

Q1 – 2021

Interim report
January – March 2021



Contents

Highlights and Group performance	1
Outlook for 2021	1
Interim report	6
Telenor's operations	6
Group performance	13
Interim condensed financial information	15
Notes to the interim consolidated financial statements	20
Definitions	25



Steady performance in the first quarter

Our digitalisation journey continued in the first quarter of 2021 enabling us to add 5 million subscribers and yielding an opex decrease of 7%. Despite a decline in subscription and traffic revenues of 4%, this enabled us to deliver an organic EBITDA decline of 2% and a free cash flow of NOK 3.8 billion.

The Nordic operations delivered a robust quarter with EBITDA growth in Finland and Denmark. Despite the pandemic impacting our Asian operations over the last twelve months, we have been able to adapt and deliver strong customer intake across our operations.

The recently announced merger discussions in Malaysia represents an important next step in Telenor Group's strategy to strengthen its position and create value in Asia. The new entity will have size and capabilities to meet increasing expectations and demand from a digitally connected society.

In Myanmar, we see an irregular, uncertain, and deeply concerning situation. Since the military coup on 1 February 2021, Telenor's focus has been on the security for our employees, access to services for customers and continued transparency. Prolonged mobile internet restrictions have severely impacted the people of Myanmar and the country's economy, illustrating the importance of connectivity services. Telenor calls on the authorities to immediately reinstate unimpeded communications and respect the right to freedom of expression and human rights.

Due to the worsening of economic and business environment outlook and a deteriorating security and human rights situation, we see limited prospects of improvement going forward. Based on this, we have fully impaired Telenor Myanmar with an amount of NOK 6.5 billion in the quarter.

With limited visibility on the development in the country, we have excluded Myanmar from our outlook. For the full year 2021, excluding Myanmar, we re-iterate the expectation of organic subscription and traffic revenues and EBITDA to remain around the 2020 level and a capex to sales ratio of 15-16%.

- Sigve Brekke, President and CEO



Key figures Telenor Group

NOK in million	First quarter		Year
	2021	2020	2020
Revenues	28 873	30 953	122 811
Organic revenue growth (%)	(1.6)	1.5	(2.3)
Subscription and traffic revenues	21 715	23 867	93 439
Organic subscription and traffic revenue growth (%)	(4.0)	1.8	(1.9)
EBITDA before other income and other expenses	13 015	14 106	56 520
Organic EBITDA growth (%)	(2.2)	2.6	1.7
EBITDA before other income and other expenses/Revenues (%)	45.1	45.6	46.0
Net income attributable to equity holders of Telenor ASA	(3 889)	698	17 341
Capex excl. licences and spectrum	3 745	3 079	16 351
Total Capex	4 284	3 385	21 692
Free cash flow before M&A	2 992	2 664	12 542
Total Free cash flow	3 834	3 775	20 855
Mobile subscriptions - Change in quarter/Total (mill.)	5.0	(0.4)	181.8

First quarter 2021 summary¹⁾

- The Group's mobile subscriber base grew by 5 million, including 2 million added in Myanmar. The subscriber base was 187 million at the end of the quarter.
- Subscription and traffic revenues decreased by 4% on an organic basis. Total reported revenues were NOK 28.9 billion, a decrease of NOK 2.1 billion.
- Currency adjusted opex decreased by NOK 0.7 billion, or 7%. Reported opex decreased by NOK 1.1 billion.
- Organic EBITDA decreased by 2%, as the decline in subscription and traffic revenues was only partly offset by the reduction in operating expenses. Reported EBITDA before other items was NOK 13.0 billion and the EBITDA margin was 45%.
- Capex excluding licences and spectrum was NOK 3.7 billion, yielding a capex to sales ratio of 13%.
- Reported net income was negative NOK 3.9 billion. Decrease in operating profit due to the impairment of Telenor Myanmar of NOK 6.5 billion and higher taxes were only partly offset by positive development in net financial items.
- Total free cash flow was NOK 3.8 billion.
- Leverage decreased to 1.8x at the end of the first quarter from 2.0x at the end of the previous quarter.
- On 1 February 2021, the military of Myanmar declared a state of emergency and the overall situation is unstable. Due to the worsening of economic and business environment outlook and a deteriorating security and human rights situation, we see limited prospects of improvement going forward. As a consequence, an impairment loss of NOK 6.5 billion was recognised related to Telenor Myanmar.

¹⁾ Please refer to Definitions on page 25 for descriptions of alternative performance measures.

COVID-19 impact on Telenor's business

Our business continues to be impacted by the COVID-19 pandemic, in particular in Asia and through reduction in roaming revenues. There have been new waves of outbreaks during the first quarter in several of our markets. Thailand, Pakistan and Bangladesh are ending the first quarter entering new waves with significant increase in daily infections. Lockdowns and restrictions remain in most of Telenor's markets. In Myanmar, there is limited visibility as almost no testing is taking place. The Thai economy is severely hit by the drop in tourism, both directly and indirectly impacting the demand for telecom services. In both Thailand and Malaysia government relief initiatives for low income segments have impacted consumption positively during the quarter. In the Nordics as well, the situation remains unstable and mutations of the virus has resulted in continued or additional restrictions during the first quarter, however with limited impact on telecom consumption with the exception for international roaming revenues.

The low level of international travel and roaming volumes will likely remain until restrictions are eased and mass-vaccination has gained traction. The duration and modality of restrictions, reactive measures by the authorities and the timing of economic recovery remains uncertain, especially in Asia.

During the pandemic, Telenor has enabled and improved flexible work-from-home solutions, ensuring business continuity and employee safety, and has accelerated digitalisation including zero touch operations and automation. Telenor maintains its strategic direction, while closely monitoring revised expectations for economic development and changed risk profiles, both globally and in our local markets.

For more details on the impact of COVID-19 on Telenor's business and financial results, please refer to pages 3 – 5 for a description of the Group's consolidated figures, the Interim report on Telenor's operations for market specific information, as well as Note 9 COVID-19.

Outlook for 2021

With limited visibility on the development in Myanmar, we have excluded Myanmar from our outlook. For the full year 2021, excluding Myanmar, we re-iterate the expectations of organic subscription and traffic revenues and EBITDA to remain around 2020 level and a capex to sales ratio of 15-16%.

¹⁾ Please refer to Definitions on page 25 for descriptions of alternative performance measures.

Group performance in the first quarter 2021¹⁾

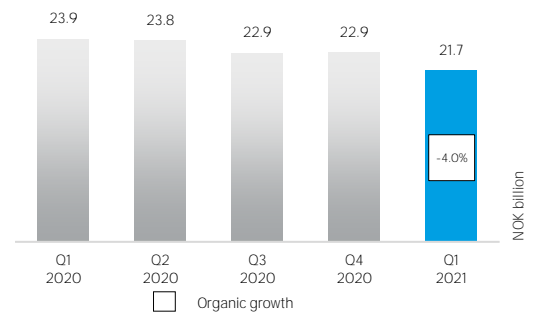
SUBSCRIPTION AND TRAFFIC REVENUES

Reported subscription and traffic revenues fell by 9%. On an organic basis, revenues decreased by 4%.

In the Nordics, our operations in Finland and Denmark showed strong performances, with 3% and 2% growth in subscription and traffic revenues respectively. In Norway, growth in domestic mobile, fixed wireless access and fibre almost offset the decline in roaming and copper revenues. In Sweden, price pressure and lower roaming revenues led to subscription and traffic revenue decline of 6%.

In Asia, the revenue development remained challenging, despite the increase in subscriber base in all markets except Malaysia. However, month on month improvements are generally seen in the revenue trends, supported by a strong subscriber intake.

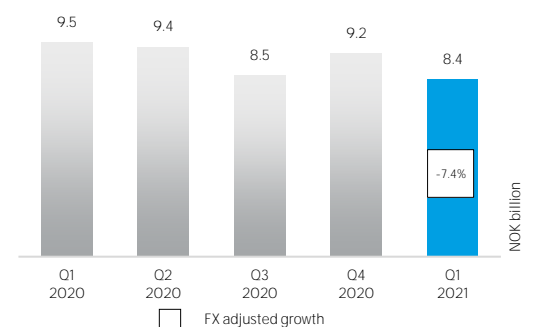
In Myanmar, the military coup on 1 February 2021 has significantly impacted our operations. The nationwide data network shutdown ordered by the authorities from 15 March 2021 as well as lower subscriber base were the key contributors to the 19% reduction in subscription and traffic revenues in Myanmar.



OPERATING EXPENSES (OPEX)

Reported opex decreased by NOK 1.1 billion in the quarter. On a currency adjusted basis, opex decreased by NOK 0.7 billion, or 7%.

The solid opex reduction was a result of reductions seen in all segments except Pakistan. Personnel costs were further reduced as a result of modernisation initiatives in several operations. Sales and marketing costs declined mainly due to lower sales and commissions in Asia. Other operating expenses decreased across all segments in addition to the positive effect from the disposal of Tapad and Valyou.

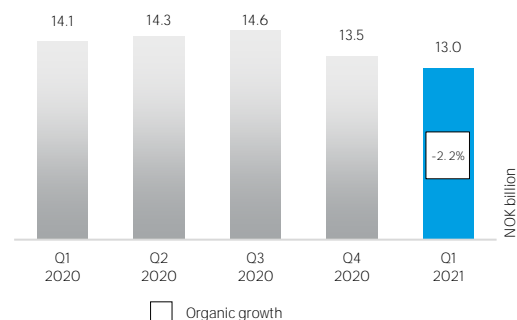


¹⁾ The comments are related to Telenor's development in the first quarter of 2021 compared to the first quarter of 2020 and are based on current Group structure unless otherwise stated. Please refer to Definitions on page 25 for descriptions of alternative performance measures.

EBITDA BEFORE OTHER INCOME AND OTHER EXPENSES (EBITDA)

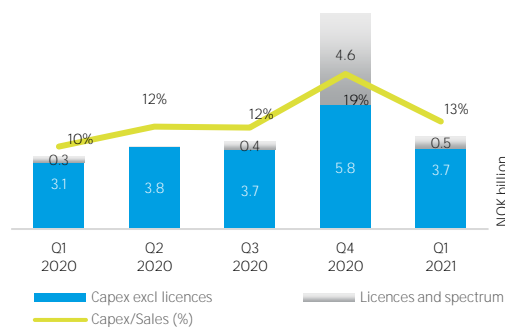
Reported EBITDA decreased by NOK 1.1 billion and the EBITDA margin was 45%.

On an organic basis, EBITDA decreased by 2% as a result of decline in subscription and traffic revenues partly offset by the reduced operating expenses. The strong performance in our operations in Finland and Denmark contributed positively, whereas the contribution from the operation in Norway remained stable despite of slight decrease in subscription and traffic revenues. In Asia, the challenging revenue trends had a negative impact on EBITDA as the reduction in operating expenses did not fully offset the reduction in revenue. In particular, Myanmar contributed with 1.5% decline to the Group's EBITDA.



