

TELENOR ASA  
Form 6-K  
May 02, 2005

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**SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

**PURSUANT TO RULE 13a-16 OR 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**Date: 27<sup>th</sup>April, 2005, for 1<sup>st</sup> Quarter, 2005**

**TELENOR ASA**

(Registrant's Name)

Snarøyveien 30,  
1331 Fornebu,  
Norway  
(Registrant's Address)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F:  Form 40-F:

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes:  No:

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

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**TELENOR ASA FIRST  
QUARTER 2005 RESULTS**

The revenues was NOK 15,270 million and EBITDA was NOK 5,106 million. Telenor's net income was NOK 1,710 million. Capex was NOK 3,360 million.

As a consequence of reduced revenues from fixed network activities in Norway, Telenor will reduce the cost base in Fixed by NOK 1.5 billion with full effect from 2007.

Telenor's net income was NOK 1,710 million. Net income per share was NOK 0.99 in the first quarter of 2005. The first quarter of 2004 included a gain before tax on sale of the shares in Cosmote of NOK 2,6 billion. EBITDA was NOK 5,106 million. Reduced margin was mainly related to Fixed Norway, consolidation of Sonofon, start-up of the operation in Pakistan and strong growth and increased competition in the mobile operations. The number of subscriptions in the consolidated mobile operations increased by 2.4 million in the first quarter of 2005 to 21.4 million subscriptions. The increase in the first quarter of 2004 was 0.8 million subscriptions.

Capital expenditure was NOK 3,360 million. The increase was due to the start-up of operation in Pakistan and strong customer growth in the international mobile operations. In the first quarter of 2005, Telenor purchased 5,620,000 own shares in the market for NOK 329 million. The Ministry of Trade and Industry has obliged itself, at the annual general meeting in May 2005, to vote for a proposal that shares that were bought back are cancelled and that shares from the Ministry of Trade and Industry are proportionately redeemed and cancelled. From the annual general meeting in 2004 until 31 March 2005, Telenor had bought back shares for NOK 1 billion, and the corresponding redemption of shares will amount to NOK 1.2 billion.

**OUTLOOK FOR 2005**

In general, Telenor maintains its outlook for 2005 as presented in Telenor's report for the fourth quarter of 2004.

A continued high growth in revenue and EBITDA is expected for the total mobile operations in 2005. In Fixed Norway, revenue and EBITDA is expected to decrease. The strong growth in the number of ADSL subscriptions is expected to continue. The related expected increased revenue from ADSL, in addition to expected increased revenues from wholesale, is not expected to fully offset decreased revenues from PSTN/ISDN.

Further cost reductions, in particular within Fixed, will be implemented. In Broadcast and other units, we expect EBITDA to improve in 2005 compared to 2004. High capital expenditure is expected for 2005, in which capital expenditure in proportion to revenues is expected to be in line with or slightly exceed 2004 levels. A continuously increasing share of Telenor's revenues and profits come from operations outside Norway. Currency fluctuations will to an increasing extent influence the reported figures in Norwegian Krone. Political risk, including regulatory conditions, might also influence the profits. Telenor expects that profits, adjusted for special items, overall

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will grow in 2005 compared to 2004.

**PRESENTATIONS CAPITAL MARKETS DAY**

The presentations for the Capital Markets Day is now available on:

<http://www.telenor.com/ir/presentations/cmd05/>

<http://www.telenor.no/ir/presentasjon/kmd05/>

**PRESENTATION  
MATERIAL**

Attached is the presentation to the press conference.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Telenor ASA

By:  
Name: Torstein Moland  
(sign.)  
Title: CFO

Date: 27<sup>th</sup> April, 2005

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FIRST QUARTER 2005

The first quarter of 2005 showed a growth in revenues for the Telenor Group of 7.2% to NOK 15.3 billion compared to the first quarter of 2004. Profit before taxes and minority interests was NOK 2.8 billion.

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Telenor ASA first quarter 2005

**Strong subscriber growth in international mobile operations.****Successful launch in Pakistan.****EBITDA margin in Sonofon above 20%.****Negative revenue trend in Fixed.**

KEY POINTS IN THE QUARTER COMPARED TO THE FIRST QUARTER OF 2004

| (NOK in millions)   | 1st quarter |        | Year<br>2004 |
|---|-------------|--------|--------------|
|   | 2005        | 2004   |              |
| Revenues  | 15,270      | 14,245 | 60,701       |
| Revenues growth (%)   | 7.2         | 13.0   | 14.8         |
| EBITDA before other income and expenses <sup>1)</sup>                   | 5,085       | 5,068  | 21,367       |
| EBITDA before other income and expenses/Revenues (%)                    | 33.3        | 35.6   | 35.2         |
| EBITDA  | 5,106       | 5,048  | 20,957       |
| EBITDA/Revenues (%)   | 33.4        | 35.4   | 34.5         |
| Adjusted operating profit <sup>1)</sup>                                 | 2,381       | 2,560  | 10,730       |
| Adjusted operating profit/Revenues (%)                                  | 15.6        | 18.0   | 17.7         |
| Operating profit (loss)   | 2,425       | 2,537  | 6,789        |
| Operating profit/Revenues (%)   | 15.9        | 17.8   | 11.2         |
| Associated companies  | 239         | 225    | 986          |
| Profit before taxes and minority interests                              | 2,815       | 5,033  | 9,296        |
| Net income  | 1,710       | 3,131  | 5,677        |
| Net income (loss) per share in NOK (basic), excluding treasury shares   | 0.99        | 1.77   | 3.25         |
| Net income (loss) per share in NOK (diluted), excluding treasury shares | 0.99        | 1.77   | 3.25         |
| Net interest-bearing liabilities  | 15,933      | 19,297 | 19,195       |
| <b>Investments:</b>   |             |        |              |
| Cape <sup>2)</sup>  | 3,360       | 1,471  | 12,745       |
| Investments in businesses <sup>3)</sup>                                 | 50          | 3,749  | 5,809        |

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<sup>1)</sup> For reconciliation of EBITDA before other income and expenses and adjusted operating profit, see the table Reconciliations on page 17.

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- 2) Capex is investments in tangible and intangible assets.
- 3) Consists of acquisition of shares and participations, including acquisition of subsidiaries and businesses not organized as separate companies.

Telenor's net income was NOK 1,710 million. Net income per share was NOK 0.99 in the first quarter of 2005. The first quarter of 2004 included a gain before tax on sale of the shares in Cosmote of NOK 2,6 billion.

EBITDA was NOK 5,106 million. Reduced margin was mainly related to Fixed Norway, consolidation of Sonofon, start-up of the operation in Pakistan and strong growth and increased competition in the mobile operations.

The number of subscriptions in the consolidated mobile operations increased by 2.4 million in the first quarter of 2005 to 21.4 million subscriptions. The increase in the first quarter of 2004 was 0.8 million subscriptions.

Capital expenditure was NOK 3,360 million. The increase was due to the start-up of operation in Pakistan and strong customer growth in the international mobile operations.

In the first quarter of 2005, Telenor purchased 5,620,000 own shares in the market for NOK 329 million. The Ministry of Trade and Industry has obliged itself, at the annual general meeting in May 2005, to vote for a proposal that shares that were bought back are cancelled and that shares from the Ministry of Trade and Industry are proportionately redeemed and cancelled. From the annual general meeting in 2004 until 31 March 2005, Telenor had bought back shares for NOK 1 billion, and the corresponding redemption of shares will amount to NOK 1.2 billion.

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| (NOK in millions)       | 2005          | 1st quarter   |  | Growth      | Year          |              |
|-------------------------|---------------|---------------|--|-------------|---------------|--------------|
|                         |               | 2004          |  |             | 2004          | Vekst        |
| Telenor Mobil Norway    | 2,838         | 2,804         |  | 1.2%        | 11,730        | 7.5%         |
| Sonofon Denmark         | 1,193         | 670           |  | 78.1%       | 4,404         | nm           |
| Kyivstar Ukraine        | 1,163         | 825           |  | 41.0%       | 4,219         | 60.2%        |
| Pannon GSM Hungary      | 1,415         | 1,401         |  | 1.0%        | 5,907         | 10.0%        |
| DiGi.Com Malaysia       | 1,034         | 936           |  | 10.5%       | 3,946         | 24.2%        |
| GrameenPhone Bangladesh | 640           | 489           |  | 30.9%       | 2,186         | 42.3%        |
| Other mobile operations | 168           | 46            |  | 265.2%      | 423           | 233.1%       |
| Fixed                   | 4,571         | 4,923         |  | (7.2%)      | 19,256        | (6.1%)       |
| Broadcast               | 1,390         | 1,306         |  | 6.4%        | 5,346         | 11.4%        |
| Other operations        | 2,467         | 2,370         |  | 4.1%        | 9,540         | (7.2%)       |
| Eliminations            | (1,609)       | (1,525)       |  | nm          | (6,256)       | nm           |
| <b>Total revenues</b>   | <b>15,270</b> | <b>14,245</b> |  | <b>7.2%</b> | <b>60,701</b> | <b>14.8%</b> |

**EBITDA**

| (NOK in millions)       | 2005         | 1st quarter          |              | Margin <sup>1)</sup> | Year                 |              |
|-------------------------|--------------|----------------------|--------------|----------------------|----------------------|--------------|
|                         |              | Margin <sup>1)</sup> | 2004         |                      | Margin <sup>1)</sup> | 2004         |
| Telenor Mobil Norway    | 1,001        | 35.3%                | 1,002        | 35.7%                | 4,305                | 36.7%        |
| Sonofon Denmark         | 253          | 21.2%                | 167          | 24.9%                | 681                  | 15.5%        |
| Kyivstar Ukraine        | 632          | 54.3%                | 505          | 61.2%                | 2,581                | 61.2%        |
| Pannon GSM Hungary      | 517          | 36.5%                | 556          | 39.7%                | 2,093                | 35.4%        |
| DiGi.Com Malaysia       | 451          | 43.6%                | 426          | 45.5%                | 1,732                | 43.9%        |
| GrameenPhone Bangladesh | 329          | 51.4%                | 283          | 57.9%                | 1,313                | 60.1%        |
| Other mobile operations | (88)         | nm                   | (25)         | nm                   | (712)                | nm           |
| Fixed                   | 1,408        | 30.8%                | 1,632        | 33.2%                | 6,338                | 32.9%        |
| Broadcast               | 380          | 27.3%                | 349          | 26.7%                | 1,498                | 28.0%        |
| Other operations        | 242          | 9.8%                 | 181          | 7.6%                 | 1,114                | 11.7%        |
| Eliminations            | (19)         | nm                   | (28)         | nm                   | 14                   | nm           |
| <b>Total revenues</b>   | <b>5,106</b> | <b>33.4%</b>         | <b>5,048</b> | <b>35.4%</b>         | <b>20,957</b>        | <b>34.5%</b> |

1) EBITDA as a percentage of revenues.

