)	1,548	1,127
Other intangible assets	263	140	(1)	(78)	(37)	(125)	199	158
Total(*)	2,070	1,185	5	(523)	(327)	(990)	1,747	1,285
Deferred tax asset							203	—
Total intangible assets							1,950	1,285

Amortization of intangible assets was NOK 283 million in 1998 and NOK 242 million in 1997.

Goodwill relates to the following subsidiaries:

	Year ended December 31, 1999		
Company	Book value	Amortization period	Year of purchase
Telescience Inc.	95	20 years	1999
Narrowband Telecomm. Research Inc.	57	3 years	1999
OMNILINK Internet Service center GmbH	91	5 years	1999
e-comp Engineering GmbH	81	5 years	1999
Telenor IT-service och Installasjon AB	29	5 years	1999
Nextra SPA	78	5 years	1999
EDB Business Partner ASA	404	20 years	1999
Telehuset AS	37	5 years	1995/1998
Soleil Publicite S.A.	34	5 years	1998
Telenor Vision AB	64	10 years	1998
Telenor Magnet GmbH	47	5 years	1998
EDB Novit AS	225	10 years	1997
Norcom Network Communication Inc.	23	5 years	1996
Other	283	5-10 years	
Total	1,548		

15 TANGIBLE ASSETS

	Year ended December 31,							
	Accumul. cost 01.01.99	Additions 1999	Foreign exchange adjustm. 1999	Disposals 1999	Depreciations 1999	Acc. depr. and write-downs 12.31.99	Book value 12.31.99	Book value 12.31.98
	(in NOK millions)							
Local, regional & trunk networks	26,315	2,668	1	(27)	(1,419)	(21,036)	7,921	6,709
Mobile telephone network and switches	5,043	1,032	2	(36)	(668)	(3,151)	2,890	2,538
Subscriber equipment	1,261	19	(2)	(7)	(47)	(1,167)	104	134
Switches equipment	12,744	1,037	—	(688)	(1,012)	(8,849)	4,244	4,228
Radio installations	1,589	1	2	—	(5)	(608)	984	987
Cable TV equipment	630	92	—	—	(46)	(355)	367	321
Land	631	91	—	(8)	—	—	714	612
Buildings	6,722	384	—	(182)	(282)	(3,590)	3,334	3,336
Support systems	4,125	1,719	—	(488)	(1,079)	(3,784)	1,572	910
Satellites	2,140	23	—	—	(162)	(575)	1,588	1,727
Total(*)	61,200	7,066	3	(1,436)	(4,720)	(43,115)	23,718	21,502
Work in progress(**)	1,775	375	—	—	—	—	2,150	1,775
Total	62,975	7,441	3	(1,436)	(4,720)	(43,115)	25.868	23,277

(*) Includes NOK 3,800 million in capital leases as of December 31, 1999, mainly switches, GSM Mobile telephone network and satellites

(**) Net additions

Accumulated capitalized interest (cost) was NOK 517 million as of December 31, 1999.

The Group entered into Cross Border Tax Benefit Leases for digital telephony switches and for GSM Mobile network with a book value as of December 31, 1999 of approximately NOK 2,200 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 and write-downs of tangible assets was NOK 4,178 million in 1998 and NOK 3,806 million in 1997.

16 FINANCIAL ASSETS

	1998	1999
	(in NOK millions)	
Long-term receivables(*)	2,339	1,152
Shares and other investments(**)	1,004	1,183
Associated companies and joint ventures(***)	3,878	7,464
Total financial assets	7,221	9,799

(*) **Long-term receivables**

	1998	1999
	(in NOK millions)	
Interest bearing		
Receivables from associated companies and joint ventures	471	96
Loans to employees	19	24
Other long-term receivables	1,605	918
Provision for bad debt	—	(6)
Non-interest bearing		
Receivables from associated companies and joint ventures	27	41
Loans to employees	—	8
Other long-term receivables	238	82
Provision for bad debt	(21)	(11)
Total long-term receivables	2,339	1,152

In 1998 an escrow account of NOK 1,215 million related to the investment in VimpelCommunication was included in other interest bearing receivables.

(**) **Shares and other investments:**

	1998	1999
	(in NOK millions)	
Satellite organizations(1)	800	601
Other shares(2)	204	582
Total shares and capital contributions	1,004	1,183

(1) Satellite organizations 1999:

	Share Owned In %	Total max. Capital	Share of actual max. capital (guarantee)	Book Value
		(in NOK millions)		
EUTELSAT	0.9	ECU 1,900	142	44
INTELSAT	5.6	USD 3,700	1,670	557
Total			1,812	601

Telenor is a member of the satellite organizations, EUTELSAT and INTELSAT. These satellite organizations are financed in part by capital contributed by the members and in part by external loans. Telenor is liable for its portion of the individual satellite organization's obligations, which primarily comprise contracts/orders for new satellites. The obligations are reflected in the satellite organizations' actual maximum capital, which is the upper limit for the satellite organizations' commitments. In 1998 satellites were transferred from Intelsat to a new company, New Skies BV, and in 1999 INMARSAT was organized as a limited company.

(2) Specification on other shares in 1999:

	The Company's share capital(i)	No. of shares Owned by Telenor	Share owned in %	Book value(ii)
Canal Digital Norge AS	2,680	383	14.3	1,224
Medianett shares in Screen Comm	120	2,049	17.0	2,500
Unique AS	6,824	118,194	17.3	5,319
Apotram	153,700	66,700	43.3	1,501
Tele Danmark (DKK)(iii)(iv)	1,082,300	60,200	—	10,926
Sørlandets Teknologisenter AS(iv)	7,100	1,300	18.0	1,300
Visma Marionor	11,437,722	136,830	1.2	4,375
INMARSAT	100,000	680,243	6.0	310,143
New Skies B.V (NLG)	10,000	1	4.2	197,112
North West GSM (USD)	17,289	394.940	12.7	38.893
IT Fornebu AS	290,650	58,850	20.2	—
IT Fornebu Multimedia Læring AS	330,700	52,412	15.8	3,407
Other				4,876
Total other shares				581,576

(i) Amounts in thousand local currency

(ii) Amounts in NOK thousand

(iii) Tele Danmark is a listed company. The quoted price for Telenor shares was NOK 36 million as of December 31, 1999.

(iv) Shares owned directly by Telenor Communication AS

(***) Associated companies and joint ventures

	1998	1999
	(in NOK millions)	
Balance January 1	2,303	3,845
Investment	2,571	4,994
Transferred to/from other investments and sale	—	(157)
Share of result after taxes	(982)	(1,089)
Gains/losses from disposal	—	70
Amortization of goodwill	(115)	(220)
Equity and translations adjustments	68	(61)
Balance December 31	3,845	7,382
Of which investments carried with a negative value (classified as provisions)	33	82
Total associated companies and joint ventures	3,878	7,464

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

Cosmote S.A. (OTE Hellas) is owned by the subsidiary Telenor B-Invest AS in which Telenor International AS owns 73.33% of the shares. The other owner, WR Com Enterprises Ltd (Cyprus), has an option to sell its 26.67% of the shares in Telenor B-Invest AS to Telenor International AS at market price.

Telenor and British Telecom (BT) have entered an agreement as of January 14, 2000 with regard to Esat Digifone. Under the agreement Telenor has the option to sell its 49.5% stake in Esat Digifone to BT for US$1,237 million or to exchange its 49.5% interest in Esat Digifone for a 33% stake in Esat Telecom, with the option to increase its interest to 49.9%. In the event that Telenor does not exercise either option by December 7, 2000, the agreement requires Telenor to sell to Esat Telecom its 49.5% share in Esat Digifone for US$1,237 million. In the event Telenor exercises the option to exchange its interest in Esat Digifone for a 33% stake in Esat Telecom during the option period, Telenor has an additional option to sell its stake in Esat Telecom to BT for US$1,237 million, together with an amount equal to any amounts Telenor expends in increasing its stake up to 49.9%.

Specifications of investments in associated companies and joint ventures:

Company	Share owned in %	Book value 01.01.99	Investments /disposals during 1999	Share of profit after tax(*)	Amortization of excess values/goodwill	Equity and translations adjustments	Book value 12.31.99	Excess values/goodwill 12.31.99
				(in NOK thousands)				
Internordia Communications AB	—	(4,055)	(59,984)	64,039	—	—	—	—
Telenordia AB(**)	33.0	314,039	113,463	(69,190)	—	3,925	362,237	—
Imedia Norge AS(**)	50.0	(1,217)	5,000	(2,376)	—	—	1,407	—
Allegro AB	50.0	6,660	—	—	—	91	6,751	—
Zeta Media AS	77.0	4,329	3,895	(8,224)	—	—	—	—
DiGi.com bhd(***)	30.0	—	1,660,564	—	—	75,611	1,736,175	1,327.825
Connect Austria GmbH	17.5	354,603	—	(254,760)	—	(25,472)	74,371	—
Cosmote S.A.	30.0	551,005	—	52,925	(10,453)	(39,596)	553,881	209,247
ESAT Digifone Ltd.	49.5	195,809	523,100	(93,492)	(27,461)	(17,588)	580,368	440,774
European Telecom S.A. (ProMonte)	44.0	79,337	—	(24,703)	—	(6,859)	47,775	—
Extel Kaliningrad J.S.C	49.0	(5,401)	—	(17,464)	(758)	(836)	(24,459)	5,380
Viag Interkom GmbH & Co.	10.0	1,180,738	1,352,229	(540,594)	(10,764)	(110,485)	1,871,124	166,911
Kyivstar J.S.C	35.0	264,465	23,097	(25,098)	(18,699)	9,212	252,977	225,836
Kola Telekom	50.0	(697)	—	898	—	66	267	—
North West GSM J.S.C	12.7	38,807	(38,807)	—	—	—	—	—
Pannon GSM RT	25.8	512,930	—	109,936	(42,064)	(10,811)	569,991	352,368
StavTeleSot J.S.C	49.0	—	—	(34,877)	—	—	(34,877)	—
VimpelCommunication	31.6	—	1,238,457	(88,706)	(50,694)	59,055	1,158,112	356,773
Canal Digital (Group)	50.0	90,608	62,000	(133,791)	—	—	18,817	—
Inform net partner(**)	50.0	(510)	—	(1,364)	—	273	(1,601)	—
Interinfo OY s.r.o	—	(2,567)	2,567	—	—	—	—	—
Nordic Shopping Channel Ltd.	—	—	2,734	(2,734)	—	—	—	—
Nord Trans Biuro Reklam Sp. z.o.o	50.0	(1,690)	—	—	—	20	(1,670)	—
Polskie Dsiaski Telefoniczne Sp.z.o.o	50.0	36,655	407	4,904	(10,715)	(2,298)	28,952	29,569
SBS Interactive AB	—	2,932	7,477	(10,409)	—	—	—	—
DM-Huset AS	34.0	8,165	—	4,039	(246)	—	11,958	—
Broadcast Text AS	100.0	11,874	3,400	(3,603)	—	—	11,671	6,840
Games AS	33.3	(924)	—	—	—	924	—	—
TVNorge Interaktiv AS	—	3,014	3,109	(6,123)	—	—	—	—
TV-Torget AS	32.5	—	2,272	(2,272)	—	—	—	—
Norkring AS	—	167,155	(172,911)	5,756	—	—	—	—
Schibstedt Interaktiv AB	34.0	(11,680)	—	90	—	—	(11,590)	—
Scandinavia Online AB	20.0	2,096	11,360	(13,929)	—	—	(473)	—
Scandinavia Online AS	34.5	21,913	551	27,692	—	—	50,156	—
Logan-Orviss International Inc.	44.0	—	2,811	735	(227)	14	3,333	1,301
Business Data Consulting AS(**)	38.0	—	25,093	677	(2,611)	—	23,159	14,794
Ephorma AS	50.0	—	54,811	9,098	(12,013)	1,637	53,533	8,788
Starlight Communication LLC Ltd.	39,8	5,648	—	(5,931)	—	2,120	1,837	—
Wahlberg & Selin AB	31.8	3,275	—	(129)	(1,408)	241	1,979	2,057
Kommunikasjons-Produkter AS	49.0	6,728	—	(904)	(1,003)	—	4,821	2,005
Other		10,878	12,581	10,443	(491)	(269)	31,442	—
Total		3,844,923	4,837,576	(1,049,443)	(189,606)	(61,026)	7,382,424	3,150,468

(*) Includes gains on sale.

(**) Shares owned directly by Telenor Communication AS.

(***) Digi.com was acquired on December 15, 1999. Because share of the profit after tax related to Digi.com and the amortization of the acquired goodwill was determined to be immaterial to the 1999 financial statements, no amounts were recorded in 1999.