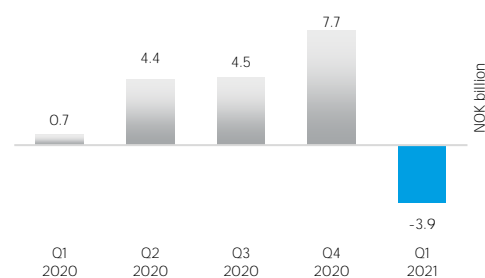
CAPITAL EXPENSES (CAPEX)

In the first quarter, capex excluding licences and spectrum was NOK 3.7 billion, which corresponds to a capex to sales ratio of 13%. Compared to the same period last year this is an increase of 3 percentage points. Capex this quarter was driven by network modernisation in several of our markets, including 5G roll-out in Finland, fiber investments in Norway, and network capacity and coverage expansion in Thailand. In addition, the year on year increase is explained by the import restrictions in Bangladesh in the beginning of last year. The capex to sales ratio is expected to increase further in the coming quarters, related to the ongoing modernisation programmes.



NET INCOME

Reported net income to equity holders of Telenor ASA in the first quarter was negative NOK 3.9 billion, which is a decrease of NOK 4.6 billion. The decrease in operating profit of NOK 7.3 billion due to the impairment of Telenor Myanmar of NOK 6.5 billion as well as higher taxes in the period were only partly offset by positive development in net financial items.

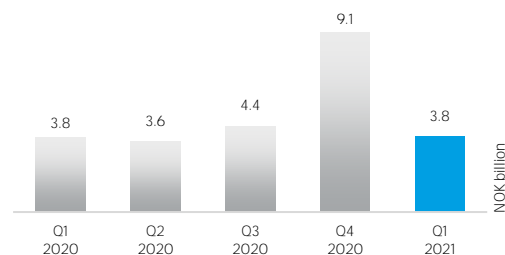


¹⁾ The comments are related to Telenor's development in the first quarter of 2021 compared to the first quarter of 2020 and are based on current Group structure unless otherwise stated. Please refer to Definitions on page 25 for descriptions of alternative performance measures.

FREE CASH FLOW

Free cash flow before M&A was NOK 3.0 billion, an increase of NOK 0.3 billion compared to last year. Adjusted for BTRC deposit payment in Bangladesh last year of NOK 1.1 billion, the decrease of NOK 0.8 billion was primarily due to negative EBITDA development and higher spectrum prepayments in Sweden and Bangladesh, partly offset by lower income taxes paid.

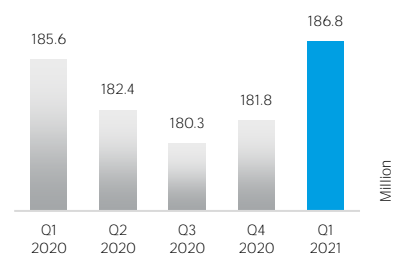
Total free cash flow remained stable at NOK 3.8 billion. During the period, the Group received the second instalment of NOK 1.0 billion from PPF related to the sale of our operations in Central and Eastern Europe in 2018.



MOBILE SUBSCRIPTIONS

The Group's mobile subscription base increased by 5.0 million this quarter to 187 million, which was fully attributed to our operations in Asia, with Myanmar adding 2.0 million new subscribers, as well as Grameenphone in Bangladesh and Telenor Pakistan growing customer base by 1.7 and 1.3 million subscriptions, respectively.

In the Nordics, our operations in Sweden and Denmark report a positive development with in total 43,000 new subscriptions, while DNA in Finland and Telenor Norway ended the quarter with a customer base decline.



¹⁾ The comments are related to Telenor's development in the first quarter of 2021 compared to the first quarter of 2020 and are based on current Group structure unless otherwise stated. Please refer to Definitions on page 25 for descriptions of alternative performance measures.

Interim report

Telenor's operations

The comments and financial figures for Telenor's segments are related to the development in the first quarter of 2021 compared to the first quarter of 2020 in local currency, unless otherwise stated. From 1 January 2020, Telenor Infra became the operator of all passive infrastructure in Norway. However, Telenor Norway retained ownership of its passive infrastructure, and as a second step, the ownership of the passive mobile infrastructure was transferred from Telenor Norway to Telenor Infra with effect from 1 January 2021. The reported figures for 2020 have not been restated to reflect this, hence the year on year development in the reported financial figures do not fully reflect Telenor Norway's underlying development, and the comments on the latter are made where deemed appropriate. See note 10 for further information. Please refer to Definitions on page 25 for descriptions of alternative performance measures. All comments on EBITDA are made on development in EBITDA before other income and other expenses. Please refer to page 13 for 'Specification of other income and other expenses'. Additional information is available at: www.telenor.com/ir

Norway

In Norway, the modernisation journey continued with significant investments in both fixed and mobile networks. The transfer of ownership of the passive mobile infrastructure to Telenor Infra with effect from 1 January 2021 has reduced the reported revenues and opex, but with neutral effect on EBITDA.

Mobile ARPU increased by 2%, as customers' growing demand for value added services and increasing popularity of speed-based products, offset the reduction in roaming revenues. Mobile subscriptions decreased by 28,000 in the quarter, whereof 10,000 in the prepaid segment. Consequently, mobile subscription and traffic revenues decreased by 1%. The strong growth within fixed non-legacy services continued, with 8,000 new fibre subscriptions and 8,000 new fixed wireless access subscriptions, nearly offsetting the decline in legacy copper and cable revenues. Total subscription and traffic revenues decreased by 1%. Total revenues fell by 4%, mainly as a result of the transfer of ownership of the passive mobile infrastructure to Telenor Infra, as well as lower hardware sales.

Opex decreased by 6%, or 2% adjusted for the effects from the transfer of ownership of the passive mobile infrastructure to Telenor Infra. The underlying reduction was mainly a result of lower personnel related costs. The underlying EBITDA remained stable and the EBITDA margin increased by 2 percentage points to 50%. The increase in operating profit was mainly related to workforce reductions last year, partly offset by higher depreciations resulting from the ongoing network modernisation.

NOK in million	First quarter		Year
	2021	2020	2020
Revenues mobile operation			
Subscription and traffic	2 758	2 774	11 170
Interconnect	103	109	435
Other mobile	272	256	1 071
Non-mobile	603	724	2 993
Total revenues mobile operation	3 736	3 863	15 670
Revenues fixed operation			
Telephony	163	221	812
Internet and TV	1 620	1 593	6 550
Data services	128	122	502
Other fixed	252	307	1 127
Total retail revenues	2 163	2 243	8 990
Wholesale and broadcasting	380	406	1 648
Total revenues fixed operation	2 543	2 649	10 638
Total revenues	6 279	6 513	26 307
Gross profit	4 951	5 052	20 446
Operating expenses	(1 821)	(1 928)	(7 659)
EBITDA before other items	3 130	3 124	12 787
Operating profit	1 445	1 316	5 023
EBITDA before other items/Total revenues (%)	50	48	49
Capex excl. Licences and Spectrum	1 096	1 339	5 298
Statistics (monthly in NOK):			
Mobile ARPU	340	335	341
Fixed Telephony ARPU	247	243	248
Fixed Internet ARPU	437	420	426
TV ARPU	336	327	345
No. of subscriptions - Change in quarter/Total (in thousands):			
Mobile	(28)	(34)	2 817
Fixed telephony	(26)	(18)	232
Fixed Internet	(10)	(5)	790
TV	(5)	7	590

Sweden

In Sweden, the mobile customer base increased by 39,000 during the quarter driven by the large enterprise segment.

Total subscription and traffic revenues decreased by 6%. Mobile subscription and traffic revenues fell by 8%, driven by ARPU reduction in both business and consumer segments. Fixed subscription and traffic revenues was stable as the growth in fibre revenues offset the decrease within fixed legacy services. High-speed internet subscriptions increased by 4,000 during the quarter.

Structural cost initiatives continued to deliver results and opex was reduced by 7%. The opex reduction was mainly driven by lower personnel and maintenance costs, partly offset by increased commissions. EBITDA was reduced by 9%, primarily due to lower subscription and traffic revenues, in addition to lower handset margin.

On 19 January 2021, Net4Mobility, the network joint operation between Telenor Sweden and Tele2, acquired 100 MHz spectrum in the 3.5 GHz frequency band to be used for nationwide 5G roll-out. Telenor Sweden paid its share of NOK 0.3 billion in February 2021.

NOK in million	First quarter		Year
	2021	2020	2020
Revenues mobile operation			
Subscription and traffic	1 362	1 437	5 772
Interconnect	103	111	451
Other mobile	101	100	426
Non-mobile	531	492	2 267
Total revenues mobile operation	2 096	2 140	8 916
Revenues fixed operation			
Telephony	34	38	146
Internet and TV	705	685	2 841
Data services	49	41	199
Other fixed	39	56	197
Total retail revenues	828	819	3 383
Wholesale	87	75	320
Total revenues fixed operation	915	894	3 702
Total revenues	3 011	3 034	12 618
Gross profit	1 901	2 005	8 304
Operating expenses	(838)	(873)	(3 472)
EBITDA before other items	1 063	1 132	4 832
Operating profit	427	544	2 228
EBITDA before other items/Total revenues (%)	35	37	38
Capex excl. Licences and Spectrum	265	299	1 429
Investments in businesses	-	5	5
Statistics (monthly in NOK):			
Mobile ARPU	177	188	190
Fixed Telephony ARPU	32	31	33
Fixed Internet ARPU	236	227	238
TV ARPU	143	142	145
No. of subscriptions - Change in quarter/Total (in thousands):			
Mobile	39	(37)	2 754
Fixed telephony	(4)	(4)	115
Fixed Internet	-	3	694
TV	1	(2)	478
Exchange rate (NOK/SEK, average for the period)	1.0135	0.9796	1.0227

Denmark

Telenor Denmark attracted another 5,000 mobile customers during the first quarter of the year. The mobile subscription base grew to 1.7 million and ended 2% higher than a year ago. Strong demand for our high-speed broadband services both in the residential and the enterprise segment resulted in fixed broadband ARPU growth, as well as subscriber base expansion.

Mobile ARPU declined by 2%, entirely explained by reduced mobility and roaming. Total subscription and traffic revenues increased by 2% from a larger mobile customer base and increased revenues from high-speed broadband.

EBITDA increased by 14% as the revenue growth was supported by opex reductions, driven by workforce reductions, low losses on receivables as well as lower travel and office costs.

On 21 April 2021, TT-Netværket, the network joint operation between Telenor and Telia, acquired 45 MHz, 2x20 MHz, 140 MHz and 600 MHz spectrum in the 1500 MHz, 2100 MHz, 3.5 GHz and 26 GHz frequency bands respectively, for a total amount of approximately NOK 1.0 billion, of which 50% is Telenor's share to be paid over 10 equal instalments. The first instalment is due when the licenses are issued, whereas remaining 9 yearly instalments would start from year 2024. The acquired spectrum will be used for further coverage enhancements and nationwide 5G roll-out, which has already started in the four largest cities.