**Table of Contents****Operating profit**

| (NOK in millions)       | 1st quarter  |                      | Year         |                      |              |                      |
|-------------------------|--------------|----------------------|--------------|----------------------|--------------|----------------------|
|                         | 2005         | Margin <sup>1)</sup> | 2004         | Margin <sup>1)</sup> | 2004         | Margin <sup>1)</sup> |
| Telenor Mobil Norway    | 790          | 27.8%                | 763          | 27.2%                | 3,228        | 27.5%                |
| Sonofon Denmark         | (100)        | nm                   | (22)         | nm                   | (3,799)      | nm                   |
| Kyivstar Ukraine        | 401          | 34.5%                | 380          | 46.1%                | 2,026        | 48.0%                |
| Pannon GSM Hungary      | 201          | 14.2%                | 225          | 16.1%                | 777          | 13.2%                |
| DiGi.Com Malaysia       | 193          | 18.7%                | 197          | 21.0%                | 831          | 21.1%                |
| GrameenPhone Bangladesh | 252          | 39.4%                | 249          | 50.9%                | 1,095        | 50.1%                |
| Other mobile operations | (145)        | nm                   | (33)         | nm                   | (903)        | nm                   |
| Fixed                   | 647          | 14.2%                | 678          | 13.8%                | 2,725        | 14.2%                |
| Broadcast               | 236          | 17.0%                | 162          | 12.4%                | 750          | 14.0%                |
| Other operations        | (8)          | nm                   | (54)         | nm                   | 96           | 1.0%                 |
| Eliminations            | (42)         | nm                   | (8)          | nm                   | (37)         | nm                   |
| <b>Total revenues</b>   | <b>2,425</b> | <b>15.9%</b>         | <b>2,537</b> | <b>17.8%</b>         | <b>6,789</b> | <b>11.2%</b>         |

<sup>1)</sup> Operating profit as a percentage of revenues.

The unaudited interim consolidated financial statements are prepared according to International Financial Reporting Standards (IFRS) according to IAS 34 Interim Financial Reporting. Some accounting principles have been changed compared to Telenor's financial statements for the year and quarters of 2004, which were prepared in accordance with Norwegian Generally Accepted Accounting Principles (N GAAP). The figures for the comparable periods of 2004 have been restated to comply with IFRS. The main changes are discussed and explained in a separate section of this report, see page 19. Accounting figures and key figures for periods prior to 2004 have not been restated to comply with IFRS.

As a result of the growth in individual mobile operations, according to IAS 14 the previous Telenor Mobile segment can no longer be presented as one segment. Consequently, Telenor has changed its reportable segments to show its major consolidated mobile operations as separate segments. Amortization of net excess values related to the consolidated mobile operations are now included in the respective segments. The comparable figures for 2004 are restated to reflect the new segment structure. In addition, the profit and loss for the different segments are affected by increased charges for group services from Telenor ASA from 1 January 2005.

In addition, definitions for certain key figures for the mobile operations have changed from 1 January 2005, please see page 18. The comparable figures for 2003 and 2004 have been revised accordingly.

**Table of Contents****TELENOR S OPERATIONS**

## MOBILE OPERATIONS

## TELENOR MOBIL NORWAY

| (NOK in millions)   | 1st quarter  |              | Year          |
|---|--------------|--------------|---------------|
|   | 2005         | 2004         | 2004          |
| Subscription and traffic  | 1,927        | 1,846        | 7,879         |
| Interconnection revenues  | 407          | 378          | 1,613         |
| <b>Mobile revenues company s subscriptions</b>                        | <b>2,334</b> | <b>2,224</b> | <b>9,492</b>  |
| Other mobile revenues   | 362          | 304          | 1,513         |
| <b>Total mobile revenues</b>  | <b>2,696</b> | <b>2,528</b> | <b>11,005</b> |
| Non-mobile revenues   | 142          | 276          | 725           |
| <b>Total revenues <sup>1)</sup></b>                                   | <b>2,838</b> | <b>2,804</b> | <b>11,730</b> |
| <sup>1)</sup> Of which internal revenues                              | 278          | 311          | 1,226         |
| EBITDA  | 1,001        | 1,002        | 4,305         |
| Depreciation and amortization <sup>1)</sup>                           | 213          | 239          | 1,062         |
| Write-downs   | (2)          |              | 15            |
| <b>Operating profit</b>   | <b>790</b>   | <b>763</b>   | <b>3,228</b>  |
| <sup>1)</sup> Of which amortization of Telenor s net excess values by | 1            |              | 1             |
| EBITDA/Total revenues (%)   | 35.3         | 35.7         | 36.7          |
| Operating profit/Total revenues (%)                                   | 27.8         | 27.2         | 27.5          |
| Capex   | 194          | 214          | 973           |
| ARPU monthly (NOK)  | 297          | 315          | 323           |
| No. of subscriptions (in thousands)                                   | 2,635        | 2,378        | 2,645         |

Compared to the end of 2004, the number of GSM subscriptions increased by 12,000. Due to the NMT network being closed down 31 December, 2004, 22,000 NMT subscriptions were terminated.

Telenor Mobil s estimated market share at the end of the first quarter of 2005 was 56% and in line with the end of 2004.

ARPU decreased compared to the first quarter of 2004, primarily due to reduced prices on voice services and SMS, and four fewer working days due to Easter in the first quarter of 2005.

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Compared to the first quarter of 2004 the revenues from subscriptions and traffic were positively affected by a higher number of contract subscriptions, growth in tariff plans with higher subscription fees and increased roaming revenues. This was partially offset by reduced prices on voice and SMS, discounts related to activities to increase loyalty and free airtime in prepaid campaigns.

Interconnection revenues increased compared to the first quarter of 2004 due to the increased number of subscriptions.

Other mobile revenues increased due to increased revenues from service providers and increased revenues from the MVNO agreement with Tele2.

Non-mobile revenues decreased compared to the first quarter of 2004, primarily due to reduced sales of customer equipment.

The decrease in EBITDA margin compared to the first quarter of 2004 was primarily due to increased costs associated with sales and marketing activities and increased charges for group services.

The decrease in depreciation and amortization were due to the increased useful life for some assets.

Compared to the first quarter of 2004, capital expenditure decreased due to lower investments in the GSM network.

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## SONOFON DENMARK

| (NOK in millions)   | 1st quarter  |             | Year<br>2004   |
|---|--------------|-------------|----------------|
|   | 2005         | 2004        |                |
| Subscription and traffic  | 500          | 274         | 1,813          |
| Interconnection revenues  | 307          | 140         | 986            |
| <b>Mobile revenues company s subscriptions</b>                        | <b>807</b>   | <b>414</b>  | <b>2,799</b>   |
| Other mobile revenues   | 172          | 97          | 571            |
| <b>Total mobile revenues</b>  | <b>979</b>   | <b>511</b>  | <b>3,370</b>   |
| Non-mobile revenues   | 214          | 159         | 1,034          |
| <b>Total revenues <sup>1)</sup></b>                                   | <b>1,193</b> | <b>670</b>  | <b>4,404</b>   |
| <sup>1)</sup> Of which internal revenues                              | 20           | 4           | 53             |
| EBITDA  | 253          | 167         | 681            |
| Depreciation and amortization <sup>1)</sup>                           | 353          | 189         | 1,190          |
| Write-downs <sup>2)</sup>   |              |             | 3,290          |
| <b>Operating profit</b>   | <b>(100)</b> | <b>(22)</b> | <b>(3,799)</b> |
| <sup>1)</sup> Of which amortization of Telenor s net excess values by | 157          | 75          | 551            |
| <sup>2)</sup> Of which write-downs of Telenor s net excess values by  |              |             | 3,075          |
| EBITDA/Total revenues (%)   | 21.2         | 24.9        | 15.5           |
| Capex   | 28           | 66          | 388            |
| Investments in businesses   |              | 3,641       | 3,786          |
| ARPU monthly (NOK)  | 217          | 250         | 227            |
| No. of subscriptions (in thousands)                                   | 1,232        | 987         | 1,275          |

The Norwegian Krone appreciated against the Danish Krone by approximately 4% in the first quarter of 2005 compared to the first quarter of 2004. The preceding table includes figures for the first quarter of 2004 from the time of consolidation (12 February 2004). The comments below are based on figures for the period 1 January to 31 March.