Summary financial information for our investment in Viag Interkom GmbH & Co accounted for by the equity method is as follows based on Norwegian GAAP (100% basis):

	Year ended December 31,		
	1997	1998	1999
	(in NOK millions)		
Fixed assets	1,961	8,627	14,261
Current assets	1,020	2,299	6,125
Long-term liabilities	15	31	55
Short-term liabilities	2,033	3,507	6,582
Revenues	863	1,629	6,397
Operating profit	(2,356)	(5,611)	(7,722)
Profit for the year	(2,075)	(3,927)	(5,406)

17 CURRENT RECEIVABLES

Accounts receivable

	1998	1999
	(in NOK millions)	
Accounts receivable	4,722	5,096
Provision for bad debt	(327)	(505)
Total accounts receivable	4,395	4,591

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:

	1998	1999
	(in NOK millions)	
Interest bearing		
Receivables from associated companies and joint ventures	90	193
Receivables from others	84	65
Non-interest bearing		
Receivables from associated companies and joint ventures	2	80
Receivable on employees	—	23
Other short-term receivable	472	365
Provision for bad debt	(23)	(16)
Total other current receivables	625	710

Prepaid expenses and accrued revenue:

	1998	1999
	(in NOK millions)	
Prepaid expenses	292	367
Accrued revenue	1,267	1,534
Total prepaid expenses and accrued revenue	1,559	1,901
Total current receivables, etc.	6,579	7,202

18 SHORT TERM INVESTMENTS

	1998	1999
	(in NOK millions)	
Bonds/Commercial paper(*)	241	13
Shares(**)	356	390
Total short term investments	597	403

(*) Bonds and commercial paper are used for short-term placement of liquidity.

(**) Specification of shares classified as current assets.

	No. of shares	Share owned in %	Book value(*)
Agder Data AS(**)	61,300	100.0	54,400
MODE International BV	3,979	46.2	31,581
Telepost Holding Inc.	1,067,354	8.4	24,980
Q-Free ASA	217,545	15.0	12,042
ComputerHouse ASA	1,295,222	24.0	8,293
Eltek ASA	618,500	4.4	14,108
Incom AS	579,454	13.0	4,751
Utel AS	82,532	21.9	1,009
Open World Distribution AS	90,680	22.7	—
Cell Network AB (publ.)	992,902	5.0	10,599
Eye Control Technique AB	3,519,958	37.0	18,253
Incatel AS	75,740	71.8	14,933
Hubshop AS	1,718,699	38.0	6,123
Idonex AB	28,333	23.4	3,357
Polydisplay ASA	3,079,515	24.0	12,573
MRT Micro ASA	5,798,667	14.2	21,898
MRT Mpire Inc.	600,000	20.0	2,028
Gran-Jansen AS	644,720	25.0	9,339
Maritech AS	36,500	26.1	6,625
ClustRa Invest AS	46,434	65.3	13,533
Telenostra AS	34,615	32.0	2,300
Techno Venture AS	1,500	100.0	18,175
Hegel AS	63,120	49.9	5,338
Data Respons AS	417,100	34.0	11,540
SevenMountains Software AS	1,994,144	13.7	12,570
Televenture AS	500	100.0	50

	No. of shares	Share owned in %	Book value(*)
IT Industrikapital AS	500	100.0	50
First Class Sweden AB	345	31.0	4,594
Industriventure AS	1,100	100.0	110
Industribygger AS	1,100	100.0	110
Nordisk Språkteknologi AS	23,440	20.6	15,767
ZoomOn AB	847,200	11.8	6,448
Melody Interactive Solutions AB	250,000	20.0	5,369
MassMarket AS	66,667	17.2	9,999
MagCom AS	150,000	17.2	15,000
E-Hand AB	6,943	5.9	2,301
Trøndelag Vekst AS(**)	19,335	2.9	3,000
Other			6,429
Total shares classified as current asset			389,575

(*) Amount in NOK thousand.

(**) Shares owned directly by Telenor Communication AS.

Eltek ASA and Cell Network AB are listed companies. The quoted prices as of December 31, 1999 were NOK 43.3 million and NOK 222.8 million respectively. The above shares are mainly owned by Telenor Venture.

19 PROVISIONS

	1998	1999
	(in NOK millions)	
Provisions for pensions	708	509
Deferred tax liability	101	—
Other provisions(1)	33	120
Total provisions	842	629

(1) Other provisions include associated companies and joint ventures with a negative book value of NOK 82 million and NOK 33 million at year-end 1999 and 1998, respectively.

20 INTEREST BEARING LIABILITIES

	1998	1999
	(in NOK millions)	
Euro Commercial paper loans	1,559	829
Norwegian Commercial paper loans	—	1,200
EMTN loans	5,902	9,500
Loans from Japanese investors	1,304	1,304
Subordinated loan	609	—
Satellite leasing	1,611	1,499
Other	315	610
Long-term interest bearing liabilities	11,300	14,942
Short-term interest bearing liabilities	153	127
Total interest bearing liabilities	11,453	15,069

A short-term Euro Commercial Paper program (ECP) was established in 1996, with a US$ 500 million limit. As of December 31, 1999, commercial paper outstanding under this program totaled NOK 829 million, with an average maturity of 1.5 months. In addition, Telenor made three commercial paper issuances in the Norwegian market in 1999, totaling NOK 1,200 million at December 31, 1999.

In 1996, Telenor established its Euro Medium Term Note Program (EMTN). The current program size is US$2,000 million. At December 31, 1999, ordinary bonds issued under the program had a book value of NOK 9,500 million, with terms between 1 and 7 years.

Loans from Japanese private investors were established in 1994 and 1995. As of December 31, 1999, the outstanding amount of these totaled NOK 1,304 million, with terms of 10 years.

All loans are unsecured but contain provisions restricting the pledge of assets to secure future borrowings without granting a similar secured status to the existing lenders (negative pledges).

Telenor Satellite Services AS established lease financing agreements for the two satellites, Thor II and Thor III, in 1997 and 1998. The Thor II lease agreements were signed in March 1998, and have a nominal amount of NOK 567 million at December 31, 1999. The Thor III leasing was signed in December 1997, and has a nominal amount of NOK 932 million at December 31, 1999. Both leasing transactions are amortized over 12 years, with a final maturity in 2010.

Telenor Nett AS entered into a Cross Border Tax Benefit Lease for digital telephony switches in 1998. Telenor Mobil AS entered into a Cross Border Tax Benefit Lease agreement for GSM Mobile telephone network in 1999. The agreement called for the prepayment of all amounts due by the parties under the lease to financial institutions. The leasing obligations and the unused prepayments are netted in the balance sheet, and are not reflected in the tables above and below.

The average weighted term (maturity) of the Group's outstanding interest bearing (long-term) liabilities drawn up via the Group Treasury (NOK 12,833 million) was 3.6 years at December 31, 1999 with corresponding average (interest) duration, including interest rate swaps of 1.13 years.

Maturities of the Group's long-term interest bearing liabilities:

Year	Installment (in NOK millions)
2000	1,711
2001	3,279
2002	1,404
2003	1,641
2004	1,948
After 2004	4,959
Total long-term interest bearing liabilities	14,942

Distribution of long-term funding in originated currencies

	Average fixed interest rate as of Dec. 31, 1999	Foreign Currency as of Dec. 31, 1999	Norwegian Kroner as of Dec. 31, 1999	Norwegian Kroner as of Dec. 31, 1998
		(in NOK millions)		
Euro Commercial paper loans				
CHF	2.81%	10	52	—
USD	5.64%	100	777	988
FRF	—	—	—	186
ECU	—	—	—	327
GBP	—	—	—	58
Norwegian Commercial paper loans				
NOK	6.30%	—	1,200	—
EMTN loans				
AUD	3.39%	37	186	186
CHF	1.41%	698	3,537	2,499
EUR	4.32%	143	1,086	
JPY	4.46%	11,500	687	687
USD	5.59%	550	4,004	1,356
DEM	—	—	—	1,174
Loans from Japanese investors				
JPY	4.26%	19,000	1,304	1,304
Subordinated loan				
ECU	—	—	—	609
Satellite leasing				
GBP	6.45%	117	1,499	1,611
Other	Between 5-12%		610	315
Total long-term interest bearing liabilities			14,942	11,300

21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Telenor is exposed to interest rate fluctuations on liabilities. Telenor operates in several countries, giving rise to exposure to market risks from changes in exchange rates. Derivative financial instruments are used to manage such risk.

Foreign exchange risk management

In order to take advantage of favorable nominal interest rates of certain foreign debt markets, Telenor incurs liabilities denominated in foreign currency. To manage the related exposure to unfavorable currency fluctuations, Telenor uses various financial instruments, principally cross currency interest rate swaps and foreign currency forward contracts. Telenor maintains foreign currency debt and foreign currency contracts for hedging purposes in major currencies up to an amount corresponding to the original net investment in subsidiaries, associated companies and joint ventures.

Interest rate risk management

To manage the exposure to changes in interest rates and to lower the overall costs of financing Telenor utilizes interest rate swaps, interest rate caps and forward rate agreements (FRA). Interest rate swaps are used to exchange the real interest rate exposure on the underlying assets or liabilities from a fixed interest rate to a 6 month floating interest rate in the same currency or vice versa.

The notional amounts of foreign currency swaps and foreign currency forward contracts:

	Currency		Norwegian Kroner	
	Buy	Sell	Buy	Sell
	(in local currency millions)			
NOK	2,007	(539)	2,007	(539)
CHF	10	—	52	—
USD	68	(46)	539	(359)
EUR	—	(208)	—	(1,700)

All the swaps contracts mature within 1 year.

Interest rate instruments outstanding as of December 31, 1999:

Telenor Pays	Telenor receives	Instrument	Average years to maturity	Amounts in millions (currency)
Fixed	Floating	Interest rate swap	3.58	NOK 1,967
Fixed	Floating	Interest rate Cap	2.59	NOK 300
Floating	Fixed	Interest rate swap	2.71	EUR 92
Floating	Fixed	Interest rate swap	2.55	USD 270
Floating	Fixed	Interest rate swap	5.67	JPY 5,000
Floating	Fixed	Interest rate swap	3.33	CHF 182

Cross currency and interest rate instruments outstanding as of December 31, 1999:

Telenor Pays Currency	Telenor pays interest	Telenor receives currency	Telenor receives interest	Instrument		Average years to maturity	Amounts in millions
NOK	Floating	USD	Fixed	Cross currency	IR swap	6.25	NOK 780
EUR	Fixed	USD	Fixed	Cross currency	IR swap	6.25	NOK 1,377
USD	Floating	CHF	Fixed	Cross currency	IR swap	2.94	NOK 2,621
NOK	Floating	USD	Floating	Cross currency	IR swap	3.03	NOK 4,407
NOK	Floating	JPY	Fixed	Cross currency	IR swap	4.84	NOK 839
NOK	Floating	JPY	Floating	Cross currency	IR swap	5.67	NOK 330
USD	Floating	JPY	Fixed	Cross currency	IR swap	5.49	NOK 883
USD	Floating	AUD	Fixed	Cross currency	IR swap	6.42	NOK 126
ATS	Floating	CHF	Floating	Cross currency	IR swap	3.33	NOK 412
SEK	Floating	CHF	Floating	Cross currency	IR swap	3.33	NOK 515
SEK	Floating	DEM	Floating	Cross currency	IR swap	2.67	NOK 222

All floating interest rates (NIBOR, LIBOR and STIBOR) are 6 month.

Two interest rate swap contracts entered into in 1995 with total nominal amounts of NOK 400 million, which were used for hedging, were sold in 1999. The net realized loss of NOK 42 million is amortized over the original lifetime of the contracts. Deferred net losses (including five interest rate swap contracts sold in 1998) at December 31, 1999 were NOK 42 million.

Forward rate agreements (FRA)

FRA contracts are generally used as hedging instruments for interest rate risk management. Telenor had a long position in FRA contracts outstanding at December 31, 1999 with a total notional amount of NOK 1.2 billion. The contracts had an average remaining lifetime of 0.5 years and average interest of 5.70%. Telenor occasionally uses FRA contracts which do not meet the established hedging criteria. At December 31, 1999 there were no such contracts.

Commodity price risk management

Telenor uses electricity futures and forward contracts to manage price risk related to the expected use of electricity. The contracts are traded through the Nordic electricity exchange, Nor Pool ASA. The contracts are fulfilling the criteria of hedge accounting, and profit and loss from the contracts are not recognized in the profit and loss account. The nominal amounts of the contracts are NOK 26 million for 2000 and NOK 12 million for 2001.

Liquidity and credit risk management

Telenor has limited surplus liquidity invested in short-term interest bearing instruments with limited credit risk. The exposure limit for each counterpart is set according to the creditworthiness of that party.

Telenor accepts only creditworthy counterparts in financial transactions, such as swaps and derivatives. The exposure limit for each counterpart is set according to the rating of that party.

Fair value of financial instruments

The estimated fair value of the company's financial instruments is 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.

At December 31, 1998, and 1999 the book value for financial instruments approximates fair value with the following exceptions:

	Book Value 1998	Fair Value 1998	Book Value 1999	Fair Value 1999
		(in NOK millions)		
Financial assets:				
Listed shares	182	306	36	302
Financial liabilities:				
Long-term liabilities	(11,300)	(12,127)	(14,942)	(15,875)
Instruments used to manage interest rate exposure:				
Gain on interest rate swaps	—	109	—	94
Loss on interest rate swaps	—	(105)	—	(66)
Gain on FRA contracts	—	1	—	—
Instruments used to manage foreign exchange exposure and interest rate exposure:				
Gain on cross currency IR-swaps	—	1,279	—	2,096
Loss on cross currency IR-swaps	—	(503)	—	(982)
Gain on forward currency contracts	—	22	—	2
Loss on forward currency contracts	—	(56)	—	—
Instruments used to manage commodity price risk:				
Loss on electricity future and forward contracts	—	(2)	—	(5)

The following methods and assumptions were used to estimate the fair value of financial instruments, shown in the table above.

Listed shares

The fair values of investments are based on quoted prices at the end of the year.

Long-term liabilities

The fair value of long-term liabilities is based on discounted cash flows. Interest rate and currency contracts have not been taken into account in determining the fair values of the long-term liabilities. The cash flows have been discounted using current interest rates at which similar debt could be obtained for the remaining maturities and converted to NOK using quoted exchange rates.