NOK in million	First quarter		Year
	2021	2020	2020
Revenues mobile operation			
Subscription and traffic	729	736	2 987
Interconnect	64	67	264
Other mobile	74	66	308
Non-mobile	311	284	1 245
Total revenues mobile operation	1 178	1 152	4 804
Revenues fixed operation			
Telephony	30	28	116
Internet and TV	92	87	362
Data services	7	6	26
Total revenues fixed operation	129	122	505
Total revenues	1 307	1 274	5 308
Gross profit	790	796	3 247
Operating expenses	(426)	(472)	(1 887)
EBITDA before other items	364	324	1 360
Operating profit	100	73	317
EBITDA before other items/Total revenues (%)	28	25	26
Capex excl. Licences and Spectrum	84	140	520
Statistics (monthly in NOK):			
Mobile ARPU	158	163	164
No. of subscriptions - Change in quarter/Total (in thousands):			
Mobile	5	5	1 675
Fixed telephony	(2)	(2)	30
Fixed Internet	4	1	107
Exchange rate (NOK/DKK, average for the period)	1.3788	1.3998	1.4386

DNA - Finland

In Finland, DNA continued the solid growth momentum on subscription and traffic revenues.

Total subscription and traffic revenues increased by 3%. Fixed subscription and traffic revenues showed strong growth of 6% from increase in fixed broadband subscriptions. Mobile subscription and traffic revenues increased by 2%, driven by upsell to subscriptions with higher speeds. Mobile subscriptions decreased by 11,000 in the quarter, whereof 8,000 in the prepaid segment.

The reported opex continues to be positively impacted by the capitalisation of the re-assessed lease contracts starting from September 2020. Adjusted for this effect opex increased by 1%. Underlying EBITDA grew by 9% driven primarily by increased subscription and traffic revenues, in addition to higher handset sales.

The 5G roll-out and network modernisation continue at a high pace, resulting in a population coverage of 37% at the end of the quarter.

NOK in million	First quarter		Year
	2021	2020	2020
Revenues mobile operation			
Subscription and traffic	1 302	1 305	5 362
Interconnect	103	107	437
Other mobile	29	29	115
Non-mobile	446	425	1 843
Total revenues mobile operation	1 880	1 866	7 757
Revenues fixed operation			
Telephony	43	43	180
Internet and TV	392	377	1 578
Other fixed	69	75	311
Total retail revenues	505	495	2 069
Wholesale	39	40	172
Total revenues fixed operation	544	535	2 241
Total revenues	2 423	2 401	9 998
Gross profit	1 833	1 784	7 392
Operating expenses	(879)	(949)	(3 839)
EBITDA before other items	954	835	3 553
Operating profit	291	269	1 030
EBITDA before other items/Total revenues (%)	39	35	36
Capex excl. Licences and Spectrum	216	178	1 830
Statistics (monthly in NOK):			
Mobile ARPU	174	175	180
Fixed Telephony ARPU	484	421	452
Fixed Internet ARPU	164	168	175
TV ARPU	72	61	64
No. of subscriptions - Change in quarter/Total (in thousands):			
Mobile	(11)	(6)	2 694
Fixed telephony	(1)	(2)	31
Fixed Internet	7	8	584
TV	(2)	(37)	285
Exchange rate (NOK/EUR, average for the period)	10.2545	10.4590	10.7236

dtac - Thailand

In Thailand, dtac's positive momentum in subscriber trends continued from previous quarter and the subscriber base increased by 229,000, mainly driven by the prepaid segment. Subscription and traffic revenues declined by 7%. As in previous quarters, revenues are impacted by the COVID-19 pandemic and the economic downturn.

Opex decreased by 14%, mainly from improvement in bad debt expenses, reduction in sales and marketing spend and operations and maintenance related costs as well as re-assessment of lease contracts.

Adjusted for re-assessment of lease contracts, the underlying EBITDA decreased by 5% as the top-line decline could not be offset by underlying lower opex and an improved handset margin.

Capex in the quarter was mainly related to 4G capacity and coverage expansion on 700 MHz.

NOK in million	First quarter		Year
	2021	2020	2020
Revenues mobile operation			
Subscription and traffic	3 962	4 615	17 472
Interconnect	95	129	475
Other mobile	21	53	115
Non-mobile	1 689	1 301	5 641
Total revenues mobile operation	5 767	6 097	23 704
Total revenues	5 767	6 097	23 704
Gross profit	3 408	3 971	15 052
Operating expenses	(1 307)	(1 641)	(5 976)
EBITDA before other items	2 102	2 329	9 076
Operating profit	530	730	2 542
EBITDA before other items/Total revenues (%)	36	38	38
Capex excl. Licences and Spectrum	937	262	2 924
Statistics (monthly in NOK):			
Mobile ARPU	71	78	78
No. of subscriptions - Change in quarter/Total (in thousands):			
Mobile	229	(1 017)	18 856
Exchange rate (NOK/THB, average for the period)	0.2811	0.3037	0.3006

Digi - Malaysia

In Malaysia, Digi's subscription and traffic revenue declined by 3%, mainly from postpaid decline. In addition, the COVID-19 measures with closed borders and travel restrictions continue to impact roaming revenues and prepaid revenues from migrants, which was also the main reason for subscriber base declining with 191,000 subscribers during the quarter.

Opex decreased by 3% as increased opex following network investments was offset by lower sales and marketing cost and improvement in bad debt expenses.

EBITDA decreased by 2%, as cost savings could not fully compensate for the decline in subscription and traffic revenues.

Capex in the quarter was mainly related to 4G capacity and coverage expansion.

NOK in million	First quarter		Year
	2021	2020	2020
Revenues mobile operation			
Subscription and traffic	2 690	3 011	11 675
Interconnect	60	57	231
Other mobile	24	33	102
Non-mobile	471	438	1 758
Total revenues mobile operation	3 244	3 538	13 766
Total revenues	3 244	3 538	13 766
Gross profit	2 371	2 638	10 324
Operating expenses	(819)	(915)	(3 386)
EBITDA before other items	1 552	1 723	6 938
Operating profit	902	1 029	4 085
EBITDA before other items/Total revenues (%)	48	49	50
Capex excl. Licences and Spectrum	317	314	1 605
Statistics (monthly in NOK):			
Mobile ARPU	89	91	91
No. of subscriptions - Change in quarter/Total (in thousands):			
Mobile	(191)	(273)	10 441
Exchange rate (NOK/MYR, average for the period)	2.0929	2.2679	2.2374

Grameenphone - Bangladesh

In Bangladesh, Grameenphone continued the strong subscriber momentum with a net addition of 1.7 million subscribers, including 1.7 million new 4G data users. At the end of the quarter, the subscriber base stood at 80.7 million.

Subscription and traffic revenues decreased by 3%, mainly driven by lower contribution from voice, however with an improving trend during the quarter. Consequently, EBITDA decreased by 5% as the opex reduction of 4% only partly offset the revenue decline. The cost reductions were mainly within personnel cost, sales commission and regulatory cost.

On 8 March 2021, the spectrum auction in Bangladesh was concluded and Grameenphone acquired additional spectrum in both the 1800MHz and 2100MHz frequency band, for a total amount of approximately NOK 1.3 billion, whereof the first instalment of NOK 0.3 billion was paid in the first quarter. The spectrum's validity period is 5.6 years starting from 9 April 2021, and the acquired spectrum is technology neutral.

Capex during last year was impacted by the import restrictions which were gradually lifted towards the end of first quarter of 2020.

NOK in million	First quarter		Year
	2021	2020	2020
Revenues mobile operation			
Subscription and traffic	3 313	3 822	14 634
Interconnect	131	177	616
Other mobile	6	7	27
Total revenues mobile operation	3 499	4 057	15 483
Total revenues	3 499	4 057	15 483
Gross profit	3 264	3 812	14 505
Operating expenses	(1 072)	(1 249)	(4 730)
EBITDA before other items	2 192	2 563	9 776
Operating profit	1 628	1 911	7 036
EBITDA before other items/Total revenues (%)	63	63	63
Capex excl. Licences and Spectrum	364	44	1 114
Statistics (monthly in NOK):			
Mobile ARPU	14	18	17
No. of subscriptions - Change in quarter/Total (in thousands):			
Mobile	1 710	(1 129)	79 037
Exchange rate (NOK/BDT, average for the period)	0.1005	0.1122	0.1109

Pakistan

Telenor Pakistan's targeted go-to market strategy, combined with spectrum refarming, has resulted in healthy data growth. During the quarter, 1.3 million subscriptions were added, taking the customer base to 48.5 million.

Subscription and traffic revenues increased slightly on a reported basis. Adjusting for the surcharge fee revenue impact last year, the underlying growth was 4%.

Opex increased by 12% mainly due to higher energy prices, operation & maintenance cost as well as reversal of cost accrual last year.

Adjusted for surcharge fee revenue impact as well as reversal of cost accrual last year, the underlying EBITDA increased by 6%.

NOK in million	First quarter		Year
	2021	2020	2020
Revenues mobile operation			
Subscription and traffic	1 145	1 294	4 822
Interconnect	197	196	797
Other mobile	4	4	19
Non-mobile	54	61	241
Total revenues mobile operation	1 400	1 555	5 880
Total revenues	1 400	1 555	5 880
Gross profit	1 213	1 337	5 104
Operating expenses	(473)	(478)	(1 937)
EBITDA before other items	740	859	3 167
Operating profit	301	329	1 205
EBITDA before other items/Total revenues (%)	53	55	54
Capex excl. Licences and Spectrum	285	316	718
Statistics (monthly in NOK):			
Mobile ARPU	9	11	10
No. of subscriptions - Change in quarter/Total (in thousands):			
Mobile	1 275	1 089	47 240
Exchange rate (NOK/PKR, average for the period)	0.0537	0.0609	0.0582

Myanmar

On 1 February 2021, a state of emergency was declared under military leadership in Myanmar. The situation in Myanmar is irregular and uncertain, and deeply concerning. Since 1 February 2021, the Myanmar authorities have ordered various network restrictions for all operators, and on 15 March 2021 the authorities ordered a nationwide shutdown of mobile data, which resulted in daily subscription and traffic revenues being approximately halved.

Subscription and traffic revenues decreased by 19%, heavily impacted by the data network shutdown from mid-March. The duration of this shutdown is highly uncertain. The subscriber development improved during the quarter with a growth of 2 million, bringing the total subscriber base up to 18.2 million.

Opex decreased by 16%, primarily due to lower sales, marketing and commissions cost. As a result of revenue decline, the EBITDA decreased with 21%.

The overall situation is unstable. Due to the worsening of economic and business environment outlook and a deteriorating security and human rights situation, we see limited prospects of improvement going forward. As a consequence, an impairment loss of NOK 6.5 billion was recognised.

NOK in million	First quarter		Year
	2021	2020	2020
Revenues mobile operation			
Subscription and traffic	1 188	1 638	6 258
Interconnect	179	195	729
Other mobile	4	6	25
Non-mobile	1	2	6
Total revenues mobile operation	1 372	1 841	7 018
Total revenues	1 388	1 851	7 069
Gross profit	1 201	1 647	6 290
Operating expenses	(425)	(563)	(2 234)
EBITDA before other items	777	1 084	4 055
Operating profit (loss)	(6 340)	409	1 399
EBITDA before other items/Total revenues (%)	56	59	57
Capex excl. Licences and Spectrum	60	87	540
Statistics (monthly in NOK):			
Mobile ARPU	26	27	28
No. of subscriptions - Change in quarter/Total (in thousands):			
Mobile	1 999	1 028	16 243
Exchange rate (NOK/MMK, average for the period)	0.0059	0.0066	0.0068

Other units

Revenues in Other units decreased by NOK 0.3 billion due to loss of low margin revenues in Global Wholesale, a challenged cruise industry impacting Telenor Maritime and disposal of Tapad.