As a result of low gross sales due to reduced subsidies on handsets combined with high churn in the prepaid segment, the number of subscriptions decreased by 43,000 during the first quarter of 2005.

Sonofon s estimated market share decreased from 27% at the end of 2004 to 26% at the end of the first quarter of 2005.

Measured in local currency, ARPU decreased by 10%, primarily due to price reductions during 2004 as a result of the strong competition in the Danish mobile market.

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Compared to the first quarter of 2004, revenues measured in local currency increased by approximately 3%, primarily due to the increased number of subscriptions during 2004. The acquisition of CBB contributed to a decrease in Other mobile revenues and an increase in Mobile revenues company's subscriptions.

The decrease in EBITDA margin was primarily due to price reductions and charges for group services. The first quarter of 2004 was positively affected by capitalized costs that were expensed in the fourth quarter of 2004.

Capital expenditure decreased in the first quarter of 2005 compared to the first quarter of 2004, primarily due to a lower activity level related to coverage extension.

**KYIVSTAR UKRAINE**

| (NOK in millions)   | 1st quarter  |            | Year         |
|---|--------------|------------|--------------|
|   | 2005         | 2004       | 2004         |
| Subscription and traffic  | 807          | 610        | 2,961        |
| Interconnection revenues  | 313          | 186        | 1,068        |
| <b>Mobile revenues company's subscriptions</b>                        | <b>1,120</b> | <b>796</b> | <b>4,029</b> |
| Other mobile revenues   | 23           | 16         | 122          |
| <b>Total mobile revenues</b>  | <b>1,143</b> | <b>812</b> | <b>4,151</b> |
| Non-mobile revenues   | 20           | 13         | 68           |
| <b>Total revenues <sup>1)</sup></b>                                   | <b>1,163</b> | <b>825</b> | <b>4,219</b> |
| <sup>1)</sup> Of which internal revenues                              | 1            |            | 2            |
| EBITDA  | 632          | 505        | 2,581        |
| Depreciation and amortization <sup>1)</sup>                           | 231          | 125        | 555          |
| <b>Operating profit</b>   | <b>401</b>   | <b>380</b> | <b>2,026</b> |
| <sup>1)</sup> Of which amortization of Telenor's net excess values by | 22           | 24         | 93           |
| EBITDA/Total revenues (%)   | 54.3         | 61.2       | 61.2         |
| Operating profit/Total revenues (%)                                   | 34.5         | 46.1       | 48.0         |
| Capex   | 735          | 331        | 2,608        |
| Investments in businesses   |              |            | 35           |
| ARPU monthly (NOK)  | 53           | 84         | 85           |
| No. of subscriptions (100% in thousands)                              | 7,662        | 3,221      | 6,252        |

Telenor's ownership interest at the end of the first quarter of 2005 was 56.5%. The Norwegian Krone appreciated against the Ukrainian Hryvnia by approximately 9% in the first quarter of 2005 compared to the first quarter of 2004.

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The strong subscription growth continued in the first quarter of 2005 with an increase of 1.4 million subscriptions, an increase of in total 4.4 million compared to the first quarter of 2004.

Kyivstar's estimated market share increased by 2.5 percentage points from the previous quarter and was 48% at the end of the first quarter of 2005.

Compared to the first quarter of 2004, ARPU measured in local currency decreased by 31% due to strong customer growth and price reductions.

Measured in local currency, revenues increased by 56% , compared to the first quarter of 2004, primarily due to the increased number of subscriptions, partially offset by price reductions. Increased interconnection revenues reflect the strong increase in the customer base.

The decrease in EBITDA margin compared to the first quarter of 2004 was primarily due to lower prices and a significant increase in costs associated with sales and marketing activities as a result of increased competition. EBITDA measured in local currency increased by 38% compared to the first quarter of 2004.

Depreciation and amortization increased as a result of increased capital expenditure in the intervening quarters.

Increased capital expenditure compared to the first quarter of 2004 was due to network investments required by the large increase in the customer base and to improve coverage.

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## PANNON GSM HUNGARY

| (NOK in millions)   | 1st quarter  |              | Year         |
|---|--------------|--------------|--------------|
|   | 2005         | 2004         | 2004         |
| Subscription and traffic  | 880          | 872          | 3,669        |
| Interconnection revenues  | 430          | 423          | 1,731        |
| <b>Mobile revenues company s subscriptions</b>                        | <b>1,310</b> | <b>1,295</b> | <b>5,400</b> |
| Other mobile revenues   | 28           | 25           | 142          |
| <b>Total mobile revenues</b>  | <b>1,338</b> | <b>1,320</b> | <b>5,542</b> |
| Non-mobile revenues   | 77           | 81           | 365          |
| <b>Total revenues <sup>1)</sup></b>                                   | <b>1,415</b> | <b>1,401</b> | <b>5,907</b> |
| <sup>1)</sup> Of which internal revenues                              | 2            | 1            | 6            |
| EBITDA  | 517          | 556          | 2,093        |
| Depreciation and amortization <sup>1)</sup>                           | 316          | 331          | 1,295        |
| Write-downs   |              |              | 21           |
| <b>Operating profit</b>   | <b>201</b>   | <b>225</b>   | <b>777</b>   |
| <sup>1)</sup> Of which amortization of Telenor s net excess values by | 90           | 89           | 358          |
| EBITDA/Total revenues (%)   | 36.5         | 39.7         | 35.4         |
| Operating profit/Total revenues (%)                                   | 14.2         | 16.1         | 13.2         |
| Capex   | 109          | 104          | 1,166        |
| ARPU monthly (NOK)  | 157          | 165          | 173          |
| No. of subscriptions (in thousands)                                   | 2,792        | 2,596        | 2,770        |

The Norwegian Krone depreciated against the Hungarian Forint by approximately 1% in the first quarter of 2005 compared to the first quarter of 2004.

The number of contract subscriptions increased by 58,000 during the quarter, while total subscriptions increased by 22,000. Compared to the first quarter of 2004, the number of contract subscriptions increased by 218,000.

Pannon GSM s estimated market share at the end of the first quarter of 2005 was 34% and in line with the previous quarter.

ARPU measured in local currency decreased by 6% compared to the first quarter of 2004, primarily due to price reductions. This was partially offset by increased traffic per subscription and a higher share of contract subscriptions.

Revenues measured in local currency were in line with the first quarter of 2004. Increased usage and an increased number of subscriptions offset price reductions.

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The decrease in EBITDA margin compared to the first quarter of 2004 was primarily due to increased interconnection charges as a result of increased traffic to other mobile networks and increased dealer commissions, partially offset by decreased subsidies on handsets. EBITDA measured in local currency decreased by 6%.

Depreciation and amortization decreased due to certain fixed assets being fully depreciated. The amortization of the UMTS license is expected to start during 2005.

The regulatory authorities in Hungary have announced that all mobile operators may expect a further reduction of interconnection charges from June 2005.

**DIGI.COM MALAYSIA**

| (NOK in millions)   | 1st quarter  |            | Year         |
|---|--------------|------------|--------------|
|   | 2005         | 2004       | 2004         |
| Subscription and traffic  | 792          | 642        | 2,794        |
| Interconnection revenues  | 137          | 147        | 571          |
| <b>Mobile revenues company s subscriptions</b>                        | <b>929</b>   | <b>789</b> | <b>3,365</b> |
| Other mobile revenues   | 14           | 17         | 65           |
| <b>Total mobile revenues</b>  | <b>943</b>   | <b>806</b> | <b>3,430</b> |
| Non-mobile revenues   | 91           | 130        | 516          |
| <b>Total revenues <sup>1)</sup></b>                                   | <b>1,034</b> | <b>936</b> | <b>3,946</b> |
| <sup>1)</sup> Of which internal revenues                              | 1            | 1          | 3            |
| EBITDA  | 451          | 426        | 1,732        |
| Depreciation and amortization <sup>1)</sup>                           | 257          | 229        | 901          |
| Write-downs   | 1            |            |              |
| <b>Operating profit</b>   | <b>193</b>   | <b>197</b> | <b>831</b>   |
| <sup>1)</sup> Of which amortization of Telenor s net excess values by | 17           | 19         | 72           |
| EBITDA/Total revenues (%)   | 43.6         | 45.5       | 43.9         |
| Operating profit/Total revenues (%)                                   | 18.7         | 21.0       | 21.1         |
| Capex   | 108          | 103        | 920          |
| ARPU monthly (NOK)  | 92           | 113        | 107          |
| No. of subscriptions (100% in thousands)                              | 3,461        | 2,413      | 3,239        |

Telenor s ownership interest in DiGi.Com was 61.0% at the end of the first quarter of 2005. The Norwegian Krone appreciated against the Malayan Ringgit by approximately 10% in the first quarter of 2005 compared to the first quarter of 2004.

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The number of subscriptions increased by 222,000 during the first quarter of 2005 and by more than one million compared to the end of the first quarter of 2004.

DiGi's market share of 22% was in line with the previous quarter.

ARPU measured in local currency decreased by approximately 10% compared to the first quarter of 2004, primarily as a result of reduced prices.

Total revenues measured in local currency increased by 23% compared to the first quarter of 2004. Mobile revenues company's subscriptions have increased by 32% in local currency due to the increased subscription base.

Non-mobile revenues measured in local currency decreased by 23% mainly due to decreased international transit traffic.

The EBITDA margin decreased primarily due to increased costs related to sales and marketing activities and network costs. Measured in local currency, EBITDA increased by 17% compared to the first quarter of 2004.