Instruments used to manage interest rate and foreign exchange exposure

The fair value is based on discounted future cash flows using quoted exchange rates and interest rates.

Instruments used to manage commodity price risk

The fair value is based on quoted electricity prices at the end of the year.

22 NON-INTEREST BEARING LIABILITIES

	1998	1999
	(in NOK millions)	
Accounts payable	2,487	3,085
Government taxes, tax deductions	1,867	1,981
Dividend payable	700	500
Taxes payable	1,132	1,676
Accrued expenses	1,503	1,708
Advances from customers	1,211	1,002
Provision for restructuring	46	36
Other current liabilities	609	684
Total current non-interest bearing liabilities	9,555	10,672
Long-term non-interest bearing liabilities	146	391
Total non-interest bearing liabilities	9,701	11,063

23 MORTGAGES AND GUARANTEES

	1998	1999
	(in NOK millions)	
Mortgages		
Inventories, receivables, tangible assets, etc.	1,857	1,747
Total mortgages	1,857	1,747
Guarantees		
Satellite organizations	2,467	1,812
Other guarantees	363	1,295
Total guarantees	2,830	3,107

24 COMMITMENTS AND CONTINGENCIES

In March 1998, NetCom GSM ASA issued a writ against Telenor Nett AS before the Oslo City Court. NetCom claims that Telenor's prices on leased lines in the years 1993 through 1996 were not in accordance with the official telecommunications regulations requiring cost orientated pricing of rented lines. NetCom claims approximately NOK 97 million in reimbursement, plus interest, alleging that it paid excess fees for leased lines. Telenor is disputing the claim.

In December 1997 Teletopia AS sued Telenor Communication AS claiming that an agreement from 1995 between the two companies still should be valid, demanding that Telenor was to supply Teletopia with a large number of telecommunications connections. Teletopia also claimed that Telenor should be ordered to pay damages to be set at the discretion of the court, maximum NOK 45 million. The plaintiff has reserved the right to increase the claim for damages. Telenor refuses the claim and has not recorded any liability in respect of the claim.

While acknowledging the uncertainties of litigation, management believes that these matters will be resolved without a material effect on our financial position or results of operations.

25 CONTRACTUAL OBLIGATION

The Group has entered into agreements with fixed payments in the following areas as of December 31, 1999:

	2000	2001	2002	2003	2004	After 2004
			(in NOK millions)			
Rent of premises	435	361	277	176	146	176
Rent of cars, office equipment, etc.	206	165	113	58	9	5
Energy	130	99	45	45	45	—
Rent satellite capacity, etc.	337	247	208	103	63	291
IT-related agreements	217	85	47	23	23	—
Committed investments						
Associated companies	2,642	971	—	—	—	—
Properties and equipment	1,010	112	206	9	10	—
Other contractual liabilities	930	205	172	139	66	65
Total contractual obligation	5,907	2,245	1,068	553	362	537

26 RELATED PARTIES

Telenor ASA is 100% 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 1999 and 1998 Telenor received NOK 76 million and NOK 100 million respectively under this agreement (no compensation for 1997).

In addition Telenor provides mobile and fixed telephony services, leased lines, customer equipment, Internet connections, TV distributions and installation and IT operations/services to the state in the normal course of business and at arms-length prices. In 1999 Telenor acquired land on Fornebu for its new main office from the Norwegian state. The total consideration was NOK 471 million.

Telenor pays an annual fee to PT for delivering telephony services. The fee was NOK 42 million in 1999, NOK 41 million in 1998 and NOK 41 million in 1997.

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 188 million in 1999, NOK 145 million in 1998 and NOK 14 million in 1997.

Associated companies abroad hire personnel from Telenor Consult. A total of NOK 49 million, NOK 78 million and NOK 51 million was invoiced for these services in 1999, 1998 and 1997, respectively.

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 Telenor Group has established Group bank accounts with two banks. Under these agreements, Telenor Communication AS is the Group accountholder, whereas the other companies in the Group are sub-account holders or participants. The banks can set off balances in their favor against deposits, so that the net position represents the net balance between the bank and the Group account holder.

Restricted cash

	1997	1998	1999
	(in NOK millions)		
For employees' tax deduction	48	18	35
Other	2	1	55
Total	50	19	90

Non monetary transactions

	1997	1998	1999
	(in NOK millions)		
Financial lease	—	1,611	—
Issuance of shares in a business combination	—	—	619
Total	—	1,611	619

In addition, NOK 1,215 million of the investment in VimpelCommunication was reported as an investment in the cash flow statement in 1998.

28 SHARE SPLIT AND SHARE DIVIDEND ISSUE

The shareholders' 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 newly issued shares are held by Telenor as treasury shares and will be used to grant additional bonus shares to retail investors in Norway.

29 UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Group's consolidated financial statements have been prepared under Norwegian GAAP, which differs in certain respects from US GAAP. The principal differences between the Group's accounting principles under Norwegian GAAP and US GAAP are set out below:

Reconciliation of net income from Norwegian GAAP to US GAAP

	Note	1998	1999
		(in NOK millions, except per share amounts)	
Net income in accordance with Norwegian GAAP		1,710	2,035
Adjustments for US GAAP:			
Capitalized interest associated companies	1	57	—
Depreciation of previously capitalized interest	1	(4)	(5)
Restructuring costs and employee termination benefits	2	(234)	—
Pensions	3	(18)	(18)
Amortization of license costs and related goodwill	4	30	(3)
Temporary investment in entities	5	(20)	(53)
Gains on subsidiaries equity transactions and sale of shares in subsidiary	6	—	307
Stock compensation	8	—	(30)
Tax effect of US GAAP adjustments	9	53	(64)
Minority interest	6	4	19
Net income in accordance with US GAAP		1,578	2,188
Net income (basic and dilutive) per share in accordance with US GAAP		1.194	1.563
Weighted average number of shares outstanding		1,322,166,667	1,400,000,000
Revenues in accordance with US GAAP		28,670	32,716

Reconciliation of shareholder's equity from Norwegian GAAP to US GAAP

	Note	1998	1999
		(in NOK millions)	
Shareholder's equity in accordance with Norwegian GAAP		18,515	20,033
Adjustments for US GAAP:			
Dividends	10	700	500
Gains on subsidiaries' equity transactions and sale of shares in subsidiary	6	—	307
Capitalized interest	1	79	79
Depreciation of previous capitalized interest	1	(4)	(9)
Pensions	3	208	190
Amortization of license costs and related goodwill	4	55	52
Temporary investments in entities	5	(62)	(115)
Equity and debt securities	7	89	192
Stock compensation	8	—	(30)
Tax effect of US GAAP adjustments	9	(77)	(141)
Minority interest	6	9	(23)

	Note	1998	1999
		(in NOK millions)	
Shareholder's equity in accordance with US GAAP		19,512	21,035
Total assets in accordance with US GAAP		43,728	53,787
Long-term liabilities in accordance with US GAAP		12,403	19,252

The following table reflects the components of comprehensive income under US GAAP

	1998	1999
	(in NOK millions)	
Net income	1,578	2,188
Other comprehensive income		
Unrealized gain/loss on available for sale securities	(36)	52
Translation adjustment	27	(17)
Total other comprehensive income	(9)	35
Comprehensive income	1,569	2,223

(1) Capitalized interest

Under Norwegian GAAP the Group has expensed interest incurred in connection with the financing of associated companies.

Under US GAAP interest incurred on equity funds, loans and advances to associated companies, under a period which the associated company is undergoing activities necessary to start its planned principal operations and such activities include the use of funds to acquire qualifying assets for its operations, shall be capitalized. Depreciation started in 1998 since those companies started their principal operations in 1998.

(2) Restructuring costs and employee termination benefits

In 1997, under Norwegian GAAP, the company recorded certain provisions for restructuring, redundancy and liquidation of operations costs, which were to be incurred in 1998.

Under US GAAP, a liability for the cost of employee termination benefits can only be recognized if, before the date of the financial statements, management has authorized and committed to a plan, the arrangement has been communicated to employees and the number and type of employees to be terminated have been identified. A provision for restructuring costs can not be made if these costs are not incremental to other costs the Group incurs.

As a result of not meeting such criteria under US GAAP, an adjustment has been reflected to record the restructuring cost in 1998, under US GAAP.

(3) Pensions

In 1995 the Group began to account for pensions according to the accounting standard which is substantially consistent with US GAAP. The change in accounting principle was offset directly against shareholder's equity.

Under US GAAP the effect of adopting SFAS 87 would be amortized over the remaining average service period.

(4) Amortization of license costs and related goodwill

Up to the end of 1997 the Group amortized license costs and goodwill related to acquired licenses over a period not exceeding 10 years. With effect from 1998 the amortization period has been changed to the term of the license. In accordance with Norwegian GAAP this change has been accounted for as a change of estimate, with no retroactive restatement of prior periods.

Under the US GAAP reconciliation, this revision in the amortization period was accounted for retroactively.

(5) Temporary investment in entities

Investments in entities in which the Group has an ownership that are considered to be temporary in nature are recorded at cost or written down to fair value. The Group invests periodically in companies for the purpose of making profits.

Under US GAAP, all temporary investments with an ownership greater or equal to 20% are accounted for under the equity method or consolidated. The effect on the financial statements of temporary investments consolidated under US GAAP are immaterial.

Total assets accounted for under the equity method for US GAAP was NOK 4,081 million for the year ended December 31, 1998 and NOK 7,705 million for the year ended December 31, 1999.

Total assets accounted for under the cost method for US GAAP was NOK 50 million for the year ended December 31, 1998 and NOK 730 million for the year ended December 31, 1999.

(6) Gain from subsidiaries equity transactions, sale of shares in a subsidiary and minority interest

Under Norwegian GAAP, no gains from subsidiary's equity transactions and sale of shares in a subsidiary are recognized.

Under US GAAP, the Group records gains from subsidiary equity transactions (SAB 51 transactions) and sale 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 through allocating results to minority.

This allocation is not consistent with US GAAP.

The following information relates to the issuance of subsidiary shares in 1999 under US GAAP:

Telenor's 100% owned subsidiary Telenor Programvare AS (now EDB Business Partner ASA) and the listed company EDB ASA merged in a purchase business combination in 1999, where the shareholders in EDB ASA received 34% of the shares in Telenor Programvare AS in exchange for its ownership in EDB AS. The total consideration was NOK 547 million based on the quoted price of EDB ASA at the date the transaction was announced. Recognized gain was NOK 192 million. In September 1999 Telenor sold 4.1 million of its shares in EDB Business Partner ASA. The total consideration was NOK 144 million. The resulting gain was NOK 94 million. In November 1999, Telenor B Invest issued shares to a minority shareholder for cash, reducing Telenor's ownership stake in the company by 26.67%. The total consideration was NOK 230 million. Recognized gain was NOK 21 million. Taxes have been accrued in the tax effect line item of US GAAP adjustments.

(7) Marketable equity securities

For investments in marketable equity securities classified as current assets that are managed as a portfolio adjustments in the book value are only made if the aggregate holdings have a lower estimated fair value than the original cost. Other marketable shares are valued at the lower of cost or fair market value. Investment in marketable equity securities classified as long-term are valued at historical cost or possibly fair value if the decline in value is not temporary.

Under US GAAP, marketable equity securities are valued at their fair value for each security. For marketable equity securities classified as available for sale, unrealized gains and losses after tax are recorded directly to shareholder's equity. All listed shares are classified as available for sale in accordance with SFAS 115.

As of December 31, 1998 and 1999, available for sale securities at cost amounted to NOK 182 million and NOK 36 million, respectively, with unrealized holding gains of NOK 124 million and NOK 266 million, respectively. For the years ended December 31, 1998 and 1999, proceeds from the sale of available for sale securities was NOK 114 million and NOK 660 million, respectively, and the gross realized gain from such sales was NOK 54 million and NOK 509 million, respectively.

(8) Stock compensation

The subsidiary EDB Business Partner ASA has stock compensation plans for its employees. The exercise price is based on the share price when the option was granted and is increased by 1% for each subsequent month until the date of exercise. Most of the options that are not exercised according to the plan can be carried forward to the next year.

In accordance with Norwegian GAAP, the Group did not recognize expense for stock options with no intrinsic value that were granted to employees.

In accordance with US GAAP, the measurement date for determining compensation costs for stock options is the first date at which the number of shares the employee is entitled to receive and the exercise price of the options are known. When EDB Business Partner ASA granted stock options, the number of shares was known at the grant date; however, the exercise price to be paid was not known because it was not known when the employee would exercise the option. Accordingly, variable plan accounting would apply under US GAAP and the intrinsic value of the options at the end of each reporting period, based on the presumed exercise price and the quoted marked 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 two stock incentive plans for its employees:

1. An "old" share option plan, established in 1997, by what was then EDB ASA, that was consolidated by EDB Business Partner as of May 1999, and

2. A new universal share option plan established in 1999 for all employees of EDB Business Partner ASA (including employees of recently acquired companies).

The old plan expired in May 2000, when the last exercise of options granted took place. The new universal share option plan has the approval of the shareholders of EDB Business Partner to grant options for the year ended December 31, 2000. The continuation of the plan in the years 2001 and 2002 requires, and is subject to, additional shareholder approval. Norwegian law requires shareholder approval of share issues, and the Board of Directors can not obtain power of attorney to execute such plans due to the longevity of the exercise period. For the purpose of these financial statements these grants should be considered effective.