EBITDA decreased slightly mainly as a result of the revenue effects in Telenor Maritime and the disposal of Tapad.

EBIT was negatively impacted by higher depreciations in Telenor Infra and the disposal of Tapad.

NOK in million	First quarter		Year
	2021	2020	2020
Revenues			
Corporate Functions	427	435	1 742
Infra	435	427	1 652
Satellite	205	208	841
Other Businesses	762	1 092	3 896
Eliminations	(35)	(45)	(163)
Total revenues	1 794	2 119	7 968
Operating expenses	(879)	(1 056)	(4 125)
EBITDA before other items			
Corporate Functions	(69)	(84)	(401)
Infra	213	223	883
Satellite	140	143	599
Other Businesses	124	185	645
Eliminations	-	-	-
Total EBITDA before other items	406	467	1 725
Operating profit (loss)			
Corporate Functions	(114)	(148)	(514)
Infra	61	104	415
Satellite	75	76	367
Other Businesses	74	98	4 429
Eliminations	-	-	(123)
Total operating profit (loss)	97	130	4 575
Capex excl. Licences and Spectrum	121	100	372
Investments in businesses	191	-	352

Group performance in 2021

The comments below are related to Telenor's development in 2021 compared to 2020.

Specification of other income and other expenses

NOK in million	First quarter		Year
	2021	2020	2020
EBITDA before other income and other expenses	13 015	14 106	56 520
EBITDA before other income and other expenses (%)	45.1	45.6	46.0
Other income	5	6	150
Gains on disposals of property, plant and equipment (PPE) and operations	23	71	4 438
Losses on disposals of property, plant and equipment (PPE) and operations	(63)	(59)	(577)
Workforce reductions, onerous (loss) contracts and other	(116)	(328)	(1 966)
EBITDA	12 863	13 796	58 565
EBITDA margin (%)	44.6	44.6	47.7

Other expenses this quarter consisted mainly of workforce reductions, primarily in Telenor Denmark, Telenor Norway, dtac and Grameenphone. In the first quarter last year, other expenses consisted mainly of workforce reductions (of which NOK 224 million in Telenor Norway), partly offset by gains on disposals of fixed assets and operations in DNA and Telenor Real Estate.

Impairment

On 1 February 2021, the military of Myanmar declared a state of emergency, and the overall situation is unstable. Due to worsening of the economic and business environment outlook and a deteriorating security and human rights situation, we see limited prospects of improvement going forward. An impairment loss of NOK 6.5 billion was recognised related to Telenor Myanmar. Please see note 7 for further information.

Operating profit

Reported operating profit decreased by NOK 7.3 billion to NOK 0.6 billion mainly due to the impairment of Telenor Myanmar and decrease in EBITDA in the period.

Associated Companies and Joint Ventures

NOK in million	First quarter		Year
	2021	2020	2020
Profit after taxes	(53)	(109)	(414)
Gains (losses) on disposal of ownership interests	-	-	53
Profit (loss) from associated companies and joint ventures	(53)	(109)	(361)

During the first quarter of 2021, net loss from associated companies and joint ventures was NOK 53 million which includes loss after tax from Telenor Microfinance Bank amounting to NOK 75 million, and profit after tax from Allente Group AB (Allente) amounting to NOK 30 million. Reported net loss in the first quarter of last year includes loss after tax amounting to NOK 117 million from Telenor Microfinance Bank.

Financial items

NOK in million	First quarter		Year
	2021	2020	2020
Financial income	152	169	675
Financial expenses	(1 035)	(1 254)	(4 635)
Net currency gains (losses)	287	(2 654)	1 189
Net change in fair value of financial instruments	(78)	(518)	(727)
Net gains (losses and impairment) of financial assets and liabilities	4	1	-
Net financial income (expenses)	(671)	(4 256)	(3 498)
Gross interest expenses related to interest-bearing liabilities and lease liabilities	(859)	(1 074)	(3 970)
Net interest expenses	(752)	(946)	(3 470)

Net financial items in the first quarter of 2021 amounted to negative NOK 0.7 billion, compared to negative NOK 4.3 billion in the first quarter last year. Financial expenses were down compared to last year due to lower interest cost.

Net currency gains in the first quarter were NOK 0.3 billion, compared to losses of NOK 2.7 billion in 2020. The volatility in the foreign exchange markets and the weak Norwegian krone led to losses in the first quarter of 2020, mainly related to liabilities denominated in USD.

Taxes

The effective tax rate this quarter was negative with 121%, (32% in 2020) due to impairment of Telenor Myanmar. The tax expense for the first quarter last year was lower mainly due to high currency losses in Norway. The underlying tax rate for the year 2021 is estimated at 31%.

Cash flow

Net cash inflow from operating activities during the first quarter of 2021 was NOK 10.8 billion, an increase of NOK 0.5 billion compared to 2020. Adjusted for BTRC deposit payment of NOK 1.1 billion in 2020, the decrease of NOK 0.6 billion is explained by negative EBITDA development and currency translation effects partly offset by lower income taxes paid.

Net cash outflow to investing activities during the first quarter of 2021 was NOK 4.7 billion, an increase of NOK 0.2 billion compared to 2020. Payments of PPE, intangibles and prepayments of right-of-use assets during the first quarter of 2021 were NOK 0.2 billion higher compared to last year. Prepayments of spectrum licenses in Sweden and Bangladesh of NOK 0.6 billion were partly offset by lower payments related to purchase of PPE and intangibles by NOK 0.4 billion.

Net cash outflow to financing activities during the first quarter of 2021 was NOK 3.3 billion. This is explained by repayments of lease obligations of NOK 1.4 billion, repayments of licence obligations of NOK 0.4 billion, net payments of borrowings of NOK 1.0 billion and NOK 0.3 billion dividends paid to non-controlling interests.

Cash and cash equivalents increased by NOK 2.5 billion during the first quarter to NOK 22.6 billion as of 31 March 2021.

Financial position

During the first quarter of 2021, total assets decreased by NOK 18.7 billion to NOK 237.8 billion. The decrease was primarily caused by the impairment of Telenor Myanmar and the appreciation of Norwegian Krone against most relevant currencies.

Net debt decreased by NOK 12.5 billion to NOK 97.9 billion. Interest-bearing liabilities excluding licence obligations decreased by NOK 10.9 billion primarily driven by the appreciation of the Norwegian Krone against most relevant currencies with an impact of approximately NOK 5.5 billion, and net repayment of interest-bearing borrowings by NOK 1.4 billion. Cash and cash equivalents increased by NOK 2.2 billion.

Total equity decreased by NOK 4.4 billion to NOK 39.5 billion. The decrease was primarily due to the negative net income from operations of NOK 3.1 billion during the quarter, net negative currency translation effects of NOK 1.0 billion and dividends to non-controlling interests of NOK 0.8 billion. This was partly offset by pension remeasurement gain (net of tax) of NOK 0.5 billion.

Transactions with related parties

For detailed information on related party transactions, please refer to Note 33 *Related parties* in the Group's Annual Report 2020.

Risks and uncertainties

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

A significant share of Telenor's revenues and profits is derived from operations outside Norway, and political risk, including regulatory conditions, may influence the Group's financial statements. On 1 February 2021, a state of emergency was declared under military leadership in Myanmar. As a consequence of the current situation, Telenor has recognised an impairment of NOK 6.5 billion in the first quarter. Please see Note 7 *Impairment Myanmar* for more information. Further, the regulatory environment in Bangladesh is still challenging for Grameenphone and Telenor. This relates to BTRC and their conducted audit covering the period 1997 until 2014. Please see Note 34 *Legal Disputes and contingencies* in the Group's Annual Report 2020 for further details.

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

Telenor continues to see impact from the global spread of COVID-19 on our performance. The duration and modality of restrictions, reactive measures by the authorities and the timing of economic recovery remains uncertain, especially in Asia. Furthermore, Telenor is exposed to the related uncertainty regarding macroeconomic development and currency fluctuations. For more information related to COVID-19, see page 2 and Note 9 *COVID-19*.

For additional explanations regarding risks and uncertainties, please refer to the following sections in the Group's Annual Report 2020: the *Risk* section in the Board of Directors' Report, Note 13 *Income taxes*, Note 29 *Financial Risk Management* and Note 34 *Legal Disputes and contingencies*. Readers are also referred to the Disclaimer below.

For new developments of legal disputes and contingencies since the publication of the Group's Annual Report for 2020, see Note 6 *Legal disputes*.

Disclaimer

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

Interim condensed financial information

Consolidated income statement

Telenor Group

NOK in million	Note	First quarter		Year
		2021	2020	2020
Revenues	2	28 873	30 953	122 811
Total cost of materials and traffic charges		(7 477)	(7 354)	(29 768)
Salaries and personnel costs		(2 752)	(2 974)	(11 398)
Other operating expenses		(5 630)	(6 520)	(25 125)
Other income		27	76	4 588
Other expenses		(179)	(386)	(2 543)
EBITDA		12 863	13 796	58 565
Depreciation and amortisation		(6 974)	(7 152)	(29 053)
Impairment losses	7	(6 521)	(8)	(11)
Operating profit (loss)		(632)	6 636	29 500
Share of net income from associated companies and joint ventures		(53)	(109)	(361)
Net financial items		(671)	(4 256)	(3 498)
Profit (loss) before taxes		(1 355)	2 272	25 641
Income taxes		(1 634)	(718)	(6 577)
Profit (loss) from continuing operations		(2 989)	1 554	19 064
Profit (loss) from discontinued operations	3	(144)	195	1 995
Net income		(3 133)	1 749	21 059
Net income attributable to:				
Non-controlling interests		756	1 051	3 718
Equity holders of Telenor ASA		(3 889)	698	17 341
Earnings per share in NOK				
Basic/diluted from continuing operations		(2.68)	0.35	10.90
Basic/diluted from discontinued operations		(0.10)	0.14	1.42
Basic/diluted from total operations		(2.78)	0.49	12.32

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

Consolidated statement of comprehensive income

Telenor Group

NOK in million	First quarter		Year
	2021	2020	2020
Net income	(3 133)	1 749	21 059
Translation differences on net investment in foreign operations	(3 012)	10 253	2 409
Amount reclassified from other comprehensive income to income statement on partial disposal	-	-	(133)
Net gain (loss) on hedge of net investment	2 451	(7 276)	(3 587)
Income taxes	(539)	1 601	789
Share of other comprehensive income (loss) of associated companies and joint ventures	70	(1)	(4)
Amount reclassified from other comprehensive income to income statement on disposal	-	-	(3)
Items that may be reclassified subsequently to income statement	(1 030)	4 577	(530)
Net gain (loss) on equity investments	9	133	32
Remeasurement of defined benefit pension plans	631	(1 291)	(416)
Income taxes	(139)	284	104
Items that will not be reclassified to income statement	501	(874)	(280)
Other comprehensive income (loss), net of taxes	(529)	3 703	(810)
Total Comprehensive Income	(3 661)	5 452	20 250
Total comprehensive income attributable to:			
Non-controlling interests	614	1 814	3 612
Equity holders of Telenor ASA	(4 275)	3 638	16 638