Depreciation and amortization increased, when measured in local currency, as a result of high capital expenditure in the intervening quarters. Operating profit increased by 14% measured in local currency.

Capital expenditure was related to investments in network to increase coverage and serve a larger customer base, as well as upgrading the network to EDGE functionality.

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## GRAMEENPHONE BANGLADESH

| (NOK in millions)                              | 1st quarter<br>2005 | 2004       | Year<br>2004 |
|--|---------------------|------------|--------------|
| Subscription and traffic                       | 598                 | 470        | 2,064        |
| Interconnection revenues                       | 34                  | 9          | 90           |
| <b>Mobile revenues company s subscriptions</b> | <b>632</b>          | <b>479</b> | <b>2,154</b> |
| Other mobile revenues                          | 5                   | 7          | 24           |
| <b>Total mobile revenues</b>                   | <b>637</b>          | <b>486</b> | <b>2,178</b> |
| Non-mobile revenues                            | 3                   | 3          | 8            |
| <b>Total revenues <sup>1)</sup></b>            | <b>640</b>          | <b>489</b> | <b>2,186</b> |
| <sup>1)</sup> Of which internal revenues       |                     |            |              |
| EBITDA   | 329                 | 283        | 1,313        |
| Depreciation and amortization <sup>1)</sup>    | 77                  | 34         | 215          |
| Write-downs                                    |                     |            | 3            |
| <b>Operating profit</b>                        | <b>252</b>          | <b>249</b> | <b>1,095</b> |
| EBITDA/Total revenues (%)                      | 51.4                | 57.9       | 60.1         |
| Operating profit/Total revenues (%)            | 39.4                | 50.9       | 50.1         |
| Capex  | 496                 | 160        | 1,318        |
| Investments in businesses                      |                     |            | 298          |
| ARPU monthly (NOK)                             | 81                  | 120        | 104          |
| No. of subscriptions (100% in thousands)       | 2,928               | 1,520      | 2,388        |

Telenor s ownership interest was 62.0% at the end of the first quarter of 2005. The Norwegian Krone appreciated against the Bangladeshi Takka by approximately 14% in the first quarter of 2005 compared to the first quarter of 2004.

The strong subscription growth in 2004 continued with an increase of 540,000 subscriptions during the first quarter of 2005. Compared to the first quarter of 2004, the number of subscriptions almost doubled with an increase of 1.4 million. In April 2005, GrameenPhone passed a level of 3 million subscriptions.

GrameenPhone s estimated market share at the end of the first quarter of 2005 was 61% compared to 62% at the end of 2004.

Compared to the first quarter of 2004, revenues increased by 53% measured in local currency due to the increased number of subscriptions. Interconnection revenues increased due to interconnection agreements with other mobile operators that were entered into in March 2004.

ARPU decreased by 22% measured in local currency compared to the first quarter of 2004 due to price reductions.



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The decrease in EBITDA margin was primarily due to increased commissions as a result of increased competition and increased network-related maintenance costs due to the expansion of the network. Measured in local currency, EBITDA increased by 36% compared to the first quarter of 2004, primarily due to increased revenues.

Depreciation and amortization increased as a result of increased capital expenditure in the intervening quarters.

Increased capital expenditure in the mobile network was due to the strong customer growth and increased coverage.

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## OTHER MOBILE OPERATIONS

| (NOK in millions)   | 1st quarter  |             | Year         |
|---|--------------|-------------|--------------|
|   | 2005         | 2004        | 2004         |
| <b>Revenues</b>   |              |             |              |
| Telenor Pakistan  | 1            |             |              |
| ProMonte GSM Montenegro   | 104          |             | 200          |
| Telenor Mobile Sweden   | 63           | 46          | 223          |
| <b>Total revenues <sup>1)</sup></b>                                   | <b>168</b>   | <b>46</b>   | <b>423</b>   |
| <sup>1)</sup> Of which internal revenues                              | 28           | 14          | 88           |
| <b>EBITDA</b>   |              |             |              |
| Telenor Pakistan  | (133)        |             | (78)         |
| ProMonte GSM Montenegro   | 55           |             | 91           |
| Telenor Mobile Sweden   | (10)         | (25)        | (725)        |
| <b>Total EBITDA</b>   | <b>(88)</b>  | <b>(25)</b> | <b>(712)</b> |
| Depreciation and amortization <sup>1)</sup>                           | 57           | 8           | 116          |
| Write-downs   |              |             | 75           |
| <b>Operating loss</b>   | <b>(145)</b> | <b>(33)</b> | <b>(903)</b> |
| Of which:   |              |             |              |
| Telenor Pakistan  | (147)        |             | (78)         |
| ProMonte GSM Montenegro   | 12           |             | 24           |
| Telenor Mobile Sweden   | (10)         | (33)        | (849)        |
| <sup>1)</sup> Of which amortization of Telenor's net excess values by | 20           |             | 32           |
| <b>Investments:</b>   |              |             |              |
| Capex   | 1,144        | 4           | 2,026        |
| Investments in businesses   |              |             | 541          |
| <b>No. of subscriptions (in thousands)</b>                            |              |             |              |
| Telenor Pakistan  | 344          |             |              |
| ProMonte GSM  | 279          |             | 279          |
| Telenor Mobile Sweden   | 107          | 84          | 105          |

Other mobile operations include the companies Telenor Mobile Sweden, ProMonte GSM and Telenor Pakistan. The operation in Pakistan was established in the second quarter of 2004. ProMonte was an associated company up until 12 August 2004, when Telenor purchased the remaining shares. Management and

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administration of Telenor's international mobile operations, which were previously reported as a part of Other Mobile, are now reported as a part of Corporate functions and group activities. The comparable figures for 2004 have been changed. The Norwegian Krone appreciated by an average of approximately 3% against the Swedish Krone in the first quarter of 2005 compared to the first quarter of 2004. The Norwegian Krone appreciated by approximately 1% against the Pakistani Rupee and was stable against the Euro, the functional currency of ProMonte GSM, in the first quarter of 2005 compared to the fourth quarter of 2004.

**Telenor Pakistan**

Telenor Pakistan launched its mobile services on 15 March 2005. At the end of the first quarter of 2005, the company had an estimated market share of 4% and a customer base of 344,000 subscriptions.

Capital expenditure in the first quarter of 2005 was NOK 1,132 million.

**ProMonte GSM**

The number of subscriptions at the end of the first quarter of 2005 was in line with the year end 2004.

ProMonte GSM's estimated market share at the end of the first quarter of 2005 was 57% and was unchanged from the previous quarter.

**Telenor Mobile Sweden**

Revenues in the mobile operation in Sweden increased compared to the first quarter of 2004 as a result of a 27% increase in the number of subscriptions.

Losses in Sweden were reduced as a consequence of increased revenues and reduced costs for sales and marketing activities. Depreciations for Telenor Mobile Sweden also decreased as a consequence of the write-downs undertaken in the fourth quarter of 2004.

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## FIXED

| (NOK in millions)   | 1st quarter  |              | Year          |
|---|--------------|--------------|---------------|
|   | 2005         | 2004         | 2004          |
| <b>Revenues</b>   |              |              |               |
| Norway  | 4,163        | 4,483        | 17,545        |
| Sweden  | 392          | 426          | 1,654         |
| Other countries   | 44           | 43           | 175           |
| Eliminations  | (28)         | (29)         | (118)         |
| <b>Total revenues <sup>1)</sup></b>                                   | <b>4,571</b> | <b>4,923</b> | <b>19,256</b> |
| <sup>1)</sup> Of which internal revenues                              | 461          | 432          | 1,823         |
| <b>EBITDA</b>   | <b>1,408</b> | <b>1,632</b> | <b>6,338</b>  |
| Depreciation and amortization <sup>1)</sup>                           | 783          | 954          | 3,573         |
| Write-downs <sup>2)</sup>   | (22)         |              | 40            |
| <b>Operating profit</b>   | <b>647</b>   | <b>678</b>   | <b>2,725</b>  |
| <sup>1)</sup> Of which amortization of Telenor's net excess values by | 1            |              | 7             |
| <sup>2)</sup> Of which write-downs of Telenor's net excess values by  | (31)         |              | (22)          |
| EBITDA/Total revenues (%)   | 30.8         | 33.2         | 32.9          |
| Operating profit/Total revenues (%)                                   | 14.2         | 13.8         | 14.2          |
| Capex   | 381          | 378          | 1,791         |
| Investments in businesses   | 43           | 86           | 105           |

Compared to the first quarter of 2004, operating profit was influenced by Telenor's sale of parts of Fixed's Operations Services division to EDB Business Partner effective 1 May 2004 in order to improve operating efficiency. The operation sold provided services related to the operation of IT services in Telenor and to external customers.

Adjusted for the sale of Operations Services to EDB Business Partner revenues decreased by 4.8% and the EBITDA margin decreased by 2.9 percentage points compared to the first quarter of 2004. Correspondingly, the adjusted operating profit margin was 1.7 percentage points lower.