As of December 31, 1999, EDB Business Partner's two stock incentive plans have authorized the grant of options to employees for up to 9,360,560 shares of EDB Business Partner's common shares. Options granted had one to five year terms, where one-third of the options under the old plan may be exercised each year whereas one-third of vested options under the new plan 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, with the exclusion of the old plan options which must be exercised in May 2000, or expire. Of the total options outstanding at year-end, options for 2.4 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 7.0 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 1999 were risk-free interest rates of 6.0%; dividend yield of zero; volatility factor of the expected market price of EDB Business Partner's common shares of 0.53; and a weighted-average expected life of the options of 4.1 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 reduced to the following:

	1999
Pro forma net income based on US GAAP (in millions)	NOK 2,199

EDB Business Partner recognized NOK 12.1 million in pro forma compensation expense under SFAS 123 for 1999.

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 activity and related information for the years ended December 31 follows:

Options Outstanding

	Options	Weighted Average Exercise Price (in NOK)
Balance, December 31, 1998	—	—
Options acquired, under old plan, valued at original date of grant:		
Options granted June 1997	711,339	16.32
Options granted September 1997	66,445	22.61
Options granted December 1997	301,339	24.70
Options granted July 1998	741,162	36.90
Options granted November 1998	156,536	25.59
Options granted, under new universal share option plan	7,383,739	62.00
Balance, December 31, 1999	9,360,560	54.46

The table below details EDB Business Partner's options outstanding by related option exercise price and is based on the final exercise dates of both plans. Some options under the new plan may be exercised prior to the termination of the plan.

Weighted Average Exercise Price (in NOK)	Options Outstanding	Weighted Average Remaining Life	Options Exercisable
16.32	711,339	0.3	—
22.61	66,445	0.3	—
24.70	301,339	0.3	—
25.59	156,536	0.3	—
36.90	741,162	0.3	—
62.00	7,383,739	4.3	—
—	9,360,560	3.5	—

For 1999, the weighted average grant date fair value of options was NOK 40.00.

(9) Taxes

The income tax effects of US GAAP adjustments are recorded as a deferred tax expense.

(10) Dividends

Under Norwegian GAAP, dividends payable reduce shareholder's equity for the year in which they relate.

Under US GAAP, dividends payable are recorded as a reduction of shareholder's equity when approved.

(11) Cross border tax benefit leases

The Group has offset the future lease obligations under the digital telephone switches and the GSM Mobile telephone network cross border tax benefit lease transaction against the unused prepayments on deposits at financial institutions.

Both under Norwegian GAAP and under US GAAP we have deferred the gain from the transactions since there is more than a remote possibility of loss of the gain due to indemnification or other contingencies.

Under US GAAP, assets and liabilities may not be offset except when there exists the legal right to offset the asset and liability. The legal right to offset the prepaid lease amount against the future lease obligations do not legally exist therefore, under US GAAP, the prepaid lease amounts and the Group's future obligations under the sales-leaseback transactions are recorded gross on the consolidated balance sheet as financial assets and long-term interest bearing liabilities in the amount of approximately NOK 4,413 million for the year ended December 31, 1999 and financial assets and long-term interest bearing liabilities of NOK 1,633 million for the year ended December 31, 1998. This does not affect the profit and loss statement or shareholder's equity.

At December 31, 1999 future minimum annual rental commitments under capital lease liability are as follows under US GAAP:

Year ending December 31,	(in NOK millions)
2000	365
2001	545
2002	548
2003	558
2004	713
Later years through 2015	6,544
Total minimum lease payments	9,274
Less amount representing interest	3,239
Capital lease obligation under US GAAP	6,035
Capital lease obligation under Norwegian GAAP	1,499
Deferred gain (both Norwegian and US GAAP)	123

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):

	1998	1999
	(in NOK millions)	
Satellites	1,640	1,590
GSM mobile telephony network	—	1,430
Switches	960	780
	2,600	3,800

Gross book value and accumulated depreciation of the capital lease property are as follows:

	1998	1999
	(in NOK millions)	
Switches at cost	1,826	1,826
Accumulated depreciation	(826)	(1,046)
Net book value	960	780
GSM mobile telephony network at cost	—	2,648
Accumulated depreciation	—	(1,218)
Net book value	—	1,430
Satellites at cost	2,046	2,140
Accumulated depreciation	(406)	(550)
Net book value	1,640	1,590

(12) Revenue recognition

Under Norwegian GAAP gains on the sale of fixed assets and operations are included in net revenues. Under US GAAP such gains would be included in other operating income.

Under Norwegian GAAP revenue from telecommunications installation fees and connection fees are recognized in revenue at the time of the sale and all initial direct costs are expensed as incurred. Under US GAAP, such connection and installation fees that do not represent a separate earnings process should be deferred and recognized over the periods that the fees are earned which is the expected period of the customer relationship. Initial direct costs to the extent of the deferred revenue should also be deferred over the same period that the revenue is recognized. The effect on net income of this difference is not material.

SAB 101

The Company has considered the effect of SAB 101 and determined that it would not have a material effect on net income for any period presented.

New US Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, ''Accounting for derivative instruments and hedging activities'' (SFAS 133). SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the item in the income statement or other comprehensive income (depending on the type of hedge). To adopt hedge accounting a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

SFAS No. 137 delayed the effective date of SFAS 133 to fiscal years beginning after June 15, 2000. SFAS No. 138, ''Accounting for Certain Derivative Instruments and Certain Hedging Activities'', addresses a limited number of implementation difficulties involved in applying SFAS 133.

Telenor has not yet determined the effect of the application of SFAS 133 on the balance sheet or the profit and loss statement.

TELENOR ASA

Unaudited Consolidated Statement of Profit and Loss

	Note	Year 1999 NOK	For the Nine Months Ended September 30, 1999 NOK	2000 NOK	2000 US$*
		(in millions, except per share amounts)			
Revenues	2	32,685	24,295	26,650	2,937
Gains on sale of fixed assets and operations	2	783	57	594	66
Total revenues		33,468	24,352	27,244	3,003
Operating expenses					
Cost of materials and traffic charges	4	9,016	6,722	6,898	760
Own work capitalized	5	(1,773)	(1,115)	(1,110)	(122)
Salaries and personnel costs	6	8,961	6,429	7,691	848
Other operating expenses	7	7,913	5,588	6,299	694
Loss on sale of fixed assets and operations		302	219	10	1
Depreciation		4,720	3,498	3,867	426
Amortization		327	187	372	41
Total operating expenses		29,466	21,528	24,027	2,648
Operating profit		4,002	2,824	3,217	355
Associated companies		(1,239)	(815)	(767)	(85)
Financial income and expenses					
Financial income		677	535	456	50
Financial expenses		(761)	(623)	(1,150)	(127)
Net gain financial items		635	13	215	24
Net financial items	8	551	(75)	(479)	(53)
Profit before taxes and minority interests		3,314	1,934	1,971	217
Taxes	9	(1,323)	(772)	(1,380)	(152)
Profit before minority interests		1,991	1,162	591	65
Minority interests		44	50	5	1
Net income		2,035	1,212	596	66
Net income per share in NOK (basic and diluted)		1.454	0.866	0.426	0.047

* Convenience translation at September 29, 2000 rate of NOK 9.0725 = US$1.00.

TELENOR ASA

Unaudited Consolidated Balance Sheet

	Note	December 31, 1999	September 30, 1999	September 30, 2000	September 30, 2000
		NOK	NOK	NOK	US$*
			(in millions)		
Assets					
Intangible assets		1,950	1,759	6,051	667
Tangible assets		25,868	24,876	28,494	3,141
Financial assets		9,799	7,930	43,996	4,849
Total fixed assets		37,617	34,565	78,541	8,657
Inventories		680	662	775	85
Current receivables etc.		7,202	7,745	9,133	1,007
Short-term investments		403	600	507	56
Cash and cash equivalents		2,124	2,564	2,207	243
Total current assets		10,409	11,571	12,622	1,391
Total assets		48,026	46,136	91,163	10,048
Equity and liabilities					
Equity and minority interests					
Shareholder's equity		20,033	19,676	20,723	2,284
Minority interests		1,232	881	2,847	314
Total equity and minority interests		21,265	20,557	23,570	2,598
Liabilities					
Provisions		629	591	1,345	148
Long-term interest-bearing liabilities	10	14,942	14,990	44,368	4,890
Long-term non-interest-bearing liabilities		391	344	443	49
Total long-term liabilities		15,333	15,334	44,811	4,939
Short-term interest-bearing liabilities	10	127	415	9,558	1,054
Short-term non-interest-bearing liabilities		10,672	9,239	11,879	1,309
Total short-term liabilities		10,799	9,654	21,437	2,363
Total equity and liabilities		48,026	46,136	91,163	10,048

* Convenience translation at September 29, 2000 rate of NOK 9.0725 = US$1.00.

TELENOR ASA

Unaudited Consolidated Cash Flow Statement

	Year	For the 9 Months Ended September 30,		
	1999	1999	2000	2000
	NOK	NOK	NOK	US$*
		(in millions)		
Net income	2,035	1,212	596	66
Minority interests	(44)	(50)	(5)	(1)
Taxes	1,323	772	1,380	152
Profit before taxes and minority interests	3,314	1,934	1,971	217
Taxes paid	(1,107)	(824)	(777)	(86)
Net gain/loss	(1,116)	149	(798)	(88)
Depreciation, amortization, and associated companies	6,286	4,500	5,007	552
Difference between expensed and paid pensions and other provisions	(129)	(203)	(193)	(21)
Change in receivables, payables, other accruals etc.	122	(562)	(482)	(53)
Net cash flow from operating activities	7,370	4,994	4,728	521
Proceeds from sale of tangible and intangible assets	204	172	326	36
Purchase of tangible and intangible assets	(6,761)	(4,455)	(5,802)	(639)
Cash receipts from sale of subsidiaries and associated companies, net of cash sold	1,063	175	569	63
Cash payments from purchase of subsidiaries and associated companies, net of cash acquired	(4,501)	(3,289)	(36,224)	(3,993)
Proceeds from sale of other investments	1,350	1,329	593	65
Purchase of other investments	(560)	(406)	(3,680)	(406)
Net cash flow from investment activities	(9,205)	(6,474)	(44,218)	(4,874)
Proceeds from long-term liabilities	7,844	6,496	35,326	3,894
Proceeds from short-term liabilities	5,636	378	15,093	1,663
Payments of long-term liabilities	(4,251)	(3,042)	(6,323)	(697)
Payments of short-term liabilities	(5,689)	(176)	(5,599)	(617)
Paid in equity from minority	74	48	1,559	172
Payment of dividend	(700)	(700)	(500)	(55)
Net cash flow from financing activities	2,914	3,004	39,556	4,360
Effect on cash and cash equivalents of changes in foreign exchange rates	2	(3)	17	2
Net change in cash and cash equivalents	1,081	1,521	83	9
Cash and cash equivalents at January 1	1,043	1,043	2,124	234
Cash and cash equivalents at period end	2,124	2,564	2,207	243

* Convenience translation at September 29, 2000 rate of NOK 9.0725 = US$1.00.

Unaudited Consolidated Statements of Shareholder's Equity

	Number of shares	Nom Amount	Share Capital	Other paid capital	Other equity	Cumulative translation adjustment	Total
		(NOK)	(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
Profit 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
Profit for the first nine months 2000					596		596
Translation adjustments						94	94
Balance as of September 30, 2000	1,400,000,000	6	8,400	5,600	6,617	106	20,723

There were no dilutive securities outstanding during the periods presented.

TELENOR ASA

Notes to the unaudited interim consolidated financial statements

General

The interim consolidated balance sheet of Telenor ASA and its subsidiaries as of September 30, 2000 and September 30, 1999, the consolidated statement of profit and loss and consolidated cash flow statements for each of the nine month periods ended September 30, 2000 and September 30, 1999 and the consolidated statement of shareholder's equity for the nine month period ended September 30, 2000 are unaudited. In the opinion of management, the unaudited interim consolidated financial statements have been prepared on a basis consistent with Telenor's audited consolidated financial statements included in the prospectus and reflect all adjustments considered necessary, consisting only of normal recurring accruals necessary to a fair statement of Telenor's consolidated financial position, results of operations and cash flows for such interim periods.

Telenor ASA was formed by the Norwegian Government in July 2000 to act as the holding company for the Telenor Group. In September 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 incidental to its formation. For purposes of these financial statements, Telenor ASA is treated as if it had been the parent company of the Telenor Group for all periods presented.

The interim consolidated financial statements have been prepared in accordance with Norwegian GAAP. For the purposes of these interim consolidated financial statements certain information and disclosures normally included in financial statements prepared in accordance with Norwegian GAAP have been condensed or omitted. These unaudited interim statements should be read together with the audited financial statements and notes thereto as of and for the year ended December 31, 1999.

These accounting principles may differ from US generally accepted accounting principles (US GAAP) and in such instances the material differences are reconciled in note 13.

The results of operations for these interim periods are not indicative of the results for the entire year.

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 nine months ended September 30, 2000 have been translated into US dollars, using the end noon buying rates in The City of New York for cable transfers, which was NOK 9.0725 per US dollar, as of September 29, 2000. The translations should not be construed as a representation that the amounts could have been or could be converted into US dollars at that or any other rate.

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, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses in the reporting period. Actual results could differ from these estimates.

Net income per share

Net income per share has been retroactively adjusted for a share split, see note 12.