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

Consolidated statement of financial position

Telenor Group

NOK in million	Note	31 March 2021	31 December 2020	31 March 2020
Deferred tax assets		1 912	2 841	4 561
Goodwill		27 534	28 947	31 167
Intangible assets		10 544	11 222	12 396
Right-of-use assets		54 291	62 813	66 705
Property, plant and equipment		73 098	79 367	88 980
Associated companies and joint ventures		6 253	6 417	4 895
Other non-current assets		14 159	14 856	17 557
Total non-current assets		187 791	206 464	226 261
Prepaid taxes		1 528	1 239	1 697
Inventories		1 590	1 313	1 554
Trade and other receivables		23 576	26 359	27 479
Other current financial assets		578	576	843
Assets classified as held for sale	3	-	-	3 699
Cash and cash equivalents		22 785	20 577	18 064
Total current assets		50 058	50 065	53 335
Total assets		237 849	256 529	279 596
Equity attributable to equity holders of Telenor ASA		34 065	38 324	41 647
Non-controlling interests		5 419	5 594	6 265
Total equity		39 484	43 918	47 913
Non-current lease liabilities		30 199	35 584	35 831
Non-current interest-bearing liabilities	4	93 303	98 627	107 035
Non-current non-interest-bearing liabilities		1 477	1 466	3 334
Deferred tax liabilities		4 186	4 831	5 473
Pension obligations		2 552	2 747	3 306
Provisions and obligations		8 609	8 820	7 940
Total non-current liabilities		140 327	152 075	162 919
Current lease liabilities		9 533	9 298	10 274
Current interest-bearing liabilities	4	6 037	7 296	8 353
Trade and other payables		31 764	33 891	36 812
Dividend payable		478	-	428
Current tax payables		4 812	3 988	3 801
Current non-interest-bearing liabilities		1 331	1 871	2 397
Provisions and obligations		932	1 123	1 319
Liabilities classified as held for sale	3	3 152	3 070	5 381
Total current liabilities		58 039	60 536	68 765
Total equity and liabilities		237 849	256 529	279 596

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

Consolidated statement of cash flows

Telenor Group

NOK in million	First quarter		Year
	2021	2020	2020
Profit before taxes from total operations ¹⁾	(1 499)	2 467	27 639
Income taxes paid	(1 854)	(2 718)	(7 395)
Net (gains) losses from disposals, impairments and change in fair value of financial assets and liabilities	115	493	(4 828)
Depreciation, amortisation and impairment losses	13 495	7 159	29 063
Loss (profit) from associated companies and joint ventures	53	109	361
Dividends received from associated companies	262	-	1 250
Currency (gains) losses not related to operating activities	(506)	3 387	(919)
Changes in working capital and other	769	(527)	(1 351)
Net cash flow from operating activities	10 834	10 370	43 820
Purchases of property, plant and equipment, intangible assets and prepayment for right-of-use assets	(5 702)	(5 494)	(19 000)
Purchases of subsidiaries, associated companies and joint ventures, net of cash acquired	(191)	(5)	(340)
Proceeds from disposal of PPE, intangible assets, associated companies and businesses, net of cash disposed	32	102	7 705
Proceeds from sale and purchases of other investments	1 143	906	1 070
Net cash flow from investing activities	(4 718)	(4 492)	(10 565)
Proceeds from and repayments of borrowings	(1 009)	(582)	1 175
Payments of lease liabilities related to spectrum licences	(378)	(250)	(3 634)
Payments of lease liabilities related to other lease contracts	(1 396)	(1 396)	(5 395)
Net payments of supply chain financing	(210)	(61)	(89)
Purchase of treasury shares	(24)	(34)	(4 161)
Dividends paid to and purchases of shares from non-controlling interests	(299)	(398)	(3 202)
Dividends paid to equity holders of Telenor ASA	-	-	(12 277)
Net cash flow from financing activities	(3 316)	(2 720)	(27 583)
Effects of exchange rate changes on cash and cash equivalents	(259)	1 386	420
Net change in cash and cash equivalents	2 541	4 544	6 091
Cash and cash equivalents at the beginning of the period	20 088	13 997	13 997
Cash and cash equivalents at the end of the period ²⁾	22 630	18 542	20 088
Of which cash and cash equivalents in assets held for sale at the end of the period	-	988	-
Cash and cash equivalents in continuing operations at the end of the period	22 630	17 554	20 088
¹⁾ Profit before taxes from total operations consists of:			
Profit before taxes from continuing operations	5 166	2 272	25 641
Profit before taxes from discontinued operations	(144)	195	1 998
Profit before taxes from total operations	5 022	2 467	27 639

2) As of 31 March 2021, restricted cash was NOK 187 million, while as of 31 March 2020, restricted cash was NOK 184 million.

Cash flow from discontinued operations

NOK in million	First quarter		Year
	2021	2020	2020
Net cash flow from operating activities	-	281	139
Net cash flow from investing activities	-	(15)	(531)
Net cash flow from financing activities	-	(2)	-

The cash flow ascribed to discontinued operations are only cash flows from external transactions. Hence, the cash flows presented for discontinued operations do not reflect these operations as if they were standalone entities.

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

Consolidated statement of changes in equity

Telenor Group

NOK in million	Attributable to equity holders of the parent				Total	Non-controlling interests	Total equity
	Total paid in capital	Other reserves	Retained earnings	Cumulative translation differences			
Equity as of 1 January 2020	8 605	(17 792)	49 982	(2 746)	38 051	5 286	43 339
Net income for the period	-	-	17 341	-	17 341	3 718	21 059
Other comprehensive income for the period	-	(268)	-	(435)	(703)	(106)	(810)
Total comprehensive income for the period	-	(268)	17 341	(435)	16 638	3 612	20 250
Disposal of equity investments at fair value through other comprehensive income	-	(4)	4	-	-	-	-
Equity adjustments in associated companies	-	2	-	-	2	-	2
Dividends	-	-	(12 277)	-	(12 277)	(3 304)	(15 581)
Share buy back	(139)	(3 974)	-	-	(4 113)	-	(4 113)
Share - based payment, exercise of share options and distribution of shares	-	21	-	-	21	-	21
Equity as of 31 December 2020	8 466	(22 014)	55 049	(3 181)	38 324	5 594	43 918
Net income for the period	-	-	(3 889)	-	(3 889)	756	(3 133)
Other comprehensive income for the period	-	572	-	(958)	(386)	(142)	(528)
Total comprehensive income for the period	-	572	(3 889)	(958)	(4 275)	614	(3 661)
Dividends	-	-	-	-	-	(789)	(789)
Share - based payment, exercise of share options and distribution of shares	-	16	-	-	16	-	16
Equity as of 31 March 2021	8 466	(21 427)	51 160	(4 140)	34 065	5 419	39 484

NOK in million	Attributable to equity holders of the parent				Total	Non-controlling interests	Total equity
	Total paid in capital	Other reserves	Retained earnings	Cumulative translation differences			
Equity as of 1 January 2020	8 605	(17 792)	49 982	(2 746)	38 051	5 286	43 339
Net income for the period	-	-	698	-	698	1 051	1 749
Other comprehensive income for the period	-	(875)	-	3 815	2 940	763	3 703
Total comprehensive income for the period	-	(875)	698	3 815	3 638	1 814	5 452
Dividends	-	-	-	-	-	(835)	(835)
Share - based payment, exercise of share options and distribution of shares	-	(44)	-	-	(44)	-	(44)
Equity as of 31 March 2020	8 605	(18 711)	50 679	1 069	41 645	6 265	47 913

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

Notes to the interim consolidated financial statements

Note 1 – General accounting principles

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

These interim condensed consolidated financial statements for the three months ending 31 March 2021, have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for 2020 (Annual Report 2020). Key developments in risks and uncertainties are described in the section Risks and uncertainties on page 14.

The accounting policies applied in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020. For information about standards, amendments to standards and interpretations effective from 1 January 2021, that could affect the Group's consolidated financial statements, please refer to note 1 in the Group's Annual Report 2020. None of the amendments effective from 1 January 2020 has had a significant impact on the Group's consolidated interim financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Note 2 – Disaggregation of revenue

In the following table, revenue is disaggregated by major revenue streams divided into the reportable segments as shown in note 10. For further information on the categories, please refer to note 6 in the Group's Annual Report 2020.

First quarter 2021

NOK in millions	Norway	Sweden	Denmark	DNA Finland	dtac Thailand	Digi Malaysia	Grameenphone Bangladesh	Pakistan	Myanmar	Other units	Eliminations	Group
Type of good/ services												
Mobile operation	3 734	2 047	1 170	1 872	4 898	3 200	3 458	1 364	1 371	-	(274)	22 840
Services	3 250	1 610	873	1 485	4 216	2 799	3 453	1 361	1 371	-	(274)	20 144
Goods	484	437	297	387	682	401	5	4	-	-	-	2 697
Fixed operation	2 279	912	129	544	-	-	-	-	16	414	(142)	4 151
Services	2 205	910	129	544	-	-	-	-	16	414	(129)	4 088
Goods	74	2	-	-	-	-	-	-	-	-	(13)	63
Other	181	-	-	-	-	-	-	-	-	911	(448)	645
Services	181	-	-	-	-	-	-	-	-	909	(448)	643
Goods	-	-	-	-	-	-	-	-	-	2	-	2
Sum type of goods/services	6 195	2 959	1 299	2 416	4 898	3 200	3 458	1 364	1 387	1 325	(869)	27 630
Type of mobile subscription												
Contract	2 830	1 423	793	1 356	2 685	1 245	132	42	14	-	(9)	10 511
Prepaid	31	41	-	49	1 372	1 505	3 313	1 300	1 353	-	(122)	8 842
Other ¹⁾	389	146	80	80	159	49	9	18	4	-	(143)	791
Sum services in Mobile operation	3 250	1 610	873	1 485	4 216	2 799	3 453	1 361	1 371	-	(274)	20 144
Timing of revenue recognition												
Over time	5 636	2 520	1 002	2 028	4 216	2 799	3 453	1 361	1 387	1 323	(856)	24 868
At a point in time	559	439	297	387	682	401	5	4	-	2	(13)	2 762
Total revenue from contract with customers	6 195	2 959	1 299	2 416	4 898	3 200	3 458	1 364	1 387	1 324	(869)	27 630
Other revenue ²⁾	84	52	7	8	869	45	41	36	1	470	(370)	1 243
Total revenue	6 279	3 011	1 307	2 423	5 767	3 244	3 499	1 400	1 388	1 794	(1 239)	28 873
Segment revenue as presented in note 10	6 279	3 011	1 307	2 423	5 767	3 244	3 499	1 400	1 388	1 794	(1 239)	28 873

¹⁾ Other includes revenues from other mobile and non-mobile services, refer to definitions on page 25.

²⁾ Other revenues include mainly lease revenue.