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## FIXED NORWAY

| (NOK in millions)   | 1st quarter  |              | Year          |
|---|--------------|--------------|---------------|
|   | 2005         | 2004         | 2004          |
| <b>Revenues</b>   |              |              |               |
| Telephony (PSTN/ISDN)   | 1,871        | 2,183        | 8,268         |
| ADSL/Internett  | 461          | 426          | 1,753         |
| Data services   | 232          | 247          | 1,022         |
| Other revenues  | 342          | 456          | 1,656         |
| Total retail revenues   | 2,906        | 3,312        | 12,699        |
| Wholesale revenues  | 1,257        | 1,171        | 4,846         |
| <b>Total revenues</b> <sup>1)</sup>                                   | <b>4,163</b> | <b>4,483</b> | <b>17,545</b> |
| <sup>1)</sup> Of which internal revenues                              | 463          | 438          | 1,842         |
| EBITDA  | 1,438        | 1,631        | 6,330         |
| Depreciation and amortization <sup>1)</sup>                           | 705          | 880          | 3,251         |
| Write-downs <sup>2)</sup>   | (22)         |              | 2             |
| <b>Operating profit</b>   | <b>755</b>   | <b>751</b>   | <b>3,077</b>  |
| <sup>1)</sup> Of which amortization of Telenor's net excess values by |              |              | 2             |
| <sup>2)</sup> Of which write-downs of Telenor's net excess values by  | (31)         |              | 2             |
| EBITDA/Total revenues (%)   | 34.5         | 36.4         | 36.1          |
| Operating profit/Total revenues (%)                                   | 18.1         | 16.8         | 17.5          |
| Capex   | 337          | 355          | 1,473         |
| Investments in businesses   | 43           |              | 2             |
| No. of PSTN subscriptions (in thousands)                              | 1,165        | 1,248        | 1,182         |
| No. of ISDN subscriptions (lines in thousands)                        | 1,394        | 1,600        | 1,449         |
| No. of ADSL subscriptions (in thousands)                              | 385          | 208          | 326           |

The number of ADSL residential and business subscriptions increased by 59,000 in the first quarter of 2005 to 385,000, an increase of 177,000 from the end of the first quarter of 2004. Telenor's estimated market share for ADSL was 60% at the end of the first quarter of 2005. The figures for the first quarter of 2005 include 19,000 subscriptions from the acquisition of Tiscali AS.

The number of lines for PSTN/ISDN subscriptions decreased by 72,000 during the first quarter of 2005 to 2,559,000, a reduction of 289,000 from the first quarter of 2004.

Telenor's estimated market share calculated in traffic minutes was 67% at the end of the first quarter of 2005, which was at the same level as at the end of the fourth quarter 2004. From 1 January 2005 the market share is calculated based on an estimate of fixed network generated traffic in Norway, while

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previously the market shares were calculated based on generated fixed network traffic in Telenor's network. The comparable figures for 2004 have been restated accordingly.

Adjusted for the sale of Operations Services to EDB Business Partner, revenues decreased by 4.5% compared to the first quarter of 2004. The decrease in telephony and data revenues was only partially offset by the growth in ADSL/Internet revenue, wholesale revenues and other revenues. Adjusted for the sale of Operations Services to EDB Business Partner, the EBITDA margin was 2.6 percentage points lower compared to the first quarter of 2004 and the operating profit margin correspondingly decreased by 0.9 percentage points.

Revenues from Telephony (PSTN/ISDN) decreased compared to the first quarter of 2004 as a consequence of the lower number of PSTN/ISDN subscriptions and reduced traffic volumes. The number of subscriptions decreased as a consequence of a transition to wholesale and to other fixed network operators, as well as a reduction in the total market for fixed network subscriptions. Lower traffic volumes were due to the reduced number of subscriptions and traffic minutes per subscription primarily as a consequence of migration of generated traffic to mobile telephony.

Revenues from ADSL/Internet in the first quarter of 2005 increased compared to the first quarter of 2004. This was due to increased revenues from subscription and connection due to the growth in the number of ADSL subscriptions that was partially offset by lower revenues from Internet traffic and Internet subscriptions.

Lower revenues from data services was a consequence of increased price pressure and a shift in the product portfolio towards low price products.

Other end user revenues decreased compared to the first quarter of 2004, mainly as a consequence of the sale of Operations Services to EDB Business Partner.

Increased wholesale revenues compared to the first quarter of 2004 were due to increased wholesale of subscriptions for telephony and ADSL, as well as sales of operator access and leased lines.

EBITDA was lower compared to the first quarter of 2004. This was mainly due to lower revenues without a corresponding reduction in operating costs and an increased charge for group services. The sale of Operating Services to EDB Business Partner as well as other increased operating costs also contributed to the reduction.

Lower depreciation compared to the first quarter of 2004 was primarily due to lower capital expenditure in recent years and the sale of Operating Services to EDB Business Partner.

Negative goodwill related to the consolidation of Tiscali AS in March 2005 was taken to income with NOK 31 million, included in the line item write-downs.

Investments in businesses in the first quarter of 2005 were related to the purchase of Tiscali AS.

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## FIXED SWEDEN

| (NOK in millions)   | 1st quarter<br>2005 | 2004        | Year<br>2004 |
|---|---------------------|-------------|--------------|
| External revenues   | 367                 | 403         | 1,557        |
| Internal revenues   | 25                  | 23          | 97           |
| <b>Total revenues</b>   | <b>392</b>          | <b>426</b>  | <b>1,654</b> |
| <br>  |                     |             |              |
| EBITDA  | (29)                | (3)         | 9            |
| Depreciation and amortization <sup>1)</sup>                           | 64                  | 61          | 262          |
| Write-downs <sup>2)</sup>   |                     |             | 36           |
| <b>Operating profit</b>   | <b>(93)</b>         | <b>(64)</b> | <b>(289)</b> |
| <br>  |                     |             |              |
| <sup>1)</sup> Of which amortization of Telenor's net excess values by | 1                   |             | 5            |
| <sup>2)</sup> Of which write-downs of Telenor's net excess values by  |                     |             | (24)         |
| <br>  |                     |             |              |
| Capex   | 40                  | 15          | 279          |
| Investments in businesses   |                     | 78          | 93           |

Revenues decreased compared to the first quarter of 2004, mainly due to the discontinuance of volume agreements for international interconnections and reduced revenues from data services as a consequence of increased price pressure and a shift in the product portfolio towards low price products.

Lower EBITDA compared to the first quarter of 2004 was related to the lower revenues from data services as well as increased operating costs as a consequence of the roll out of ADSL.

Increased capital expenditure compared to the first quarter of 2004 was primarily due to the expansion of Telenor's DSL network to increase capacity for the wholesale market.

## FIXED OTHER COUNTRIES

Fixed Other Countries comprises activities in the Czech Republic and Slovakia. EBITDA in the first quarter of 2005 was NOK 2 million compared to NOK 4 million in the first quarter of 2004.

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## BROADCAST

| (NOK in millions)   | 1st quarter  |              | Year         |
|---|--------------|--------------|--------------|
|   | 2005         | 2004         | 2004         |
| <b>Revenues</b>   |              |              |              |
| Distribution  | 1,139        | 1,061        | 4,309        |
| Transmission  | 297          | 303          | 1,211        |
| Other   | 84           | 104          | 461          |
| Eliminations  | (130)        | (162)        | (635)        |
| <b>Total revenues <sup>1)</sup></b>                                   | <b>1,390</b> | <b>1,306</b> | <b>5,346</b> |
| <sup>1)</sup> Of which internal                                       | 28           | 35           | 135          |
| <b>EBITDA</b>   |              |              |              |
| Distribution  | 213          | 192          | 749          |
| Transmission  | 174          | 153          | 688          |
| Other/Eliminations  | (7)          | 4            | 61           |
| <b>Total EBITDA</b>   | <b>380</b>   | <b>349</b>   | <b>1,498</b> |
| Depreciation and amortization <sup>1)</sup>                           | 144          | 187          | 704          |
| Write-downs <sup>1)</sup>   |              |              | 44           |
| <b>Operating profit</b>   | <b>236</b>   | <b>162</b>   | <b>750</b>   |
| Of which:   |              |              |              |
| Distribution  | 143          | 74           | 302          |
| Transmission  | 106          | 87           | 409          |
| Other/Eliminations  | (13)         | 1            | 39           |
| <sup>1)</sup> Of which amortization of Telenor's net excess values by | 14           | 14           | 63           |
| <sup>2)</sup> Of which write-downs of Telenor's net excess values by  |              |              | 25           |
| EBITDA/Total revenues (%)   | 27.3         | 26.7         | 28.0         |
| Operating profit/Total revenues (%)                                   | 17.0         | 12.4         | 14.0         |
| Capex   | 47           | 23           | 880          |
| Investments in businesses   |              |              |              |
| No. of DTH subscribers (in thousands)                                 | 851          | 778          | 824          |
| No. of Cable TV subscribers (in thousands)                            | 616          | 605          | 624          |
| No. of households in small antenna networks (in thousands)            | 1,197        | 1,132        | 1,212        |
| No. of Cable TV Internet access (in thousands)                        | 48           | 34           | 44           |

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Increased revenues compared to the first quarter of 2004 were mainly due to growth in the number of subscriptions.

The increase in the EBITDA margin compared to the first quarter of 2004 was primarily due to revenue growth and lower costs for leasing of satellite capacity as previously leased capacity was replaced with owned capacity.

In the first quarter of 2005, Telenor sold shares in Intelsat and recorded a gain of NOK 386 million under financial items.

**BROADCAST DISTRIBUTION**

The number of subscribers with satellite dishes at the end of the first quarter of 2005 increased by 73,000 compared to the end of the first quarter of 2004. The number of subscribers with cable TV increased by 11,000 from the end of the first quarter of 2004 to the end of the first quarter of 2005. Cable TV subscribers decreased from the fourth quarter of 2004, mainly due to increased competition in Sweden.

Increased revenues compared to the first quarter 2004 were mainly related to growth in the number of subscribers.

Increased EBITDA was primarily a consequence of increased revenues and lower charges for group costs. This was partially offset by increased customer acquisition costs including costs for decoders and marketing campaigns.