1 ACQUISITIONS AND DISPOSALS, CAPITAL EXPENDITURES AND INVESTMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000

Telenor acquired the following significant subsidiaries or significant interest in associated companies and joint ventures during the nine month period ended September 30, 2000:

Company	Country	Change in interest %	Business	Purchase price	Excess value(**)	Amortization period(**)
				(Amounts in NOK million)		
Comincom/Combellga	Russia	60.0	Fixed network	711	497	10 years
Telenordia AB	Sweden	16.7	Fixed network, internet	1,280	1,077(*)	10 years
DiGi.com bhd	Malaysia	2.9	Mobile telecommunication	393	329(*)	15 years
Fellesdata AS	Norway	100.0	Information Technology	2,530	2,298	20 years
Sonofon Holding A/S	Denmark	53.5	Mobile telecommunication	14,146	14,500(*)	16 years
Total Access Communication PCL	Thailand	29.5	Mobile telecommunication	4,681	3,781(*)	18 years
United Communication Industry PCL	Thailand	24.9	Mobile telecommunication	1,689	1,195(*)	18 years
Canal Digital Norge AS	Norway	16.0	TV distribution	170	172(*)	10 years
BDC AS	Norway	100.0	Information Technology	76	62	10 years
XTML Ltd	UK	80.9	Internet	234	338	5 years
AlfaNETT AS	Norway	100.0	TV distribution	499	415	10 years
EuroCom Holding Aps	Denmark	75.0	Information Technology	84	78	5 years

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

(**) Preliminary evaluations and allocations.

The pro forma effect of the acquisitions of Sonofon and XTML on the consolidated revenues, net income and income per share is shown in note 14.

	Nine months ended September 30, 2000
	(in NOK millions)
Total investments	
Fixed networks	1,738
Mobile networks	616
Satellite networks	185
Properties	1,383
Support Systems (office and computer equipment, software, cars, etc.)	1,628
Goodwill	3,804
Other intangible assets	948
Liabilities and current assets from acquired business	(417)
Work in progress	1,122
Shares and participations (other than subsidiaries)	34,135
Total investments	45,142

Significant Disposals

Telenor disposed of its ownership in Storm Communications Ltd in the beginning of the year. A gain of NOK 309 million was recorded.

Notes to the unaudited interim consolidated financial statements — (Continued)

In September 2000 Telenor sold its ownership in Telenor Inkasso AS. A gain of NOK 75 million was recorded.

On October 23, 2000, Bravida AS merged with a holding company of BPA AB. At closing of the merger Telenor's ownership of the merged company was approximately 51%, and will be reduced to approximately 48% at the end of 2000.

Telenor has sold its subsidiary Telenor Finans AS, and has reduced the ownership in Cosmote S.A. The transactions were not finalized as of September 30, 2000.

2 Revenues

		Nine months ended	
	1999	September 30, 1999	September 30, 2000
	(in NOK millions)		
Analog (PSTN)/Digital (ISDN)	13,355	9,914	9,604
Mobile telephony	5,426	3,999	5,121
Leased lines	810	632	671
Satellite and TV-distribution	2,485	1,730	2,258
Other network based activities	1,593	1,251	1,592
Customer equipment	2,940	2,146	1,983
IT service and installations	3,501	2,632	3,404
Advertising etc.	1,588	1,351	1,224
Other	987	640	793
Revenue	32,685	24,295	26,650
Gain on sale of fixed assets and operations	783	57	594
Total revenues	33,468	24,352	27,244

3 Business Areas

Nine months ended September 30, 1999	Revenue(1)	Of which external	EBITDA	Operating Profit	Associated companies and joint-ventures	Net financial items	Profit before taxes and minority interest
	(in NOK millions)						
Mobile Communications	5,868	4,770	1,536	740	(673)	(109)	(42)
Telecom	13,391	11,974	3,986	2,054	(11)	(7)	2,036
Broadband Services	1,969	1,868	400	33	(76)	41	(2)
Internet	619	388	(18)	(95)	13	(1)	(83)
Media	1,435	1,351	437	373	(14)	31	390
Bravida	4,458	2,212	173	73	—	(8)	65
EDB Business Partner	2,102	995	246	92	(4)	(3)	85
Other units	3,163	794	152	(157)	(50)	(19)	(226)
Elimination	(8,653)	—	(403)	(289)	—	—	(289)
Total	24,352	24,352	6,509	2,824	(815)	(75)	1,934

Notes to the unaudited interim consolidated financial statements — (Continued)

Nine months ended September 30, 2000	Revenue(1)	Of which external	EBITDA	Operating Profit	Associated companies and joint-ventures	Net financial items	Profit before taxes and minority interest
				(in NOK millions)			
Mobile Communications	7,095	5,956	2,105	1,270	(830)	(513)	(73)
Telecom	14,301	12,525	4,280	2,219	9	(45)	2,183
Broadband Services	2,443	2,313	523	64	(148)	36	(48)
Internet	763	605	(395)	(569)	254	(16)	(331)
Media	1,307	1,224	347	304	(8)	24	320
Bravida	3,735	1,613	62	(18)	—	(9)	(27)
EDB Business Partner	3,001	1,950	342	70	(12)	(1)	57
Other units	3,999	1,058	543	47	(32)	45	60
Elimination	(9,400)	—	(351)	(170)	—	—	(170)
Total	27,244	27,244	7,456	3,217	(767)	(479)	1,971

(1) Revenue includes gains on sales of fixed assets and operations.

4 Cost of Materials and Traffic Charges

		Nine months ended September 30,	
	1999	1999	2000
		(in NOK millions)	
Traffic charges — network capacity	3,255	2,544	2,660
Traffic charges — satellite capacity	623	441	596
Costs of materials, etc.	5,138	3,737	3,642
Total cost of materials and traffic charges	9,016	6,722	6,898

5 Own Work Capitalized

		Nine months ended September 30,	
	1999	1999	2000
		(in NOK millions)	
Cost of materials, etc.	(493)	(334)	(232)
Salary and personnel costs	(796)	(504)	(530)
Other operating expenses	(484)	(277)	(348)
Total own work capitalized	(1,773)	(1,115)	(1,110)

6 Salaries and Personnel Costs

		Nine months ended September 30,	
	1999	1999	2000
	(in NOK millions)		
Salaries and holiday pay	7,016	5,045	5,953
Social security tax	991	715	907
Pension costs incl. social security tax	428	344	399
Other personnel costs	526	325	432
Total salaries and personnel costs	8,961	6,429	7,691

7 Other Operating Expenses

		Nine months ended September 30,	
	1999	1999	2000
	(in NOK millions)		
Cost of premises, vehicles, office equipment, etc.	1,416	1,149	1,459
Travel and travel allowances	641	474	535
Marketing and sales commission	1,239	934	977
Advertising	423	274	315
Bad debt	351	154	120
Consultancy fees and rent of personnel(1)(2)	2,259	1,414	1,474
Other(2)	1,584	1,189	1,419
Total other operating expenses	7,913	5,588	6,299

(1) Includes fees for consultations and hired personnel, who perform services that are sold to external customers or capitalized on fixed assets.

(2) Includes costs (mainly consultancy fees) related to the abandoned merger with Telia of NOK 250 million for the year 1999.

8 Financial Income and Expenses

		Nine months ended September 30,	
	1999	1999	2000
	(in NOK millions)		
Capital contributions from satellite organizations	235	161	123
Interest income	245	175	299
Other financial income(*)	197	199	34
Total financial income	677	535	456
Interest expense	(812)	(664)	(1,052)
Other financial expenses(*)	(63)	(43)	(193)
Capitalized interest	114	84	95
Total financial expenses	(761)	(623)	(1,150)
Gain on sale of financial assets	680	19	300
Loss and write-downs of financial assets	(45)	(6)	(85)
Net gain on financial assets	635	13	215
Net financial items	551	(75)	(479)

(*) In the nine months ended September 30, 2000 other financial expenses included a net currency loss of NOK 134 million, and in the nine months ended September 30, 1999 a net currency gain of NOK 143 million was included in other financial income.

For the year ended December 31, 1999 a net currency gain of NOK 104 million was included in the other financial income.

The main part of net currency gains and losses relates to foreign currency instruments which cannot be accounted for as a hedge of a net investment in foreign currency.

9 Taxes

The Norwegian statutory tax rate is 28%. Telenor's effective tax rate is, however affected negatively by losses from associated companies and subsidiaries outside of Norway and amortization of excess values, which may not be recognized as deferred tax assets. Therefore Telenor's effective tax rate for 2000, which is used to calculate our tax charge for the nine months ended September 30, 2000, has been estimated at 70% of profits before taxes and minority interests. Telenor's estimated effective tax rate is materially influenced by forecasted increased losses (including amortization of excess values) from our associated companies in the remainder of 2000. Amortization of excess values on our acquisitions and the result from Viag Interkom are the most significant contributing factors to the high estimated tax rate. In the calculations we have not included the effect of potential gains, which would reduce our estimated effective tax rate. The actual tax rate may differ from the estimated rate.

10 Interest bearing liabilities

	December 31, 1999	September 30, 2000
	(in NOK millions)	
Euro Commercial paper loans	829	3,325
US Commercial paper loans	—	5,237
Norwegian Commercial paper loans	1,200	2,605
EMTN loans	9,500	28,516
Loans from Japanese investors	1,304	1,304
Satellite leasing	1,499	1,373
Other	610	2,008
Long-term interest bearing liabilities	14,942	44,368
Short-term interest bearing liabilities	127	9,558
Total interest bearing liabilities	15,069	53,926

A short-term Euro Commercial Paper program (ECP) was established in 1996, with a US$500 million limit. As of September 30, 2000, commercial paper outstanding under this program totaled NOK 3,325 million, with an average maturity of 4 months. In August 2000 the company established an US Commercial Paper Program of US$1,000 million. At 30 September 2000, outstanding commercial paper under this programme totalled NOK 5,237 million. Telenor has made commercial paper placements in the Norwegian market in 2000. Outstanding Norwegian commercial paper totaled NOK 2,605 million as of September 30, 2000. All commercial paper is linked to an underlying long-term credit facility with a US$1,000 million limit, established in 2000. The credit facility is maturing in 2005, and commercial paper is treated as long-term, irrespective of the actual maturity date.

In 1996, Telenor established its Euro Medium Term Note Program (EMTN). The program limit was increased from US$2,000 million to US$4,000 million in August 2000. At September 30, 2000, notes issued under the program had a book value of NOK 28,516 million, with terms between 1 and 8 years.

Loans from Japanese private investors were established in 1994 and 1995 with 10 year terms. As of September 30, 2000, total outstanding under these agreements was NOK 1,304 million.

Telenor established a syndicated multi-currency revolving credit facility of DKK 14,000 million in July 2000. The loan facility has a 364-day term with a one year term out option for the outstanding amount on the execution date. Outstanding under the facility was NOK 9,280 million as of September 30, 2000, and is included in short term interest bearing liabilities.

Interest bearing debt held by Group Treasury (NOK 50,267 million as of September 30, 2000) is unsecured and contains provisions restricting the pledge of assets to secure future borrowings without granting a similar secured status to the existing lenders (negative pledge).

Telenor Satellite Services AS established lease financing agreements for the two satellites, Thor II and Thor III, in 1997 and 1998. The Thor II lease agreement was signed in March 1998, and has a nominal amount of NOK 517 million as of September 30, 2000. The Thor III lease agreement was signed in December 1997, and has a nominal amount of NOK 856 million as of September 30, 2000. Both lease agreements are amortized over 12 years, with final maturity in 2010.

Other interest bearing debt is mainly related to the listed subsidiary EDB Business Partner ASA (NOK 1,267 million).

Telenor Nett AS entered into a Cross Border Tax Benefit Lease for digital telephony switches in 1998. Telenor Mobil AS entered into a Cross Border Tax Benefit Lease for GSM Mobile telephone network in 1999. The agreement called for the prepayment of all amounts due by the parties under the lease to financial institutions. The leasing obligations and the unused prepayments are netted in the balance sheet, and are not reflected in the tables above and below.

The average weighted term (maturity) of outstanding interest bearing liabilities held by Group Treasury (NOK 50,267 million) was 1.6 years as of September 30, 2000 with corresponding average (interest) duration, including interest rate swaps of 0.50 years.

Maturities of the Group's long-term interest bearing liabilities:

Year	Installment (in NOK millions)
2000	8,527
2001	22,406
2002	1,563
2003	2,215
2004	2,136
After 2004	7,521
Total long-term interest bearing liabilities	44,368

Distribution of long-term funding in originated currencies

	Average fixed interest rate as of September 30, 2000	Foreign currency as of September 30, 2000	Norwegian Kroner as of September 30, 2000	Norwegian Kroner as of December 31, 1999
		(in NOK millions)		
Euro Commercial paper				
CHF	2.45%	50	243	52
USD	6.78%	305	2,661	777
EUR	4.05%	30	234	—
GBP	6.65%	10	127	—
CAD	5.78%	50	60	—
US Commercial paper				
USD	6.57%	578	5,237	—
Norwegian Commercial paper				
NOK	7.00%	—	2,605	1,200
EMTN notes				
AUD	3.39%	37	185	186
CHF	3.19%	1,048	5,296	3,537
EUR	4.97%	2,183	17,566	1,086
JPY	2.36%	22,000	1,501	687
USD	5.59%	550	3,968	4,004
Loans from Japanese investors				
JPY	4.26%	19,000	1,304	1,304
Satellite leasing				
GBP	7.97%	110	1,373	1,499
Other	Between 5-12%	—	2,008	610
Total long-term interest bearing liabilities			44,368	14,942

11 COMMITMENTS AND CONTINGENCIES

In July 2000, Enitel ASA filed a complaint against our subsidiary Telenor Nett AS before an arbitration court. Enitel ASA claims damages for loss of income, increased costs and damage to customers due to late implementation of carrier preselection as directed by the Norwegian Post and Telecommunications Authority (PT) in 1999. On the basis that carrier preselection is an interconnection service, Enitel ASA claims that Telenor Nett AS breached the interconnection agreement, and that their maximum economic loss is NOK 120 million. However, in the event Telenor Nett is held liable by the arbitration court, we believe that the compensation will be substantially less. In October 2000, Tele 2 Norge AS also filed a complaint against Telenor Nett AS before an arbitration court on similar grounds as Enitel ASA alleging damages of NOK 78 million. Tele 1 Europe AS has also announced a similar claim alleging damages of NOK 30 million.