First quarter 2020

NOK in millions	Norway	Sweden	Denmark	DNA Finland	dtac Thailand	Digi Malaysia ³⁾	Grameenphone Bangladesh	Pakistan	Myanmar	Other units ³⁾	Eliminations	Group
Type of good/ services												
Mobile operation	3 822	2 093	1 146	1 856	5 419	3 491	4 014	1 524	1 839	-	(293)	24 910
Services	3 281	1 693	881	1 488	4 915	3 144	4 011	1 514	1 839	-	(286)	22 481
Goods	540	400	265	368	503	347	3	9	-	-	(7)	2 428
Fixed operation	2 418	899	122	535	-	-	-	-	10	452	(167)	4 268
Services	2 287	886	122	535	-	-	-	-	10	452	(147)	4 144
Goods	131	13	-	-	-	-	-	-	-	-	(21)	124
Other	179	-	-	-	-	-	-	-	-	1 190	(628)	741
Services	179	-	-	-	-	-	-	-	-	1 188	(628)	739
Goods	-	-	-	-	-	-	-	-	-	2	-	2
Sum type of goods/services	6 419	2 992	1 267	2 391	5 419	3 491	4 014	1 524	1 849	1 642	(1 088)	29 919
Type of mobile subscription												
Contract	2 849	1 510	803	1 361	3 085	1 414	179	49	15	-	(17)	11 248
Prepaid	35	39	-	50	1 658	1 653	3 820	1 441	1 818	-	(92)	10 421
Other ¹⁾	398	145	78	77	172	78	12	25	6	-	(177)	812
Sum services in Mobile operation	3 281	1 693	881	1 488	4 915	3 144	4 011	1 514	1 839	-	(286)	22 481
Timing of revenue												
Over time	5 748	2 579	1 002	2 023	4 915	3 144	4 011	1 514	1 849	1 641	(1 060)	27 366
At a point in time	671	413	265	368	503	347	3	9	-	2	(29)	2 553
Total revenue from contract with customers	6 419	2 992	1 267	2 391	5 419	3 491	4 014	1 524	1 849	1 643	(1 089)	29 919
Other revenue ²⁾	94	42	7	9	679	48	43	31	1	472	(392)	1 034
Total revenue	6 513	3 034	1 274	2 401	6 097	3 538	4 057	1 555	1 851	2 119	(1 485)	30 953
Segment revenue as presented in note 10	6 513	3 034	1 274	2 401	6 097	3 538	4 057	1 555	1 851	2 119	(1 485)	30 953

¹⁾ Other includes revenues from other mobile and non-mobile services, refer to definitions on page 25.

²⁾ Other revenues include mainly lease revenue.

³⁾ First quarter 2020 Digi revenues has been reclassified between the categories Contract and Prepaid, with no effect on the totals.

Year 2020

NOK in millions	Norway	Sweden	Denmark	DNA Finland	dtac Thailand	Digi Malaysia	Grameenphone Bangladesh	Pakistan	Myanmar	Other units	Eliminations	Group
Type of good/ services												
Mobile operation	15 503	8 718	4 777	7 722	20 681	13 579	15 309	5 729	7 012	-	(1 186)	97 843
Services	13 263	6 830	3 591	6 123	18 612	12 143	15 295	5 684	7 012	-	(1 175)	87 378
Goods	2 240	1 887	1 185	1 599	2 070	1 437	13	45	-	-	(11)	10 465
Fixed operation	9 679	3 697	505	2 241	-	-	-	-	51	1 845	(621)	17 397
Services	9 274	3 675	505	2 241	-	-	-	-	51	1 845	(529)	17 061
Goods	405	22	-	-	-	-	-	-	-	-	(92)	336
Other	712	-	-	-	-	-	-	-	-	4 345	(2 023)	3 033
Services	712	-	-	-	-	-	-	-	-	4 339	(2 023)	3 027
Goods	-	-	-	-	-	-	-	-	-	6	-	6
Sum type of goods/services	25 894	12 415	5 281	9 963	20 681	13 579	15 309	5 729	7 063	6 189	(3 830)	118 273
Type of mobile subscription												
Contract	11 452	6 052	3 250	5 579	11 908	5 454	647	179	66	-	(55)	44 533
Prepaid	154	171	-	220	6 039	6 452	14 604	5 440	6 921	-	(439)	39 562
Other ¹⁾	1 658	607	341	324	665	236	45	65	25	-	(681)	3 284
Sum services in Mobile operation	13 263	6 830	3 591	6 123	18 612	12 143	15 295	5 684	7 012	-	(1 175)	87 378
Timing of revenue												
Over time	23 249	10 506	4 096	8 363	18 612	12 143	15 295	5 684	7 063	6 183	(3 728)	107 467
At a point in time	2 645	1 910	1 185	1 599	2 070	1 437	13	45	0	6	(102)	10 807
Total revenue from contract with customers	25 894	12 415	5 281	9 963	20 681	13 579	15 309	5 729	7 063	6 189	(3 830)	118 273
Other revenue ²⁾	414	203	27	35	3 022	187	174	151	6	1 779	(1 460)	4 537
Total revenue	26 307	12 618	5 308	9 998	23 704	13 766	15 483	5 880	7 069	7 968	(5 290)	122 811
Segment revenue as presented in note 10	26 307	12 618	5 308	9 998	23 704	13 766	15 483	5 880	7 069	7 968	(5 290)	122 811

¹⁾ Other includes revenues from other mobile and non-mobile services, refer to definitions on page 25.

²⁾ Other revenues include mainly lease revenue.

Note 3 – Discontinued operations and assets held for sale

On 23 February 2017, the Group entered into an agreement with Bharti Airtel Limited (Airtel), whereby Airtel would take full ownership of Telenor India. The transaction was completed 14 May 2018. The exposure to claims related to the period Telenor owned the business remains with Telenor. A guarantee to Bharti was recognised at fair value as of closing date of the transaction, and subsequent changes to the estimate are recognised on the discontinued operations line in the income statement.

As announced on 22 October 2019, the Group entered into an arrangement with Nordic Entertainment Group ("NENT") to combine their satellite-based entertainment businesses in a joint venture to extract synergies and deliver enhanced customer experience. The arrangement was approved by the European Commission on 30 April 2020 and the transaction was closed on 5 May 2020. Accordingly, the Group disposed of Canal Digital as a subsidiary and recognised its 50% share of the joint venture Allente at fair value of NOK 3.1 billion, with a gain of NOK 1.7 billion recognised during the second quarter of 2020.

The profit (loss) of all disposal groups presented as discontinued operations until disposal, and subsequent adjustments:

NOK in million	First quarter		Year
	2021	2020	2020
Revenue	-	1 023	1 296
EBITDA	-	276	316
EBIT	-	276	316
Profit (loss) before tax	-	204	243
Income taxes	-	-	(2)
Profit (loss) after tax	-	204	240
Gain (loss) on disposal after tax	(144)	(9)	1 755
Profit (loss) from discontinued operations	(144)	195	1 995

The loss recognised during the first quarter 2021 is mainly related to Telenor India. The profit recognised during first quarter 2020 is mainly related to Canal Digital.

The major classes of assets and liabilities of the disposal groups classified as held for sale as of 31 March 2021 (representing mainly India) and 31 March 2020 (representing mainly Canal Digital and India):

NOK in million	31 March 2021	31 March 2020	31 December 2020
Assets			
Property, plant and equipment	-	9	-
Goodwill	-	1 600	-
Intangible assets	-	195	-
Other non-current assets	-	366	-
Inventory	-	78	-
Trade and other receivables	-	463	-
Cash and cash equivalents	-	988	-
Total assets classified as held for sale	-	3 699	-
Liabilities			
Non-current liabilities	-	100	-
Current liabilities	3 152	5 281	3 070
Total liabilities held for sale	3 152	5 381	3 070

Liabilities held for sale includes provision of NOK 3.0 billion (NOK 3.8 billion as of 31 March 2020) representing the exposure to claims from the Indian Department of Telecommunications (DoT) related to the period the Group owned the business in India.

Note 4 – Interest-bearing liabilities

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

NOK in million	31 March 2021	
	Carrying amount	Fair value
Interest-bearing liabilities ¹⁾	(99 341)	(103 800)
of which fair value level 1	-	(95 207)
of which fair value level 2	-	(8 593)

NOK in million	31 December 2020	
	Carrying amount	Fair value
Interest-bearing liabilities ¹⁾	(105 923)	(111 882)
of which fair value level 1	-	(102 223)
of which fair value level 2	-	(9 659)

NOK in million	31 March 2020	
	Carrying amount	Fair value
Interest-bearing liabilities ¹⁾	(115 388)	(116 073)
of which fair value level 1	-	(104 166)
of which fair value level 2	-	(11 907)

¹⁾ Excluding lease liabilities.

Note 5 – Fair value of financial instruments

Financial derivatives are recognised at fair value based on observable market data (level 2). See note 30 in the Annual Report 2020 for valuation methodologies. The financial derivatives are classified in the consolidated statement of financial position as disclosed in the table:

NOK in million	31 March 2021	31 December 2020	31 March 2020
	2021	2020	2020
Other non-current assets	2 091	3 325	3 092
Other current financial assets	193	181	487
Non-current non-interest-bearing financial liabilities	(1 323)	(1 305)	(3 133)
Non-current interest-bearing financial liabilities	(15)	-	(52)
Current non-interest-bearing liabilities	(136)	(506)	(1 028)
Total	811	1 695	(635)

Note 6 – Legal disputes

India

Telenor's previous operations in India are subject to a number of disputes with the Indian Department of Telecommunications (DoT), which remain to be concluded. One of these disputes is related to the basis for calculating licence fees and spectrum usage charges for the entire duration of Telenor's operations in India. This is a principle matter common to all industry participants. In a ruling in the fourth quarter of 2019 and in subsequent court orders in 2020, the Supreme Court of India upheld DoT's view on the determination of how to calculate licence fees and spectrum usage charges. By the end of 2020, DoT had issued demand notices in the mentioned matter against Telenor's Indian subsidiaries to approximately NOK 3.7 billion including penalty and interest. In March 2021, DoT issued new demands of NOK 0.8 billion, increasing the aggregate claim to NOK 4.5 billion. Despite the Supreme Court's principle ruling in the fourth quarter 2019, there are still computational elements that remain unclarified and hence the outcome is uncertain.

Grameenphone – Dividend restrictions by Bangladesh Bank

Bangladesh Bank informed Grameenphone in 2019 that future dividend repatriation to Telenor with respect to its shares which were issued against contribution in-kind will be suspended until supporting documentary evidence is submitted to Bangladesh Bank. The original shareholders in Grameenphone had contributed services which were incurred as pre-incorporation expenses, and received shares currently representing 2.9% of the total number of shares in the company. Grameenphone has responded to all queries from Bangladesh Bank and duly submitted all available documents as requested by Bangladesh Bank. On 13 April 2021, Bangladesh Bank issued a letter to Grameenphone where the bank revoked its earlier decision and allowed Grameenphone to undertake dividend repatriation related to the shares issued against contribution in-kind. Retained dividend in this matter amounts to NOK 0.2 billion.

Note 7 – Impairment Myanmar

On 1 February 2021, a state of emergency was declared under military leadership in Myanmar. The situation in Myanmar is irregular, uncertain, and deeply concerning. Since 1 February 2021, the Myanmar authorities have ordered various network restrictions for all operators. On 15 March 2021, the authorities ordered a nationwide shutdown of the mobile data network, which resulted in daily subscription and traffic revenues being approximately halved. The shutdown has still not been lifted and the drop in revenue has continued through April 2021.