Compared to the first quarter of 2004, depreciation decreased as a result of certain fully depreciated fixed assets within Satellite dishes and because the decoders were no longer capitalized and leased out, but were sold to the customers.

Increased capital expenditure was due to increased investments in the cable TV network in Norway compared to the first quarter of 2004.

**BROADCAST TRANSMISSION**

Reduced external revenues in Transmission compared to the first quarter of 2004 were due to lower revenues from satellite as a consequence of the transition from analogue to digital distribution.

Investments in a satellite in August 2004 resulted in lower costs for leasing satellite capacity and was the main reason for the increased EBITDA and EBITDA margin compared to the first quarter of 2004.

Increased depreciation as a consequence of investing in satellite capacity in August 2004 was partially offset by lower depreciation as a consequence of the revision and extension of the depreciation period on certain fixed assets in Norkring as of 1 January 2005.

**BROADCAST OTHER**

Reduced revenues compared to the first quarter of 2004 were related to lower invoices for group services. This was partially offset by increased revenues from sales of smart cards and services for access control for Pay TV in Conax.

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## OTHER UNITS

| (NOK in millions)   | 1st quarter  |              | Year         |
|---|--------------|--------------|--------------|
|   | 2005         | 2004         | 2004         |
| <b>Revenues</b>   |              |              |              |
| EDB Business Partner  | 1,231        | 1,047        | 4,287        |
| Satellite Services  | 589          | 601          | 2,385        |
| Venture   | 116          | 217          | 901          |
| Corporate functions and group activities                              | 582          | 529          | 2,154        |
| Other   | 18           | 70           | 174          |
| Eliminations  | (69)         | (94)         | (361)        |
| <b>Total revenues <sup>1)</sup></b>                                   | <b>2,467</b> | <b>2,370</b> | <b>9,540</b> |
| <sup>1)</sup> Of which internal                                       | 788          | 734          | 2,929        |
| <b>EBITDA</b>   |              |              |              |
| EDB Business Partner  | 177          | 138          | 978          |
| Satellite Services  | 68           | 125          | 409          |
| Venture   | 6            | (3)          | 130          |
| Corporate functions and group activities                              | (6)          | (95)         | (417)        |
| Other/eliminations  | (3)          | 16           | 14           |
| <b>Total EBITDA</b>   | <b>242</b>   | <b>181</b>   | <b>1,114</b> |
| Depreciation and amortization <sup>1)</sup>                           | 250          | 232          | 975          |
| Write-downs <sup>2)</sup>   |              | 3            | 43           |
| <b>Operating profit</b>   | <b>(8)</b>   | <b>(54)</b>  | <b>96</b>    |
| Of which  |              |              |              |
| EDB Business Partner  | 81           | 89           | 736          |
| Satellite Services  | 4            | 55           | 133          |
| Venture   | 2            | (14)         | 97           |
| Corporate functions and group activities                              | (92)         | (181)        | (809)        |
| Other/eliminations  | (3)          | (3)          | (61)         |
| <sup>1)</sup> Of which amortization of Telenor's net excess values by | 2            | 2            | 8            |
| <sup>2)</sup> Of which write-downs of Telenor's net excess values by  |              | 2            | 3            |
| <b>Investments:</b>   |              |              |              |
| Capex   | 125          | 88           | 697          |
| Investments in businesses   | 7            | 22           | 1,329        |

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**EDB BUSINESS PARTNER**

Adjusted for disposals of operations, there was a growth in revenues of 30% compared to the first quarter of 2004. In particular IT Operations had an increase of 35%, Solutions had a growth of 13% and Telecom a growth of 22%. Within IT Operations the growth was primarily related to the strategic contracts which were entered into in 2004 that comprised the purchase of parts of Telenor's IT Operating Services, as well as acquisitions from IBM and Capgemini.

EBITDA increased by 30% compared to the first quarter of 2004. Within all areas EBITDA, adjusted for disposals, increased compared to the first quarter of 2004.

Depreciation increased compared to the first quarter of 2004 as a result of investments in 2004.

**SATELLITE SERVICES**

Lower revenues in Satellite Services compared to the first quarter of 2004 was primarily a consequence of a strengthened Norwegian Krone against the US Dollar, which was partially offset by the effect of acquisitions. Lower operating profit compared to the first quarter of 2004 was due to lower margins as well as the expensed settlement connected with a dispute concerning product rights.

**VENTURE**

Lower revenues and a positive operating profit in the first quarter of 2005 compared to a loss in the first quarter of 2004 was primarily a result of subsidiaries that were sold during 2004. Compared to the first quarter of 2004, there was a positive trend in profits and market share in Directory Enquiries - Opplysningen AS (previously Teleservice AS).

**CORPORATE FUNCTIONS AND GROUP ACTIVITIES**

The figures were influenced by the management and administration of Telenor's international mobile operations which previously were reported as part of the former business area Mobile, but which now are reported as part of Corporate functions and group activities. The comparable figures for 2004 have been restated. In addition, from 1 January 2005 the method for charging group services from Telenor ASA has changed. In total, this increased revenues by NOK 59 million in the first quarter of 2005. All costs not defined as owner costs or costs related to Telenor ASA's own operations are now charged to the legal units in the Group which receive the benefits. The comparable figures for 2004 regarding the method for charging group services have not been restated, with the result that Corporate functions and group activities reported reduced losses in 2005 compared to 2004.

Revenues in Corporate functions and group activities are mainly intercompany within the group. Increased revenues and EBITDA in the first quarter of 2005 compared to the first quarter of 2004 was due to the increased charges for group services as mentioned above. In addition, EBITDA was positively influenced by increased gains from sales of property and lower activity in the central group projects.



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On 1 April 2005, properties for NOK 560 million were sold to Telenor Pensjonskasse.

## INVESTMENTS

Increased capital expenditure compared to the first quarter of 2004 was primarily due to EDB Business Partners increased activity related to IT Operation.

## OTHER PROFIT AND LOSS ITEMS FOR THE GROUP

**Depreciation, amortization and write-downs**

| (NOK in millions)                                       | 1st quarter  |              | Year          |
|---|--------------|--------------|---------------|
|   | 2005         | 2004         | 2004          |
| Depreciation of tangible assets <sup>1)</sup>           | 1,949        | 1,910        | 7,737         |
| Amortization of other intangible assets <sup>2)</sup>   | 755          | 598          | 2,900         |
| <b>Total depreciation and amortization</b>              | <b>2,704</b> | <b>2,508</b> | <b>10,637</b> |
| Write-downs of tangible and other intangible assets     | 8            | 1            | 282           |
| Write-downs of goodwill                                 | (31)         | 2            | 3,129         |
| Write-downs of other intangible assets                  |              |              | 120           |
| Total write-downs                                       | (23)         | 3            | 3,531         |
| <b>Total depreciation, amortization and write-downs</b> | <b>2,681</b> | <b>2,511</b> | <b>14,168</b> |

<sup>1)</sup> **Specification of depreciation of tangible assets**

|                         |              |              |              |
|-------------------------|--------------|--------------|--------------|
| Telenor Mobil Norway    | 157          | 166          | 781          |
| Sonofon Denmark         | 111          | 70           | 340          |
| Kyivstar Ukraine        | 163          | 68           | 301          |
| Pannon GSM Hungary      | 156          | 178          | 689          |
| DiGi.Com Malaysia       | 224          | 196          | 779          |
| GrameenPhone Bangladesh | 71           | 32           | 205          |
| Other mobile operations | 23           |              | 32           |
| Fixed                   | 705          | 846          | 3,173        |
| Broadcast               | 127          | 166          | 605          |
| Other activities        | 210          | 208          | 838          |
| Eliminations            | 2            | (20)         | (6)          |
| <b>Total</b>            | <b>1,949</b> | <b>1,910</b> | <b>7,737</b> |

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| (NOK in millions)  | 1st quarter |            | Year         |
|--|-------------|------------|--------------|
|  | 2005        | 2004       | 2004         |
| <b>2) Specification of amortization of other intangible assets</b> |             |            |              |
| Telenor Mobil Norway   | 56          | 74         | 282          |
| Sonofon Denmark  | 242         | 119        | 850          |
| Kyivstar Ukraine   | 67          | 58         | 255          |
| Pannon GSM Hungary   | 160         | 153        | 605          |
| DiGi.Com Malaysia  | 33          | 33         | 123          |
| GrameenPhone Bangladesh  | 6           | 2          | 11           |
| Other mobile operations  | 34          | 7          | 83           |
| Fixed  | 78          | 107        | 399          |
| Broadcast  | 16          | 21         | 99           |
| Other activities   | 42          | 24         | 136          |
| Eliminations   | 21          |            | 57           |
| <b>Total</b>   | <b>755</b>  | <b>598</b> | <b>2,900</b> |

From 1 January 2005, Telenor adjusted the estimated useful lives for some tangible and intangible assets. This had no material effect on total depreciation and amortization expenses for the Group for the first quarter of 2005. Generally, depreciation and amortization expenses are affected by the level of capital expenditure in previous periods. Sonofon and ProMonte were consolidated from 12 February and 12 August 2004, respectively, which affected depreciation and amortization expenses compared to the first quarter of 2005. Telenor Pakistan opened its mobile network for commercial services as of 15 March 2005, and at the same time started to amortize and depreciate its licence for mobile telephony and its mobile network.

Negative goodwill related to the consolidation of Tiscali AS in March 2005 was taken to income with NOK 31 million included in the line item Write-downs of goodwill.