In March 1998, NetCom GSM ASA issued a writ against Telenor Nett AS before the Oslo City Court. NetCom claims that Telenor's prices on leased lines in the years 1993 through 1996 were not in accordance with the official telecommunications regulations requiring cost oriented pricing of leased lines. NetCom claims approximately NOK 97 million in reimbursement, plus interest, alleging that it paid excess fees for leased lines.

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, management believes that these matters will be resolved without a material effect on our financial position or results of operations.

The Company's fixed and mobile telecommunications costs and pricing in Norway are subject to the regulation by the Norwegian Post and Telecommunications Authority (''PT'') and other regulatory bodies. Prices allowed by the PT are established based on costs, plus a reasonable rate of return. For 1998, the PT calculated the Company's permitted rate of return to be 14%. No rate has been set for 1999 or 2000. The services subject to this restriction amounted to 62% of the Company's revenues and 94% of the Company's operating profits in 1999. The rate of return earned by the Company on the services that are subject to regulation by the PT during the periods presented has exceeded the reasonable rate set by the PT. While acknowledging uncertainties as to the outcome of reviews by the PT, management believes that these matters will be resolved without a material effect on our financial position or results of past operations.

12 SHARE SPLIT AND SHARE DIVIDEND ISSUE

The shareholders' 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 newly issued shares are held by Telenor as treasury shares and will be used to grant additional bonus shares to retail investors in Norway.

13 UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Group's consolidated financial statements have been prepared under Norwegian GAAP, which differs in certain respects from US GAAP. The principal differences between the Group's accounting principles under Norwegian GAAP and US GAAP are set out below:

Reconciliation of net income from Norwegian GAAP to US GAAP

		Nine months ended	
	1999	September 30, 1999	September 30, 2000
	(in NOK millions, except per share amounts)		
Net income in accordance with Norwegian GAAP	2,035	1,212	596
Adjustments for US GAAP:			
Capitalized interest associated companies	—	—	—
Depreciation of previously capitalized interest	(5)	(3)	(3)
Pensions	(18)	(13)	(19)
Amortization of license costs and related goodwill	(3)	(3)	(3)
Temporary investment in entities	(53)	(48)	(33)
Gains on subsidiaries equity transactions and sale of shares in subsidiary(1)	307	249	393
Stock compensation(3)	(30)	(3)	(190)
Tax effect of US GAAP adjustments	(64)	(51)	(94)
Minority interest	19	12	73
Net income in accordance with US GAAP	2,188	1,352	720
Net income (basic and dilutive) per share in accordance with US GAAP	1.563	0.966	0.514
Weighted average number of shares outstanding	1,400,000,000	1,400,000,000	1,400,000,000
Revenues in accordance with US GAAP	32,716	24,334	26,673

Reconciliation of shareholder's equity from Norwegian GAAP to US GAAP

	As of December 31, 1999	As of September 30, 2000
	(in NOK millions)	
Shareholder's equity in accordance with Norwegian GAAP	20,033	20,723
Adjustments for US GAAP:		
Dividends	500	—
Gains on subsidiaries' equity transactions and sale of shares in subsidiary	307	700
Capitalized interest	79	79
Depreciation of previous capitalized interest	(9)	(12)
Pensions	190	171
Amortization of license costs and related goodwill	52	49
Temporary investments in entities	(115)	(148)
Equity and debt securities	192	321
Stock compensation(3)	(30)	(220)
Tax effect of US GAAP adjustments	(141)	(235)
Minority interest	(23)	87
Shareholder's equity in accordance with US GAAP	21,035	21,515
Total assets in accordance with US GAAP(2)	53,787	97,214
Long term liabilities in accordance with US GAAP	19,252	19,970

The following table reflects the components of comprehensive income under US GAAP.

	1999	Nine months ended September 30, 2000
	(in NOK millions)	
Net income	2,188	720
Other comprehensive income		
Unrealized gain on available for sale securities	52	166
Translation adjustment	(17)	94
Total other comprehensive income	35	260
Comprehensive income	2,223	980

(1) In the nine month period ended September 30, 2000, 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 of NOK 30.73. Telenor's ownership was thereby reduced from 54.2% to 52.6%. Total consideration received from minority shareholders was NOK 1,449 million and recognized gain under US GAAP was NOK 393 million (zero under Norwegian GAAP).

(2) The group has offset the future lease obligations under digital telephone switches and the GSM mobile telephone network cross border tax lease against the unused prepayments on deposits at financial institutions. Under US GAAP the prepaid lease amounts and the group's future obligations under the sale leaseback are recorded gross on the consolidated balance sheet as financial assets and long term interest bearing liabilities in the amount of approximately NOK 4,735 million as of September 30, 2000.

(3) The increase in stock compensation cost under US GAAP is due to an increase in the stock price of EDB Business Partner ASA during the period January 1, 2000 until September 30, 2000. In addition, the new share option plan applying to all employees of EDB Business Partner ASA was adopted during 1999.

14 ACQUISITIONS

Sonofon Holding A/S, Denmark

On August 10, 2000, the Company acquired 53.5% of the equity interest in Sonofon Holding A/S for DKK 13.0 billion in cash (including direct acquisition cost). Sonofon is a mobile operator in Denmark and is organized as a corporate joint venture, accounted for applying the equity method. The Company is accounting for its interest in Sonofon using the equity method because the Company shares control of Sonofon with its joint venture partner, Bell South. Under the terms of a shareholders' agreement with Bell South, unanimous approval of the joint venture partners effectively is required for all matters significant to the operations of Sonofon, including budgets and strategic plans. As a result, Bell South has substantive participating rights in Sonofon, affording it effective participation in decisions that occur as part of the ordinary course of business of Sonofon.

The acquisition was accounted for using the purchase method. Accordingly, the purchase price was allocated to the assets acquired and the liabilities assumed, based on a preliminary evaluation of the fair values of Sonofon's assets and liabilities at the date of acquisition. The following is a summary of the purchase price allocation of excess values:

	(NOK in millions)
Customer base	1,200
Licenses	1,000
Goodwill	12,916
Deferred Taxes	(616)
	14,500

The acquired customer base is assumed amortized over a period of five years. Acquired goodwill and licenses are being amortized over a period of 20 years. The net income after taxes and amortizations of intangible assets and goodwill of Sonofon have been included, using the equity method, in the consolidated income statements from the date of acquisition. The allocation of purchase price is based on preliminary estimates of fair value and is subject to revision based upon the finalization of management's assessment of the fair value of net assets acquired. Changes in the allocation of purchase price would likely be limited to the value of other identified intangible assets, resulting in an adjustment of goodwill, if such assets and their respective values can be identified.

XTML, UK

On August 21, 2000, the Company acquired an 80.9% ownership interest in XTML Ltd. for GBP 17.4 million in cash (including direct acquisition costs). XTML provides Internet services to the business market with complex web hosting as their main strategic product. The acquisition was accounted for using the purchase method. Accordingly, the purchase price was allocated to the assets acquired and the liabilities assumed, based on the evaluation of the fair values of XTML's assets and liabilities at the date of acquisition. The excess value of NOK 338 million has been allocated to goodwill.

Acquired goodwill is being amortized over a period of five years. The operating results of XTML have been included in the consolidated income statements from the date of acquisition. The allocation of purchase price is based on preliminary estimates of fair value and is subject to revision based upon the finalization of management's assessment of the fair value of net assets acquired. Changes in the allocation of purchase price would likely be limited to the recording of other identified intangible assets, resulting in a reduction of goodwill, if such assets and their respective values can be identified.

The following unaudited pro forma financial information presents results as if the acquisition of Sonofon Holding A/S and XTML had occurred at the beginning of the respective periods:

	Nine Months Ended	
	September 30, 1999 (unaudited)	September 30, 2000 (unaudited)
	(NOK in millions, except per share data)	
Pro forma revenues	24,308	27,304
Pro forma net income	141	(381)
Pro forma net income per share	0.10	(0.27)

The proforma net loss for the period ending September 30, 2000 is mainly due to interest and amortization of excess value relating to the acquisition of Sonofon Holding A/S. These pro forma results have been prepared for comparative purposes only and include certain adjustments such as additional amortization expense as a result of excess value arising from the purchases and interest expense on acquisition debt. The pro forma results are not necessarily indicative of the results of operations which actually would have resulted had the purchase been in effect at the beginning of the respective periods or of future results.

15 SUBSEQUENT EVENT

Telenor expects to recognize compensation expense for the value of the price discounts and bonus shares provided to employees purchasing shares in the global offering that is in excess of the discounts and bonus shares available generally to retail investors in Norway. Telenor estimates that the amount of this expense will be approximately NOK 12.6 million, most of which will be recognized in the fourth quarter of 2000.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The unaudited pro forma financial information has been prepared by applying adjustments relating to the acquisition of our 53.5% interest in Sonofon Holding A/S to our historical consolidated statements of profit and loss appearing elsewhere in this prospectus. The pro forma financial information is provided for illustrative purposes only. The pro forma financial information does not purport to represent what our actual results of operations would have been had the acquisition of our interest in Sonofon occurred on the date assumed, nor is it necessarily indicative of our future results of operations.

The pro forma financial information should be read in conjunction with ''Management's Discussion and Analysis of Financial Condition and Results of Operations'', our consolidated financial statements and the Sonofon consolidated financial statements appearing elsewhere in this prospectus.

The pro forma financial information is presented in Norwegian GAAP. A reconciliation to U.S. GAAP of net income is also presented. The principal differences between Norwegian GAAP and U.S. GAAP are explained in note 29 to our annual consolidated financial statements and in note 13 to our interim consolidated financial statements.

The pro forma financial information gives effect to the acquisition of our 53.5% interest in Sonofon for consideration of NOK 14.1 billion. Sonofon was included in our historical financial statements as of August 10, 2000. Because we share control of Sonofon with a joint venture partner, Sonofon is accounted for as a joint venture under the equity method.

The pro forma statements of profit and loss for the year ended December 31, 1999 and for the nine months ended September 30, 2000 reflects the acquisition of our interest in Sonofon as if it occurred on January 1, 1999. The purchase price has been allocated to the assets and liabilities of Sonofon in the pro forma information based on our preliminary estimates of the fair values of assets and liabilities acquired. The actual allocation of the purchase price may differ from that reflected in the pro forma financial statements.

The pro forma information does not give effect to the global offering.

Unaudited Pro Forma Consolidated Statement of Profit and Loss for the Nine months Ended September 30, 2000

	Historical NOK	Adjustments NOK	Pro Forma NOK	Pro Forma US$*
	(in millions, except per share amounts)			
Norwegian GAAP:				
Revenues	26,650		26,650	2,937
Gains on sale of fixed assets and operations	594		594	66
Total Revenues	27,244		27,244	3,003
Operating expenses				
Cost of materials and traffic charges	6,898		6,898	760
Own work capitalized	(1,110)		(1,110)	(122)
Salaries and personnel costs	7,691		7,691	848
Other operating expenses	6,299		6,299	694
Loss on sale of fixed assets and operations	10		10	1
Depreciation and amortization	4,239		4,239	467
Total operating expenses	24,027		24,027	2,648
Operating profit	3,217		3,217	355
Associated companies	(767)	(490)(a)	(1,257)	(139)
Financial income and expenses				
Financial income	456		456	50
Financial expenses	(1,150)	(485)(b)	(1,635)	(180)
Net gain financial items	215		215	24
Net financial items	(479)		(964)	(106)
Profit before taxes and minority interests	1,971		996	110
Taxes	(1,380)	136(c)	(1,244)	(137)
Profit before minority interests	591		(248)	(27)
Minority interests	5		5	1
Net Income/(Loss)	596		(243)	(26)
Net income/(Loss) (basic and diluted) per share	0.426		(0.174)	(0.019)
US GAAP:				
Net Income/(Loss)	720		(119)	(13)
Net income/(Loss) (basic and diluted) US GAAP per share	0.514		(0.085)	(0.009)

* Convenience translation at September 29, 2000 rate of NOK 9.0725 = US$1.00.