The overall situation is unstable. Due to worsening of the economic and business environment outlook and a deteriorating security and human rights situation, Telenor sees limited prospects of improvement going forward. As a consequence, Telenor has recognised an impairment of

NOK 6.5 billion in the first quarter. Telenor has estimated the value in use of the cash-generating unit Myanmar as of 31 March 2021 based on a scenario analysis incorporating discounted cash flows from current revenue streams and capex levels, as well as the substantial uncertainty emerging from the overall unstable situation. Determination of key assumptions, including number of days with continued shutdown of mobile data, and probabilities to be assigned to the scenarios comes with significant uncertainty. The discount rate applied in the terminal value of 12.2% is unchanged from 31 December 2020, as the increased risk emerging from the current situation has been reflected in the cash flow scenarios. After the impairment (of which NOK 3.6 billion relates to property, plant and equipment, NOK 2.4 billion relates to right-of-use assets net of lease liabilities and NOK 0.5 billion relates to other assets) the recoverable amount of the cash-generating unit Myanmar is approximately zero.

Note 8 – Events after the reporting period

Digi – Potential merger with Celcom

On 8 April 2021, Telenor announced that the Group and Axiata Group Berhad ("Axiata") are in advanced discussions regarding a potential merger of its Malaysian mobile operations Digi and Celcom. The parties will have an equal ownership of 33.1 % each of the merged company Celcom Digi. As part of the transaction, Axiata will receive newly issued shares in Digi representing 33.1% of Celcom Digi, which will continue to be listed on Bursa Malaysia. Completion of the transaction will result in deconsolidation of Digi as a subsidiary, and recognition of Telenor's share of the merged company as an investment in associated company at fair value at the time of completion of the transaction.

Telenor Group and Axiata will work towards finalizing agreements in relation to the proposed transaction within the second quarter of 2021 following due diligence. The transaction will be subject to approval by Digi Board and Celcom shareholder, receipt of regulatory approvals and other customary terms and conditions. The parties acknowledge that there is no certainty that these discussions will result in any agreement.

Digi – Dividend declared

On 23 April 2021, the Board of Directors of Digi declared the first interim dividend for 2021 of MYR 0.034 per share, which corresponds to approximately NOK 0.6 billion in total dividend and approximately NOK 0.3 billion for Telenor's ownership share.

Digital Money Myanmar Limited (Wave Money)

The long stop dates on the transactions in relation to Wave Money with Ant Financial and Yoma Strategic will not be extended due to the unrest in Myanmar. The agreements were announced on 24 June 2020 but have not yet been completed. The parties will continue to evaluate the situation, but not be formally bound by the agreements after 30 April 2021. This does not affect the accounting for Digital Money Myanmar as a joint venture in Telenor's financial statements.

Note 9 – COVID-19

The spread of cross-border diseases such as COVID-19 may have an operational effect on Telenor Group due to, among other things, mobility restrictions and lockdown measures, change in consumption, usage patterns, potential disruptions in the supply chain of hardware and handsets, maintenance of infrastructure and access to resources as well as impact on employees. During the first quarter of 2021, we have seen continued impact from the COVID-19 pandemic on our performance, in particular in Asia and through reduction in roaming revenues. The duration and modality of restrictions, reactive measures by the authorities and the timing of economic recovery remains uncertain, especially in Asia. Furthermore, Telenor is exposed to the related uncertainty regarding the macroeconomic development and currency fluctuations. For comments on the impact on Telenor's business and financial results, please refer to page 2.

In light of the effects on financial results and outlook, Telenor has assessed whether there are indicators of impairment of cash-generating units (CGUs) with or without goodwill and associated companies in accordance with IAS 36 *Impairment of Assets*. Although mobility restrictions and lockdown measures have impacted Telenor's financial results, Telenor expects a gradual recovery in the Asian markets during the second half of 2021. For the Nordic operations, roaming is expected to remain the area most impacted by the pandemic. The Group has not recognised any significant impairments of CGUs with or without goodwill or associated companies during 2021, except for Myanmar. Please see note 7.

The need for additional provisions for expected credit losses related to trade receivables and contract assets has also been assessed. The level of provisions has not been significantly impacted by COVID-19.

Note 10 – Segment information and reconciliation of EBITDA before other income and other expenses

From 1 January 2020, Telenor Infra became the operator of all passive infrastructure in Norway. However, Telenor Norway retained ownership of its passive infrastructure, and as a second step, the ownership of the passive mobile infrastructure was transferred from Telenor Norway to Telenor Infra with effect from 1 January 2021. The reported figures for 2020 have not been restated to reflect the transfer.

The segment information is reported in accordance with the reporting to Group Executive Management (chief operating decision makers) and is consistent with financial information used for assessing performance and allocating resources.

First quarter 2021 and 2020

	Total revenues			of which internal		EBITDA before other income and other expenses ¹⁾				Investments ²⁾	
	2021	2020	Growth	2021	2020	2021	Margin	2020	Margin	2021	2020
NOK in million											
Norway	6 279	6 513	-3.6 %	105	203	3 130	49.9 %	3 124	48.0 %	1 239	1 598
Sweden	3 011	3 034	-0.8 %	15	15	1 063	35.3 %	1 132	37.3 %	603	304
Denmark	1 307	1 274	2.6 %	22	25	364	27.8 %	324	25.4 %	84	140
DNA - Finland	2 423	2 401	1.0 %	8	1	954	39.4 %	835	34.8 %	216	181
dtac - Thailand	5 767	6 097	-5.4 %	11	20	2 102	36.4 %	2 329	38.2 %	937	262
Digi - Malaysia	3 244	3 538	-8.3 %	13	9	1 552	47.8 %	1 723	48.7 %	348	314
Grameenphone - Bangladesh	3 499	4 057	-13.8 %	23	6	2 192	62.7 %	2 563	63.2 %	352	44
Pakistan	1 400	1 555	-10.0 %	70	62	740	52.9 %	859	55.3 %	325	361
Myanmar	1 388	1 851	-25.0 %	32	28	777	56.0 %	1 084	58.6 %	60	87
Other units	1 794	2 119	-15.3 %	940	1 061	406	22.7 %	467	22.1 %	312	100
Eliminations	(1 239)	(1 485)	-16.6 %	(1 239)	(1 429)	(267)	21.5 %	(336)	22.6 %	-	-
Group	28 873	30 953	-6.7 %	-	-	13 015	45.1 %	14 106	45.6 %	4 475	3 390

Year 2020

	Total revenues	of which internal	EBITDA before other income and other expenses ¹⁾		Investments ²⁾
NOK in million	2020	2020	2020	Margin	2020
Norway	26 307	798	12 787	48.6 %	5 544
Sweden	12 618	57	4 832	38.3 %	1 435
Denmark	5 308	91	1 360	25.6 %	520
DNA - Finland	9 998	21	3 553	35.5 %	1 919
dtac - Thailand	23 704	42	9 076	38.3 %	7 717
Digi - Malaysia	13 766	47	6 938	50.4 %	1 605
Grameenphone - Bangladesh	15 483	71	9 776	63.1 %	1 165
Pakistan	5 880	282	3 167	53.9 %	889
Myanmar	7 069	98	4 055	57.4 %	540
Other units	7 968	3 782	1 725	21.7 %	724
Eliminations	(5 290)	(5 290)	(750)	14.2 %	-
Group	122 811	-	56 520	46.0 %	22 059

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

²⁾ Investments consist of capex and investments in businesses, see page 25 for alternative performance measures. Financial figures for 2020 have been restated to align with Group definition of capex.

Reconciliation

	First quarter		Year
NOK in million	2021	2020	2020
Profit (loss) before taxes	(1 355)	2 272	25 641
Share of net income from associate companies and joint ventures	(53)	(109)	(361)
Net financial items	(671)	(4 256)	(3 498)
Operating profit (loss)	(632)	6 636	29 500
Depreciation and amortisation	(6 974)	(7 152)	(29 053)
Impairment losses	(6 521)	(8)	(11)
EBITDA	12 863	13 796	58 565
Other income	27	76	4 588
Other expenses	(179)	(386)	(2 543)
EBITDA before other income and other expenses	13 015	14 106	56 520

Definitions

Alternative Performance Measures

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

Organic revenue

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

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

Reconciliation

NOK in million	First quarter		Change first quarter	
	2021	2020	2021	Change YoY
Total revenue	28 873	30 953	(2 080)	-6.7 %
Impact using exchange rates for 2021	-	(1 470)	1 470	
M&A	-	(130)	130	
Organic revenue	28 873	29 353	(480)	-1.6 %

NOK in million	First quarter		Change first quarter	
	2020	2019	2020	Change YoY
Total revenue	30 953	26 588	4 365	16.4 %
Impact using exchange rates for 2020	-	1 679	(1 679)	
M&A	(2 400)	(125)	(2 275)	
Organic revenue	28 554	28 142	412	1.5 %

Organic subscription and traffic revenue

Subscription and traffic revenues consist of revenues from mobile subscription and traffic, fixed telephony, fixed Internet/TV and fixed data services. Organic subscription and traffic revenues are defined as subscription and traffic revenues adjusted for the effects of acquisition and disposal of operations and currency effects. We believe that the measure provides useful and necessary information to investors and other stakeholders for the following reasons:

- it refers to the core revenue streams of the business making up more than 75% of total revenues and almost the entire gross profit for the Group;
- it provides additional information on underlying growth of the business within these core revenue streams, without the effect of certain factors unrelated to its operating performance,
- it is used for internal performance analysis, and
- it facilitates comparability of underlying growth with other companies (although neither "subscription and traffic revenues" nor the term "organic" are defined terms under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies).

Reconciliation

NOK in million	First quarter		Change first quarter	
	2021	2020	2021	Change YoY
Subscription and traffic revenue	21 715	23 867	(2 152)	-9.0%
Impact using exchange rates for 2021	-	(1 259)	1 259	
M&A	-	-	-	
Organic subscription and traffic revenue	21 715	22 608	(893)	-4.0%

NOK in million	First quarter		Change first quarter	
	2020	2019	2020	Change YoY
Subscription and traffic revenue	23 867	20 387	3 480	17.1%
Impact using exchange rates for 2020	-	1 369	(1 369)	
M&A	(1 724)	-	(1 724)	
Organic subscription and traffic revenue	22 143	21 756	387	1.8%

Subscription and traffic revenues

NOK in million	First quarter		Year
	2021	2020	2020
Mobile subscription and traffic	18 447	20 624	80 126
Fixed telephony	270	330	1 255
Fixed Internet/TV	2 816	2 746	11 355
Fixed data services	181	167	704
Subscription and traffic revenues	21 715	23 867	93 439
Other revenues	7 158	7 086	29 371
Total revenues	28 873	30 953	122 811

Gross profit

Gross profit is a key financial parameter for Telenor and is the difference between total revenue and costs of materials and traffic charges. Gross profit reflects the profitability contribution of Telenor's revenue growth in its markets and therefore describes Telenor's potential for sustainable value creation, making gross profit a key financial parameter to follow. It is also used for internal performance analysis.