**Associated companies**

| (NOK in millions)                           | 1st quarter |            | Year       |
|---|-------------|------------|------------|
|   | 2005        | 2004       | 2004       |
| <b>Telenors share of <sup>1)</sup></b>      |             |            |            |
| Net income after taxes                      | 255         | 274        | 1055       |
| Amortization of Telenor's net excess values | (16)        | (49)       | (101)      |
| Gains on disposal of ownership interests    |             |            | 32         |
| <b>Net result from associated companies</b> | <b>239</b>  | <b>225</b> | <b>986</b> |

<sup>1)</sup> The figures are partially based on management's estimates in connection with the preparation of the consolidated financial statements. The consolidated profit and loss statement contains only the line Net result from associated companies. The table includes Telenor's share of net income in Sonofon until 12 February 2004 and ProMonte GSM until 12 August 2004. Thereafter these companies are consolidated as subsidiaries.

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Telenor's ownership interest in VimpelCom in Russia was 29.9% at the end of the first quarter of 2005. The value of Telenor's share of the company based on the quoted share price as at 31 March 2005 was NOK 13.4 billion. The number of subscriptions at the end of the first quarter of 2005 was approximately 31 million according to telecom analysts.

On 18 April 2005, the Russian Supreme Court issued an order to stay a lower court's earlier decision that, if upheld, would have suspended the super-majority voting provisions in VimpelCom's charter applicable to decisions on certain key business or strategic matters, including acquisitions, by VimpelCom's board of directors. The order also provides that the Supreme Court will now take jurisdiction over the case.

Telenor's direct and indirect ownership interest in DTAC in Thailand was 40.3% at the end of the first quarter of 2005. The value of Telenor's share of the company based on quoted share price as at 31 March 2005 was NOK 3.2 billion. The number of subscriptions in DTAC at the end of February 2005 was approximately 8.0 million.

**Financial items**

| (NOK in millions)  | 1st quarter |              | Year         |
|--|-------------|--------------|--------------|
|  | 2005        | 2004         | 2004         |
| Financial income   | 103         | 105          | 496          |
| Financial expenses   | (344)       | (416)        | (1,561)      |
| Net foreign currency gain (loss)                                 | (25)        | (31)         | (87)         |
| Net gains (losses) and write-downs                               | 417         | 2,613        | 2,673        |
| <b>Net financial items</b>                                       | <b>151</b>  | <b>2,271</b> | <b>1,521</b> |
| Gross interest expenses on interest-bearing liabilities          | (354)       | (405)        | (1,582)      |
| Net interest expenses on interest-bearing assets and liabilities | (291)       | (312)        | (1,199)      |

Financial income for the first quarter of 2005 consisted primarily of interest income of NOK 62 million and changes in fair value of financial instruments according to IFRS of NOK 26 million. Interest income decreased compared to the first quarter of 2004 due to a decline in interest rates in the market and a lower level of liquid assets.

The decrease in average interest-bearing liabilities and average interest rates contributed to the decrease in interest expenses compared to the first quarter of 2004. Capitalized interest increased due to a higher level of assets under construction.

**Taxes**

The nominal Norwegian corporate income tax (CIT) rate is 28%. The effective tax rate for the Telenor Group for the fiscal year 2005, is estimated to be 30% of profit before taxes and minority interests. The estimated effective tax rate is higher than the Norwegian nominal CIT rate of 28% primarily due to taxes related to companies outside Norway, including the effect of recording deferred taxes on retained earnings in certain companies.

The actual effective tax rate for 2005 may deviate from the estimated rate.

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**Balance sheet and cash flow**

Total assets as of 31 March 2005 increased by NOK 5.3 billion compared to 31 December 2004. The implementation of IAS 39 for financial instruments contributed approximately NOK 2.5 billion to the increase. See a separate part of this report for a further description of the implementation of IFRS. Net income and currency effects also contributed to the increase.

Increased book value of total fixed assets was primarily due to capital expenditure in the quarter, the implementation of IAS 39, currency effects and results from associated companies, partially offset by amortization and depreciation of intangible and tangible fixed assets and reduced deferred tax assets.

Increased current assets was primarily due to the implementation of IAS 39 and an increase of liquid assets. The increase was partially offset by a reduction of shares due to the sale of the shares in Intelsat Ltd. and Q-Free ASA, and a reduction in prepaid expenses and accrued revenues.

Gross interest-bearing liabilities increased in the quarter due to currency effects and the implementation of IAS 39. The increase was partially offset by the repayment of interest-bearing liabilities by NOK 0.7 billion in the quarter.

Net interest-bearing liabilities decreased by NOK 3.3 billion in the quarter to NOK 15.9 billion as of 31 March 2005. The decrease was primarily due to net cash flow from operating activities exceeding the payment for investing activities. In accordance with the contractual agreements, the reported capital expenditure of NOK 1 billion for the mobile network in Pakistan was not paid in the quarter. Further, NOK 0.8 billion was received from the sale of shares.

During the first quarter of 2005, Telenor purchased own shares in the market for NOK 329 million. If the Annual General Meeting of Telenor's shareholders in May 2005 approves to redeem shares owned by the Kingdom of Norway corresponding to Telenor's repurchase of own shares in the market in the second and the third quarter of 2004 and first quarter of 2005, in such a way that the Kingdom of Norway's ownership interest remains unchanged, shareholders equity will be reduced by an additional NOK 1.2 billion at the time of the Annual General Meeting.

**DISPUTES**

The liquidators of Enitel AS initiated in December 2003 legal proceedings against Telenor. The District Court judged in favour of Telenor, and in April 2005 the liquidators of Enitel AS and Telenor entered into an out of court settlement, which resulted in a positive effect on Telenor's net income for the first quarter of 2005.

You should read Telenor's annual report on Form 20-F for more information about legal disputes.

**US GAAP**

Telenor had a net income in accordance with General Accepted Accounting Principles in the United States (US GAAP) of NOK 1,625 million in the first quarter of 2005 compared to net income in accordance with IFRS of NOK 1,710 million.

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OUTLOOK FOR 2005

In general, Telenor maintains its outlook for 2005 as presented in Telenor's report for the fourth quarter of 2004.

A continued high growth in revenue and EBITDA is expected for the total mobile operations in 2005.

In Fixed Norway, revenue and EBITDA is expected to decrease. The strong growth in the number of ADSL subscriptions is expected to continue. The related expected increased revenue from ADSL, in addition to expected increased revenues from wholesale, is not expected to fully offset decreased revenues from PSTN/ISDN.

Further cost reductions, in particular within Fixed, will be implemented.

In Broadcast and other units, we expect EBITDA to improve in 2005 compared to 2004.

High capital expenditure is expected for 2005, in which capital expenditure in proportion to revenues is expected to be in line with or slightly exceed 2004 levels.

A continuously increasing share of Telenor's revenues and profits come from operations outside Norway. Currency fluctuations will to an increasing extent influence the reported figures in Norwegian Krone. Political risk, including regulatory conditions, might also influence the profits.

Telenor expects that profits, adjusted for special items, overall will grow in 2005 compared to 2004.

*The accounts submitted with the report have not been audited. This report contains statements regarding the future in connection with Telenor's growth initiatives, profit figures, outlook, strategies and objectives. In particular, the section Outlook for 2005 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. These factors include the risk factors relating to Telenor's activities described in Telenor's Annual Report 2004 on Form 20-F filed with the Securities and Exchange Commission in the USA under the headings Cautionary Statement Regarding Forward-Looking Statements and Risk Factors (available at [www.telenor.com/ir/](http://www.telenor.com/ir/)).*

Oslo, 26 April 2005

The Board of Directors of Telenor ASA.

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**Table of Contents****Profit and loss statement  
Telenor Group**

| (NOK in millions except net income per share)                    | <b>1st quarter<br/>2005</b> | <b>2004</b>  | <b>Year<br/>2004</b> |
|--|-----------------------------|--------------|----------------------|
| Revenues   | 15,270                      | 14,245       | 60,701               |
| Costs of materials and traffic charges                           | 3,996                       | 3,625        | 16,050               |
| Own work capitalized   | (122)                       | (124)        | (557)                |
| Salaries and personnel costs                                     | 2,536                       | 2,514        | 9,970                |
| Other operating expenses   | 3,775                       | 3,162        | 13,871               |
| Other income and expenses  | (21)                        | 20           | 410                  |
| Depreciation and amortization                                    | 2,704                       | 2,508        | 10,637               |
| Write-downs  | (23)                        | 3            | 3,531                |
| <b>Operating profit</b>  | <b>2,425</b>                | <b>2,537</b> | <b>6,789</b>         |
| <b>Associated companies</b>                                      | <b>239</b>                  | <b>225</b>   | <b>986</b>           |
| Net financial items  | 151                         | 2,271        | 1,521                |
| <b>Profit before taxes and minority interests</b>                | <b>2,815</b>                | <b>5,033</b> | <b>9,296</b>         |
| Taxes  | (845)                       | (1,610)      | (2,299)              |
| <b>Profit before minority interests</b>                          | <b>1,970</b>                | <b>3,423</b> | <b>6,997</b>         |
| Minority interests   | (260)                       | (292)        | (1,320)              |
| <b>Net income</b>  | <b>1,710</b>                | <b>3,131</b> | <b>5,677</b>         |
| Net income per share in NOK (basic), excluding treasury shares   | 0.99                        | 1.77         | 3.25                 |
| Net income per share in NOK (diluted), excluding treasury shares | 0.99                        | 1.77         | 3.24                 |
| <b>US GAAP</b>   |                             |              |                      |
| Net income   | 1,625                       | 2,991        | 5,639                |
| Net income per share in NOK (basic), excluding treasury shares   | 0.94                        | 1.69         | 3.22                 |
| Net income per share in NOK (diluted), excluding treasury shares | 0.94                        | 1.69         | 3.22                 |