Unaudited Pro Forma Consolidated Statement of Profit and Loss for the Year Ended December 31, 1999

	Historical	Adjustments	Pro Forma	Pro Forma
	NOK	NOK	NOK	US$*
	(in millions, except per share amounts)			
Norwegian GAAP:				
Revenues	32,685		32,685	3,603
Gains on sale of fixed assets and operations	783		783	86
Total Revenues	33,468		33,468	3,689
Operating expenses				
Cost of materials and traffic charges	9,016		9,016	994
Own work capitalized	(1,773)		(1,773)	(195)
Salaries and personnel costs	8,961		8,961	988
Other operating expenses	7,913		7,913	872
Loss on sale of fixed assets and operations	302		302	33
Depreciation and amortization	5,047		5,047	556
Total operating expenses	29,466		29,466	3,248
Operating profit	4,002		4,002	441
Associated companies	(1,239)	(748)(a)	(1,987)	(219)
Financial income and expenses				
Financial income	677		677	75
Financial expenses	(761)	(807)(b)	(1,568)	(173)
Net gain financial items	635		635	70
Net financial items	551		(256)	(28)
Profit before taxes and minority interests	3,314		1,759	194
Taxes	(1,323)	226(c)	(1,097)	(121)
Profit before minority interests	1,991		662	73
Minority interests	44		44	5
Net Income	2,035		706	78
Net income per share (basic and diluted)	1.454		0.504	0.056
US GAAP:				
Net Income	2,188		859	95
Net income per share (basic and diluted) US GAAP	1.563		0.614	0.068

* Convenience translation at September 29, 2000 rate of NOK 9.0725 = US$1.00.

Notes to the unaudited pro forma consolidated financial information

(a) Represents the net results of Sonofon Holding A/S after translation adjustments and adjusted to reflect the accounting principles of Telenor, adjusted for the amortization charge of goodwill and intangible assets. For the purpose of the pro forma presentation, management has estimated the useful life as 5 years for the NOK 1.2 billion allocated to customers, 20 years for the NOK 1 billion allocated to licenses and 20 years for the remaining NOK 12.9 billion allocated to goodwill.

The components of the pro forma adjustments related to the net results of Sonofon Holding A/S are as follows:

	Year ended December 31, 1999	Nine months ended September 30, 2000
	(in NOK millions)	
Net income as reported by Sonofon	64	(20)
Reversed goodwill amortization as reported by Sonofon	134	99
NGAAP adjustments	2	(1)
Net income before impact of business combination	200	78
Telenor share of results (53.5%)	107	42
Goodwill amortization	(646)	(484)
Amortization of other intangibles	(290)	(217)
Deferred tax	81	61
Net result from associated companies	(748)	(598)
Reported in consolidated financial statements	—	108
Pro forma adjustment	(748)	(490)

The exchange rate used to translate the results of Sonofon is as follows:

1999: 1 DKK = 1.1185 NOK

2000: 1 DKK = 1.0911 NOK

The US GAAP adjustments to the Sonofon financial statements are similar to differences between Danish and Norwegian GAAP, and therefore no further US GAAP pro forma adjustments are presented.

(b) Represents interest expense on indebtedness incurred in the transaction, including amortization of debt issuance costs.

(c) Represents the tax effect on the pro forma adjustments referred to in (b) above.

REPORT OF INDEPENDENT ACCOUNTANTS

As auditors to SONOFON Holding A/S we have audited the accompanying condensed consolidated financial statements for the years 1998 and 1999, included on pages F-75 to F-91.

> **"Auditor's report**
>
> We have audited the consolidated financial statements of SONOFON Holding A/S for 1998 and 1999 presented by the management.
>
> **Basis of opinion**
>
> We have planned and conducted our audit in accordance with generally accepted audit standards ("GAAS") in Denmark, which are substantially the same as GAAS in the United States, to obtain reasonable assurance about whether the financial statements are free of material misstatements. Based on an evaluation of materiality and risk, our audit has included an examination of evidence supporting the amounts and disclosures in the financial statements. We have assessed the accounting policies applied and the estimates made by the management as well as evaluated the overall financial statements presentation.
>
> Our audit has not given rise to qualifications.
>
> **Opinion**
>
> In our opinion, the accompanying consolidated financial statements have been presented in accordance with the accounting provisions of Danish legislation and give a true and fair view of the group's assets and liabilities, financial position and result."

Interim financial statements for the period January 1 to September 30 2000, which are included on pages F-75 to F-91 are unaudited.

Copenhagen, November 9 2000

D E L O I T T E & T O U C H E
Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen	Anni Klæbel
State Authorized	State Authorized
Public Accountant	Public Accountant
(Denmark)	(Denmark)

SONOFON HOLDING A/S

Consolidated Statement of Profit and Loss

	Note	Year ended December 31, 1998 DKK	Year ended December 31, 1999 DKK (in millions)	(unaudited) Nine months ended September 30, 2000 DKK
Net revenue	1	2,347	2,904	2,275
Production costs	2,3	(1,217)	(1,411)	(1,077)
Gross profit/loss		1,130	1,493	1,198
Distribution costs	2,3	(721)	(707)	(626)
Administration costs	2,3	(387)	(532)	(443)
Other operational income		10	15	8
Other operating expenses				
Share of profit/loss in affiliated companies		—	—	(1)
Operating profit		32	269	136
Financial income	4	10	7	5
Financial expenses	5	(141)	(136)	(122)
Profit/loss before tax		(99)	140	19
Tax	6	(15)	(83)	(37)
Group profit/loss		(114)	57	(18)

SONOFON HOLDING A/S

Consolidated Balance Sheet

	Note	At December 31 1998	At December 31 1999	(unaudited) At September 30, 2000
		DKK	DKK (in millions)	DKK
ASSETS				
Goodwill		2,119	2,003	1,913
Software		287	554	555
Total intangible fixed assets	7	2,406	2,557	2,468
Leasehold improvements		11	14	14
Leaseholds		17	200	198
Land and buildings		250	249	248
Physical plant and equipment		1,291	1,378	1,333
Tools and fixtures		102	136	128
Plant under construction		301	96	136
Total tangible fixed assets	8	1,972	2,073	2,057
Shares in associated companies		1	2	1
Total financial fixed assets	9	1	2	1
TOTAL FIXED ASSETS		4,379	4,632	4,526
Inventory		120	65	98
Accounts receivable from sales		478	509	499
Deferred tax assets	10	61	26	20
Tax receivables		—	6	—
Other receivables		18	39	39
Accruals and prepayments		5	14	17
Total accounts receivable		562	594	673
Cash in hand and at bank	12	7	5	9
TOTAL CURRENT ASSETS		689	664	682
TOTAL ASSETS		5,068	5,296	5,208
EQUITY AND LIABILITIES				
Share capital		100	100	100
Premium Fund		1,135	1,135	—
Transferred profit/loss		21	78	1,195
Total equity		1,256	1,313	1,295
Provisions for deferred tax	10	1	4	4
Total provisions		1	4	4
Leasing obligation		17	200	200
Mortgages		4	2	2
Debt to banks		125	962	898
Debt to affiliated companies		1,087	1,127	1,165
Total long term liabilities	11	1,233	2,291	2,265
Installments on long term debt		73	65	65
Debt to banks		1,910	1,094	978

SONOFON HOLDING A/S

Consolidated Balance Sheet — (Continued)

	Note	At December 31 1998	At December 31 1999	(unaudited) At September 30, 2000
		DKK	DKK (in millions)	DKK
Accounts payable		348	232	341
Debt to affiliated companies		2	2	—
Tax		1	—	21
Other debts		141	222	174
Accruals and prepayments		103	73	65
Total short term liabilities		2,578	1,688	1,644
TOTAL LIABILITIES		3,811	3,979	3,909
TOTAL EQUITY AND LIABILITIES		5,068	5,296	5,208
Pledges	12			
Contingent liabilities	13			

SONOFON HOLDING A/S

Consolidated Cash Flow Statement

	Year ended December 31, 1998	Year ended December 31, 1999	(unaudited) Nine months ended September 30, 2000
	DKK	DKK (in millions)	DKK
Profit/ loss from primary activities	32	269	136
Depreciation and amortization	441	467	393
Changes in working capital	(63)	(71)	25
Cash flow from primary activities	410	665	554
Net interest and foreign exchange gains	(132)	(129)	(117)
Paid tax	(50)	(52)	(4)
Cash flow from operation	228	484	433
Acquisition of tangible and intangible fixed assets	(595)	(725)	(291)
Disposal of tangible fixed assets	32	9	4
Purchase of capital investments	(1)	(5)	—
Cash flow from investments	(564)	(721)	(287)
Debt to banks	451	(816)	(116)
Long term debt	(134)	1,051	(26)
Cash flow from financing	317	235	(142)
CHANGES OF CASH IN HAND AND AT BANK	(19)	(2)	4
Cash in hand and at bank at 01.01	26	7	5
CASH IN HAND AND AT BANK AT YEAR-END	7	5	9

SONOFON HOLDING A/S

Consolidated Statements of Shareholders' Equity

	Number of shares	Nom Amount (DKK)	Share Capital (DKK mill.)	Premium Fund (DKK mill.)	Other equity (DKK mill.)	Total (DKK mill.)
Balance as of December 31, 1997	100,000	1,000	100	1,260	10	1,370
Transfer				(125)	125	
Net income for the year 1998					(114)	(114)
Balance as of December 31, 1998	100,000	1,000	100	1,135	21	1,256
Profit for the year 1999					57	57
Balance as of December 31, 1999	100,000	1,000	100	1,135	78	1,313
Transfer				(1,135)	1,135	
Profit for the first nine months 2000					(18)	(18)
Balance as of September 30, 2000	100,000	1,000	100	—	1,195	1,295

There were no dilutive securities outstanding during the periods presented.

Summary of Significant Accounting Principles

General

The consolidated financial statements for Sonofon Holding A/S are prepared in accordance with the provisions in the Danish Annual Account Act. The Group's accounting principles differ, in certain respects, from United States generally accepted accounting principles (US GAAP). The differences and the approximate related effects on the Group's net income and shareholders' equity are set forth in note 14.

All amounts are presented in millions of DKK or other specified currency unless otherwise stated.

Consolidation principles

The consolidated financial statements relate to the parent company, Sonofon Holding A/S and the companies (subsidiaries) in which the parent company directly or indirectly exercises a controlling interest. Other companies in which the Group exercises a significant interest are regarded as associated. Affiliated companies are shown in the table in note 9.

The consolidated financial statements are prepared as a summary of the financial statements for the parent company and those of the individual subsidiaries, all of which are presented in accordance with the Group's accounting policies. Intercompany income and expenses, outstandings, dividends and unrealized internal gains are eliminated.

In the consolidation, the book value of shares held by the parent company in subsidiaries is set off against their equity.

The acquisition method is applied when acquiring new companies, according to which the identifiable assets and liabilities acquired are measured at their fair value on the date of acquisition.

When the acquisition price exceeds the fair value of the net assets acquired the differential is capitalized as goodwill. Goodwill is amortized systematically in the profit and loss account in accordance with an individual assessment of the asset's expected economic life, although not exceeding 20 years. In the year of acquisition, amortization is pro rata.

Acquired or divested Group companies are included in the consolidated financial statements for the period they have been owned by the Group. Comparative figures are not adjusted to reflect the acquisition or divestment of Group companies.

Translation of foreign currencies

Foreign currency transactions are translated to local currencies at transaction date exchange rates.

Exchange differences arising from the date of transaction to the date of payment are recognized in the profit and loss account as financial items.

Receivables and payables in foreign currencies and hedging contracts are measured at the year-end exchange rate or the forward rate for hedging contracts. Exchange gains or losses are recognized in the profit and loss account under financial items.

In the consolidated financial statements, the profit and loss accounts of foreign entities are translated to Danish Kroner at average rates of exchange for the year and assets and liabilities are translated at year-end exchange rates.

Exchange differences arising from adjusting foreign entities' equity at the beginning of the year and from adjusting foreign entities' profit and loss accounts from year-end rates are recognized as an adjustment to equity.

Revenue

Revenue is primarily comprised of traffic, subscription and connection fees, interconnection fees, and sale of customer equipment.

Mobile telephony traffic revenues and interconnection revenues are recognized based on the actual traffic. Subscription fees are recognized as revenue over the subscription period. Revenues related to pre-paid phone cards are deferred and recorded as revenues based on the actual use of the cards.

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, cost of the SIM card, and the cost of the printed new customer information package. To date direct costs associated with connection fees have exceeded such revenues. No revenues have been deferred.

Production costs

Production costs consist of the cost price of the goods and services sold during the year and costs associated with the operation and maintenance of the network. Cost price includes depreciation of plant, development projects and other intangible assets.

Development costs

Development costs cover the costs, salaries and depreciation of operating assets and equipment, which is directly or indirectly, ascribed to the Group's development activities.

For development projects, which are clearly defined and identifiable, where the level of technical exploitation, sufficient resources and a potential future market or business opportunity for the company can be demonstrated, and where the intention is to manufacture, market or exploit the results of the project, costs are capitalized from the date at which the above mentioned conditions have been satisfied, and when the discounted value of future earnings is expected to exceed the development costs. The cost price of such development projects includes direct payroll costs, materials and other direct and indirect costs which are attributable to the development project.

Other development costs are expensed in the year they incur.

Distribution costs

Distribution costs relate to the costs associated with the sale and distribution of products and services, including salaries, commissions, advertising and marketing costs, depreciation, etc.

Administrative costs

Administrative costs relate to the costs of administrative personnel and management, office costs, depreciation, amortization, etc.

Other operating income/expenses

Other operating income/expenses include other operating gains/losses which arise from activities not considered part of the Group's primary activities.

Sale of fixed assets

Gains/losses on the sale of fixed assets are stated as the difference between the sales price and the carrying value at the date of disposal (historical cost price less accumulated depreciation). Gains/losses are stated under depreciation.

Financial items

Financial income and expenses include interest income and expense relating to the financial year.

Financial items also include the costs of funding capital leases and impairment of financial fixed assets and realized and unrealized exchange adjustments for foreign exchange items.