Reconciliation

NOK in million	First quarter		Year
	2021	2020	2020
Total revenues	28 873	30 953	122 811
Costs of materials and traffic charges	(7 477)	(7 354)	(29 768)
Gross profit	21 396	23 600	93 043
Gross profit FX adjusted	21 396	22 405	
Change	(1 009)		
Change (%)	-4.5 %		

Operating expenses (opex)

Operating expenses (opex) is a key financial parameter for Telenor and consists of salaries and personnel cost and other operating expenses. Telenor's continuous effort to improve efficiency makes opex a key financial parameter to follow. It is also used for internal performance analysis.

Reconciliation

NOK in million	First quarter		Year
	2021	2020	2020
Salaries and personnel cost	(2 752)	(2 974)	(11 398)
Other operating expenses	(5 630)	(6 520)	(25 125)
Operating expenses	(8 382)	(9 494)	(36 523)
Operating expenses FX adjusted	(8 382)	(9 053)	
Change	671		
Change (%)	7.4 %		

Positive change indicates opex reduction

EBITDA before other income and other expenses and EBITDA margin

Earnings before interest, tax, depreciation and amortisation (EBITDA) is a key financial parameter for Telenor. EBITDA before other income and other expenses is defined as EBITDA less gains and losses on disposals of property, plant and equipment (PPE) and operations, workforce reductions, onerous contracts and one-time pension costs, and is reconciled in the section Group overview. EBITDA margin is defined as EBITDA before other income and expenses divided by total revenues. These measures are useful to investors and other stakeholders in evaluating operating profitability on a more variable cost basis as they exclude depreciation and amortisation expenses related primarily to capital expenses and acquisitions that occurred in the past and non-recurring items, as well as evaluating operating performance in relation to Telenor's competitors. EBITDA margin enables comparison between segments and other operators.

EBITDA margin

NOK in million	First quarter		Year
	2021	2020	2020
Total revenues	28 873	30 953	122 811
EBITDA before other items	13 015	14 106	56 520
EBITDA margin	45.1 %	45.6 %	46.0 %

Organic EBITDA

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

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

Reconciliation

NOK in million	First quarter		Change first quarter	
	2021	2020	2021	Change YoY
EBITDA	13 015	14 106	(1 091)	-7.7%
Impact using exchange rates for 2021	-	(767)	767	
M&A	-	(37)	37	
Organic EBITDA	13 015	13 301	(287)	-2.2%

NOK in million	First quarter		Change first quarter	
	2020	2019	2020	Change YoY
EBITDA	14 106	12 177	1 929	15.8%
Impact using exchange rates for 2020	-	782	(782)	
M&A	(835)	(19)	(816)	
Organic EBITDA	13 271	12 940	330	2.6%

Capital expenses

Capital expenses (capex) are derived from the balance sheet and consist of investments in property, plant and equipment (PPE), intangible assets and licenses and spectrum as part of right-of-use assets. Capex excludes business combinations and asset retirement obligations. Capex is a measure of investments made in the operations in the relevant period and is useful to investors and other stakeholders in evaluating the capital intensity of the operations. Capex and capex/revenues is deemed to better gauge the actual capital expenses incurred in the period than the payment for purchases of PPE, intangible assets and licenses and spectrum as part of right-of-use assets in the cash flow statement.

Capex excluding licences and spectrum is relevant to users to measure the level of underlying investments. Historically, licence and spectrum investments have varied significantly between reporting periods.

Reconciliation

NOK in million	First quarter		Year
	2021	2020	2020
Purchases of PPE, intangible assets and prepayments for right-of-use assets	5 702	5 494	19 000
Working capital and other changes	(1 544)	(2 376)	(1 774)
Deferred licence obligations	127	267	4 466
Capex	4 284	3 385	21 692
Licence and spectrum acquisition	(539)	(306)	(5 341)
Capex excl. licence and spectrum	3 745	3 079	16 351
Total revenues	28 873	30 953	122 811
Capex excl. licence and spectrum/Revenues (%)	13.0 %	9.9 %	13.3 %
Total Capex/Revenues (%)	14.8 %	10.9 %	17.7 %

Investments

Investments consist of capex and investments in businesses. Investments in businesses comprise purchase of shares in both controlled and non-controlled entities from a third party, including acquisitions of businesses not organised as separate companies as well as capital injections into non-controlled entities. Investments (or total investments) is deemed to better gauge the actual investments for the period than in the purchases of property, plant and equipment (PPE) and intangible assets line items in the cash flow statement.

NOK in million	First quarter		Year
	2021	2020	2020
Capital expenses	4 284	3 385	21 692
Investments in businesses	191	5	367
Investments	4 475	3 390	22 059

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

Net debt is derived from the balance sheet and consists of both current and non-current interest-bearing liabilities, current and non-current lease liabilities less related current and non-current hedging instruments, financial instruments, such as debt instruments and derivatives, and cash and cash equivalents. Net debt is adjusted for licence obligations.

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

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

Reconciliation

NOK in million	31 March 2021	31 December 2020	31 March 2020
Non-current interest-bearing liabilities	93 303	98 627	107 035
Non-current lease liabilities	30 199	35 584	35 831
Current interest-bearing liabilities	6 037	7 296	8 353
Current lease liabilities	9 533	9 298	10 274
Less:			
Cash and cash equivalents	(22 785)	(20 577)	(18 064)
Hedging instruments	(1 785)	(2 387)	(2 651)
Financial instruments	(342)	(356)	(302)
Adjustments:			
Non-current licence obligations	(12 826)	(13 446)	(13 726)
Current licence obligations	(3 413)	(3 601)	(4 828)
Net interest-bearing debt excluding licence obligations	97 923	110 438	121 923

Net debt/EBITDA

Telenor measures leverage as the ratio of Net debt/ EBITDA before other items. This ensures consistency with our alternative performance measure organic EBITDA growth, which is also based on EBITDA before other items, and our external guiding for this parameter. Further, this prevents temporary spikes in leverage due to other income and expenses and thus ensures transparency and a better understanding of Telenor's ability to cover debt with profits from its regular operations.

Telenor aims to maintain a solid balance sheet through keeping Net debt/EBITDA before other items in the range of 1.8x to 2.3x, in order to maintain financial flexibility and ensure cost efficient funding.

The measure provides useful information about the strength of our financial position and is regularly reported internally. For comparability, the 12 months rolling EBITDA before other items includes proforma figures for DNA for the periods before consolidation.

NOK in million	First quarter		Year
	2021	2020	2020
Net debt	97 923	121 923	110 438
EBITDA before other items	55 428	53 879	56 520
of which EBITDA before other items proforma DNA		1 215	
Net debt/EBITDA before other items	1.8	2.3	2.0

Free cash flow

Telenor makes use of free cash flow and free cash flow before M&A activities as important performance measures when presenting and discussing our reported results. We believe it is both useful and necessary to communicate free cash flow and free cash flow before M&A activities for the following reasons:

- Free cash flow and free cash flow before M&A activities allow us and investors to evaluate Telenor's liquidity and cash generated by our operations.
- Free cash flow excludes items that are deemed discretionary, such as financing activities. In addition, free cash flow before M&A activities excludes cash flows relating to acquisitions and disposals of businesses.
- Free cash flow facilitates comparability with other companies, although our measure of free cash flow may not be directly comparable to similar titled measures used by other companies.
- These measures are used for management planning, reporting and incentive purposes.

A reconciliation of net cash flow from operating activities and net cash flow from investing activities to free cash flow and free cash flow before M&A activities is provided in the table below.

Reconciliation

NOK in million	First quarter		Year
	2021	2020	2020
Net cash flows from operating activities	10 834	10 370	43 820
Net cash flows from investing activities	(4 718)	(4 492)	(10 565)
Payments of lease liabilities related to spectrum licences	(378)	(250)	(3 634)
Repayments of borrowings - supply chain financing	(210)	(61)	(89)
Dividends paid to and purchase of shares from non-controlling interest	(299)	(397)	(3 281)
Payments of lease liabilities related to other lease contracts	(1 396)	(1 396)	(5 395)
Free cash flow	3 834	3 775	20 855
M&A activities	842	1 111	8 313
Free cash flow before M&A activities	2 992	2 664	12 542

Return On Capital Employed (ROCE)

When evaluating different financial metrics before making an investment, the Group also considers the return on capital employed. Return on capital employed is calculated by dividing the return of last twelve months by the average balance of capital employed for the same twelve-month period. Return is defined as operating profit including share of profits from associated companies and joint ventures, less income taxes. Capital employed is defined as the sum of total equity and net interest-bearing debt including licence obligations and net pension obligations. The average of capital employed during the period is calculated as average of opening and closing balance for the given twelve-month period.

The calculated return on capital employed is based on the actual generated return, and hence it may be impacted by unusual returns or losses at a particular point of time.

Reconciliation

NOK in million	First quarter		Year
	2021	2020	2020
Operating profit	22 232	25 816	29 500
Share of net income (loss) including gains/losses from associated companies and joint ventures	(305)	(871)	(361)
Income taxes	(7 493)	(7 958)	(6 577)
A - Earnings before adjustments	14 434	16 986	22 562
B - Adjustment for DNA as not being part of full year	-	393	-
C - Earnings after adjustments (C=A-B)	14 434	16 593	22 562
Total equity as of beginning of the period	47 913	57 658	43 339
Net interest-bearing debt including license obligations as of beginning of the period	140 477	74 471	123 707
Net pension obligations as of beginning of the period	3 306	2 726	2 386
D - Total capital employed as of beginning of the period	191 696	134 855	169 432
Total equity as of end of the period	39 484	47 913	43 918
Net interest-bearing debt including license obligations as of end of the period	114 161	140 477	127 485
Net pension obligations as of end of the period	2 552	3 306	2 747
E - Total capital employed as of end of the period	156 197	191 696	174 150
F - Average capital employed before adjustments (F=(D+E)/2)	173 946	163 275	171 791
G - Adjustment for DNA and Canal Digital	-	19 239	419
H - Average capital employed (H=F-G)	173 946	144 036	171 372
I - Return on capital employed (I=C/H)	8%	12%	13%

Mobile operations

Revenues

Mobile subscription and traffic

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

Interconnect

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

Other mobile

Consist of inbound roaming, national roaming, telemetric and revenues related to service providers and MVNOs (Mobile Virtual Network Operators). Telemetric is defined as subscriptions and services related to machine-to-machine (M2M) / Internet of Things (IoT), i.e. industrial mobile data applications directed at communication between machines.

Non-mobile

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

Mobile revenues from company's own subscriptions

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

Key Figures

Subscriptions

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

Active mobile internet users

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

Average traffic minutes per subscription per month (AMPU)

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

Average revenue per subscription per month (ARPU)

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

Fixed operations

Revenues

Telephony

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

Internet and TV

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

Data services

Consist of Nordic Connect/IP-VPN and security.

Other

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

Wholesale and broadcasting

Wholesale consist of sale to service providers of telephony (PSTN/ISDN), Bitstream, LLUB, national and international interconnect, transit traffic, leased lines and other wholesale products. Broadcasting consist of revenues from terrestrial radio and TV transmission.

Key Figures

Subscriptions

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

Average revenue per subscription per month (ARPU)

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

Other

Revenues

Satellite

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

Infra

Consist of revenues from passive infrastructure services in Norway.



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