Taxation

The parent company and a number of Danish subsidiaries are jointly taxed in Denmark. The parent company makes provision for and pays the total Danish tax charge for these companies and the parent company also makes provision for deferred tax for the Danish companies. Jointly taxed companies participate in the tax prepayment scheme.

The tax charge on taxable income for the year is charged to the profit and loss account together with the adjustment of the deferred tax provision for the year.

Tax payable is stated under short-term debt and deferred tax under provisions.

Taxes receivable and negative deferred tax (deferred tax assets) are stated under accounts receivable.

Provision for deferred tax is recognized according to liability method for all temporary differences between the accounting and the tax values of assets and liabilities.

The tax value of tax loss carryforwards is included in the deferred tax provision if it is probable that such deficits can be utilized within a few years.

Tax charges arising from the sale of shares in subsidiaries or associated companies are not included the deferred tax provision if the shares are not expected to be sold within a short period of time.

No deferred tax liability is stated for goodwill unless it is amortizable/deductible for tax purposes.

Deferred tax is calculated on the basis of current tax rules and at the rate expected to apply when temporary differences are equalized. Changes in deferred tax provisions due to amended tax rates are recognized in the profit and loss account.

The consolidated profit and loss account includes a proportional share of the pre-tax profits/ losses reported by individual associated companies. The proportionate share of the tax charge in subsidiaries and associated companies is stated under taxation.

Intangible and tangible fixed assets

Intangible and tangible fixed assets are carried at cost less accumulated amortization/ depreciation and impairment losses.

Cost includes purchase price and costs of materials, components, subcontractor services, direct payroll and indirect production costs. Interest charges and other borrowing costs are not included in the cost price.

Straight line depreciation of the individual fixed asset is made over the useful life of the asset. In calculating depreciation on property, an estimated scrap value is included. Assets are amortized/ depreciated over the following expected lives:

Goodwill	up to 20 years
Development projects	2- 5 years
Software	5-10 years
Buildings and equipment	10-50 years
Leasehold improvements	5-20 years
Plant and equipment	3-15 years
Tools and fixtures	2- 7 years

Assets with an acquisition price less than t.DKK 25 per unit are charged to the profit and loss account in the year of acquisition.

Until they become operational, projects are stated in the balance sheet under tangible fixed assets as ''Plant under construction''. After becoming operational, such projects are transferred to tangible or intangible fixed assets, depending on the nature.

Land is not depreciated.

The cost price of finance leased assets is calculated as the market value or the net present value of future lease payments at the date of purchase if this is lower. Finance leased assets are stated in the balance sheet and are depreciated as other tangible fixed assets.

Financial fixed assets

Holdings in associated companies are stated in the consolidated balance sheet according to the equity method as the proportionate share of the associated companies' equity less a proportionate share of unrealized intercompany profits.

Associated companies with negative equity for accounting purposes are stated at zero while receivables with these companies are written down by the Group's share of the negative equity. If such negative equity exceeds receivables, the remaining balance is stated under Provisions.

Inventories

Inventories are carried at cost using the FIFO formula or at net realizable value if this is lower than cost. Depreciation is recognized on obsolete goods including goods with slow marketability.

Receivables

Receivables are carried at the value of the amounts expected to be received.

Debt

Debt is carried at the nominal value of the outstanding balance at the balance sheet date, including interest due.

The net present value of the liabilities of finance leased assets are stated in the balance. Interest from lease payments is charged to the profit and loss account.

Other rental and leasing matters

When contracts for renting and leasing buildings and equipment are of an operational nature, rental and leasing charges are recognized in the profit and loss account for the period to which they relate.

The remaining rental and leasing obligations under such contracts are disclosed under Contingent liabilities.

Cash flow statement

The consolidated cash flow statement is prepared according to the indirect method on the basis of the Group's operating income. The cash flow statement shows the Group's cash flow for the year divided into cash flow from operating activities, investing activities and financing activities and how these cash flows have affected liquid funds.

Cash flow from operating activities relates to cash flow from the year's operations, adjusted for non-cash items and changes in working capital. Working capital covers current assets, excluding items stated as liquid funds. It also includes short-term debt less repayment of long-term debt and bank debt.

Cash flow from investing activities includes the sale and purchase of fixed assets, including holdings in companies.

Cash flow from financing activities includes payments to and from shareholders and raising and repayment of long-term and short-term debt not included in working capital.

Cash funds relate to cash in hand and bank balances and include bonds and commercial paper having original maturities of three months or less.

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, and 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.

Notes to the consolidated financial statements

1. NET REVENUE

	Year ended December 31, 1998	Year ended December 31, 1999	(unaudited) Nine months ended September 30, 2000
	(in DKK million)		
Mobile telephony	2,036	2,600	2,014
Customer equipment	311	304	261
Total	2,347	2,904	2,275

Mobile telephony includes revenue from traffic, subscription and connection for mobile telephones.

Customer equipment includes sale of customer equipment (mobile phones).

2. EMPLOYMENT COSTS

	Year ended December 31, 1998	Year ended December 31, 1999	(unaudited) Nine months ended September 30, 2000
	(in DKK million)		
Wages and salaries	345	447	362
Pensions and other social costs	12	13	33
Total	357	460	395
Hereof remuneration to parent company's:			
Board of Management	3	4	29
Supervisory Board	1	1	—
Average number of employees	1,153	1,487	1,549

3. DEPRECIATION

	Year ended December 31, 1998	Year ended December 31, 1999	(unaudited) Nine months ended September 30, 2000
	(in DKK million)		
Production costs	238	237	179
Distribution costs	6	12	12
Administration costs	197	218	202
Total	441	467	393

4. FINANCIAL INCOME

	Year ended December 31, 1998	Year ended December 31, 1999	(unaudited) Nine months ended September 30, 2000
	(in DKK million)		
Interest from banks	7	—	—
Other interest	3	7	5
Total	10	7	5

5. FINANCIAL EXPENSES

	Year ended December 31,		(unaudited) Nine months ended September 30,
	1998	1999	2000
	(in DKK million)		
Interest on bank debt	95	82	56
Interest to affiliated companies	45	40	38
Other interest	1	14	28
Total	141	136	122

6. TAX

	Year ended December 31,	
	1998	1999
	(in DKK million)	
Payable Danish tax	—	—
Payable tax abroad	(23)	(45)
Change in deferred tax	4	(38)
Adjustment for previous years	4	—
Total	(15)	(83)
Tax paid during the year	50	52

7. INTANGIBLE FIXED ASSETS

	Goodwill	Software
	(In DKK million)	
Acq. cost at 01.01.99	2,370	402
Additions	4	212
Disposals	—	—
Transferred	—	136
Acq. cost at year-end	2,374	750
Amortization at 01.01.99	(251)	(115)
Amortization	(120)	(81)
Amortization related to disposals	—	—
Depreciation at year-end 1999	(371)	(196)
Book value at year-end 1999	2,003	554
Book value at year-end 1998	2,119	287

Capitalized software is for internal use and is being amortized on a straight line basis.

8. TANGIBLE FIXED ASSETS

	Leasehold improvements	Lease-holds	Land and buildings	Physical plant and equip	Tools and fixtures	Plant under construction
			(in DKK million)			
Acq.cost at 01.01.99	14	17	254	1,892	221	308
Additions	3	184	1	173	65	86
Disposals	(1)	—	(1)	(4)	(21)	—
Transferred	3	—	1	129	29	(298)
Acq.cost at year-end	19	201	255	2,190	294	96
Depreciation at 01.01.99	(3)	—	(4)	(601)	(119)	(7)
Depreciation	(2)	(1)	(2)	(206)	(55)	—
Depreciation related to disposals	—	—	—	2	16	—
Transferred	—	—	—	(7)	—	7
Depreciation at year-end	(5)	(1)	(6)	(812)	(158)	—
Book value at year-end 1999	14	200	249	1,378	136	96
Book value at year-end 1998	11	17	250	1,291	102	301

The book value of mortgaged assets totaled DKK 7 million.

9. FINANCIAL FIXED ASSETS

Capital shares in affiliated companies	Registered in	Share	Share capital in DKK million
Aktieselskabet af 3. November 1971	Copenhagen	100%	14.0
BLS Denmark Associates	Georgia	100%	—
BLS Denmark Inc.	Georgia	100%	—
BSI Denmark Inc.	Georgia	100%	—
Dansk Mobiltelefon I/S	Aalborg	100%	—
Det Danske Mobiltelefonkompagni PCN A/S	Copenhagen	100%	4.6
GN Store Nord MOBIL I/S	Copenhagen	100%	—
GN Store Nord MobilTelefon 2 aps	Copenhagen	100%	3.0
Midtjydsk Radiotelefon A/S	Copenhagen	100%	1.0
SONOFON A/S	Aalborg	100%	59.0
SONOFON GSM Center A/S	Aalborg	100%	0.5
SONOFON Partner A/S	Copenhagen	100%	10.0
SONOFON Services A/S	Copenhagen	100%	0.5
Capital shares in associated companies			
Lokal Trans aps	Copenhagen	20%	0.4
OCH A/S	Copenhagen	25%	1.0

The above mentioned partnerships (I/S) do not publish their annual financial statements according to the Annual Company Accounts Act section 2f, as they are included in the consolidated financial statements for Sonofon Holding A/S.

10. PROVISIONS FOR DEFERRED TAX

	Year ended December 31, 1998	Year ended December 31, 1999
	(in DKK million)	
Provisions at 01.01	201	210
Change due to changes accounting policies	(257)	(270)
Transferred at 01.01 after changed accounting policies	(56)	(60)
Change during the year	(4)	38
Transferred at year-end is distributed as follows:	(60)	(22)
Deferred tax assets	(61)	(26)
Transferred deferred tax	1	4
	(60)	(22)

11. LONG-TERM DEBT

	Year ended December 31, 1998	Year ended December 31, 1999
	(in DKK million)	
In 5 years or later, the following debt is due	19	8

12. PLEDGES

	Year ended December 31, 1998	Year ended December 31, 1999
Mortgages are secured in buildings — book value at year-end	6	7
Bank balance deposited in security for leaseholds	1	1
Total	7	8

13. CONTINGENT LIABILITIES

	Year ended December 31, 1998	Year ended December 31, 1999	(unaudited) Nine months ended September 30, 2000
	(in DKK million)		
Liabilities in connection with leases	263	59	75

14. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Group's consolidated financial statements have been prepared under Danish generally accepted accounting principles (D GAAP), which differs in certain respects from United States generally accepted accounting principles (US GAAP). The principal differences between the Group's accounting principles under D GAAP and US GAAP are set out below:

Reconciliation of net income from Danish GAAP to US GAAP

	Year ended December 31,		(unaudited) Nine months ended September 30,
	1998	1999	2000
	(in DKK million)		
Net income in accordance with D GAAP	(114)	57	(18)
Adjustment for US GAAP:			
Capitalized interest	11	7	4
Depreciation of previously capitalized interest	(4)	(5)	(5)
Amortization on goodwill	65	65	49
Tax effect of US GAAP adjustments	(2)	—	—
Net income in accordance with US GAAP	(44)	124	30
Earnings/loss (basic and dilutive) per share in accordance with US GAAP	(440)	1,240	300
Weighted average number of shares outstanding	100,000	100,000	100,000

Reconciliation of shareholders equity from Danish GAAP to US GAAP

	Year ended December 31,		Nine months ended September 30,
	1998	1999	2000
	(in DKK million)		
Shareholders' equity in accordance with D GAAP	1,256	1,313	1,295
Adjustment for US GAAP:			
Capitalized interest	42	49	53
Depreciation of previously capitalized interest	(14)	(19)	(24)
Goodwill	(1,305)	(1,305)	(1,305)
Amortization on goodwill	131	196	245
Tax effect of US GAAP adjustments	(9)	(9)	(9)
Shareholders' equity in accordance with US GAAP	101	225	255

The following table reflects the components of comprehensive income under US GAAP

	1998	1999	Nine months ended September 30, 2000
	(Amounts in DKK million)		
Net income	(42)	124	30
Other comprehensive income			
— Unrealized gains/loss on available for sale securities	—	—	—
— Translation adjustment	—	—	—
Total other comprehensive income	—	—	—
Comprehensive income	(42)	124	30

Capitalized interest

Under Danish GAAP the Group has expensed interest as incurred.

Under US-GAAP interest costs related to plant under construction are capitalized as part of the cost of an asset. The capitalization period begins when activities to get an asset ready for use commence and ends when the asset is ready for its intended use. The capitalized interest is expensed over the estimated useful life of the assets.

Goodwill

As part of the larger restructuring that took place in 1996, Sonofon acquired certain interests that were previously held directly by the owners of Sonofon. This was a reorganization under common control, which under US GAAP is accounted for on a carryover basis (on account of the fact that proportionate ownership before and after the reorganization was the same).

Under Danish GAAP the reorganization was recorded at fair value.

Revenue recognition

Under Danish GAAP revenue from connection fees are recognized in revenue at the time of the sale and all initial direct costs are expenses as incurred. Under US GAAP, such connection that does 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.

The Company has considered the effect of SAB 101 and determined that it would not have a material effect on net income for any period presented.

New US Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, ''Accounting for derivative instruments and hedging activities''. (SFAS) No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an assets or liabilities measured at fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results in the income statement or other comprehensive income (depending on the type of hedge). To adopt hedge accounting a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

SFAS No. 137 delayed the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. Sonofon Holdings A/S has not yet determined the effect of the implementation of SFAS No. 133 on the balance sheet and on the profit and loss statement.

Telenor

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