**Table of Contents****BALANCE SHEET  
Telenor Group**

| (NOK in millions)                           | <b>31.03.2005</b> | <b>31.03.2004</b> | <b>31.12.2004</b> |
|---|-------------------|-------------------|-------------------|
| Deferred tax assets                         | 2,893             | 3,110             | 3,520             |
| Goodwill                                    | 13,378            | 16,080            | 13,355            |
| Intangible assets                           | 10,809            | 9,223             | 11,076            |
| Tangible assets                             | 38,952            | 37,811            | 37,543            |
| Associated companies                        | 6,980             | 6,716             | 6,602             |
| Other financial assets                      | 2,501             | 2,553             | 1,250             |
| <b>Total fixed assets</b>                   | <b>75,513</b>     | <b>75,493</b>     | <b>73,346</b>     |
| Accounts receivable                         | 6,078             | 6,181             | 6,104             |
| Other current assets                        | 7,050             | 5,986             | 6,713             |
| Liquid assets                               | 8,187             | 8,858             | 5,398             |
| <b>Total current assets</b>                 | <b>21,315</b>     | <b>21,025</b>     | <b>18,215</b>     |
| <b>Total assets</b>                         | <b>96,828</b>     | <b>96,518</b>     | <b>91,561</b>     |
| Minority interests                          | 4,289             | 3,757             | 3,946             |
| Shareholders equity                         | 41,212            | 41,375            | 39,693            |
| <b>Total equity and minority interests</b>  | <b>45,501</b>     | <b>45,132</b>     | <b>43,639</b>     |
| Pension obligations                         | 2,458             | 2,338             | 2,313             |
| Deferred tax liabilities                    | 2,132             | 1,814             | 2,292             |
| Other provisions                            | 865               | 886               | 891               |
| <b>Provisions</b>                           | <b>5,455</b>      | <b>5,038</b>      | <b>5,496</b>      |
| Long-term interest-bearing liabilities      | 21,492            | 26,790            | 20,602            |
| Long-term non-interest-bearing liabilities  | 572               | 753               | 573               |
| <b>Total long-term liabilities</b>          | <b>22,064</b>     | <b>27,543</b>     | <b>21,175</b>     |
| Short-term interest-bearing liabilities     | 3,681             | 1,365             | 3,991             |
| Accounts payable                            | 4900              | 3537              | 3,806             |
| Short-term non-interest-bearing liabilities | 15,227            | 13,903            | 13,454            |
| <b>Total short-term liabilities</b>         | <b>23,808</b>     | <b>18,805</b>     | <b>21,251</b>     |

|                                     |               |               |               |
|-------------------------------------|---------------|---------------|---------------|
| <b>Total equity and liabilities</b> | <b>96,828</b> | <b>96,518</b> | <b>91,561</b> |
| <b>USGAAP</b>                       |               |               |               |
| Shareholders equity                 | 43,930        | 43,270        | 42,430        |

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**Table of Contents****Consolidated statement of changes in equity**

| (NOK in millions)   | Attributable to equity holders of the parent |                |                   |                                    | Total         | Minority interest | Total equity  |
|---|--|----------------|-------------------|------------------------------------|---------------|-------------------|---------------|
|   | Total paid capital                           | Other reserves | Retained earnings | Cumulative translation differences |               |                   |               |
| <b>Balance as of 1 January 2004 - Restated according to IFRS</b>        | <b>29,311</b>                                | <b>(732)</b>   | <b>9,071</b>      |                                    | <b>37,650</b> | <b>3,420</b>      | <b>41,070</b> |
| Translation differences   |  |                |                   | (768)                              | (768)         | (419)             | (1,187)       |
| Business combinations and increased ownership interests in subsidiaries |  | 618            |                   |                                    | 618           |                   | 618           |
| Equity adjustments in associated companies                              |  | 62             |                   |                                    | 62            |                   | 62            |
| Tax on items taken directly to or transferred from equity               |  |                |                   | 163                                | 163           |                   | 163           |
| <b>Net income recognised directly in equity</b>                         |  | <b>680</b>     |                   | <b>(605)</b>                       | <b>75</b>     | <b>(419)</b>      | <b>(344)</b>  |
| Profit for the year 2004  |  |                | 5,677             |                                    | 5,677         | 1,320             | 6,997         |
| <b>Total recognised income and expense for the period</b>               |  | <b>680</b>     | <b>5,677</b>      | <b>(605)</b>                       | <b>5,752</b>  | <b>901</b>        | <b>6,653</b>  |
| Dividends   |  |                | (1,764)           |                                    | (1,764)       | (373)             | (2,137)       |
| Share buy back  | (2,020)                                      |                |                   |                                    | (2,020)       |                   | (2,020)       |
| Sale of shares, share issue, and share options to employees             | 59   | 16             |                   |                                    | 75            | 3                 | 78            |
| Transactions with shareholders in subsidiaries                          |  |                |                   |                                    |               | (5)               | (5)           |
| <b>Equity as of 31 December 2004</b>                                    | <b>27,350</b>                                | <b>(36)</b>    | <b>12,984</b>     | <b>(605)</b>                       | <b>39,693</b> | <b>3,946</b>      | <b>43,639</b> |
| Total Changes in accounting policy (IAS 39)                             |  | 366            | (208)             |                                    | 158           | 8                 | 166           |
| <b>Adjusted equity as of 1 January 2005</b>                             | <b>27,350</b>                                | <b>330</b>     | <b>12,776</b>     | <b>(605)</b>                       | <b>39,851</b> | <b>3,954</b>      | <b>43,805</b> |
| Translation differences Available-for-sale investments:                 |  |                |                   | 197                                | 197           | 106               | 303           |
|   |  | 17             |                   |                                    | 17            |                   | 17            |

|   |               |              |               |              |               |              |               |
|---|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| Valuation gains/(losses) taken to equity                    |               |              |               |              |               |              |               |
| Transferred to profit or loss on sale                       |               | (342)        |               |              | (342)         | (8)          | (350)         |
| Cash flow hedges:   |               |              |               |              |               |              |               |
| Transferred to profit or loss for the period                |               | (13)         |               |              | (13)          |              | (13)          |
| Tax on items taken directly to or transferred from equity   |               | 97           |               |              | 97            |              | 97            |
| <b>Net income recognised directly in equity</b>             |               | <b>(241)</b> |               | <b>197</b>   | <b>(44)</b>   | <b>98</b>    | <b>54</b>     |
| Profit for the period                                       |               |              | 1,710         |              | 1,710         | 260          | 1,970         |
| <b>Total recognised income and expense for the period</b>   | <b>27,350</b> | <b>89</b>    | <b>14,486</b> | <b>(408)</b> | <b>41,517</b> | <b>4,312</b> | <b>45,829</b> |
| Dividends   |               |              |               |              |               | (25)         | (25)          |
| Share buy back  | (329)         |              |               |              | (329)         |              | (329)         |
| Sale of shares, share issue, and share options to employees | 22            | 2            |               |              | 24            | 1            | 25            |
| Transactions with shareholders in subsidiaries              |               |              |               |              |               | 1            | 1             |
| <b>Balance as of 31 March 2005</b>                          | <b>27,043</b> | <b>91</b>    | <b>14,486</b> | <b>(408)</b> | <b>41,212</b> | <b>4,289</b> | <b>45,501</b> |

#### Attributable to equity holders of the parent

| (NOK in millions)   | Total paid capital | Other reserves | Retained earnings | Cumulative              |               | Minority interest | Total equity  |
|---|--------------------|----------------|-------------------|-------------------------|---------------|-------------------|---------------|
|   |                    |                |                   | translation differences | Total         |                   |               |
| <b>Balance as of 1 January 2004 - Restated according to IFRS</b>        | <b>29,311</b>      | <b>(732)</b>   | <b>9,071</b>      |                         | <b>37,650</b> | <b>3,420</b>      | <b>41,070</b> |
| Translation differences   |                    |                |                   | 567                     | 567           | 86                | 653           |
| Business combinations and increased ownership interests in subsidiaries |                    | 622            |                   |                         | 622           |                   | 622           |
| <b>Net income recognised directly in equity</b>                         |                    | <b>622</b>     |                   | <b>567</b>              | <b>1,189</b>  | <b>86</b>         | <b>1,275</b>  |
| Profit for the period   |                    |                | 3,131             |                         | 3,131         | 292               | 3,423         |
| <b>Total recognised income and expense for the period</b>               |                    | <b>622</b>     | <b>3,131</b>      | <b>567</b>              | <b>4,320</b>  | <b>378</b>        | <b>4,698</b>  |
| Share buy back  | (620)              |                |                   |                         | (620)         |                   | (620)         |

|   |               |              |               |            |               |              |               |
|---|---------------|--------------|---------------|------------|---------------|--------------|---------------|
| Sale of shares, share issue,<br>and share options to<br>employees | 21            | 4            |               |            | 25            |              | 25            |
| Transactions with<br>shareholders in subsidiaries                 |               |              |               |            |               | (41)         | (41)          |
| <b>Balance as of 31<br/>March 2004</b>                            | <b>28,712</b> | <b>(106)</b> | <b>12,202</b> | <b>567</b> | <b>41,375</b> | <b>3,757</b> | <b>45,132</b> |

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**Table of Contents****CASH FLOW STATEMENT****Telenor group**

| (NOK in millions)   | <b>1st quarter</b> |                | <b>Year</b>     |
|---|--------------------|----------------|-----------------|
|   | <b>2005</b>        | <b>2004</b>    | <b>2004</b>     |
| Profit before taxes and minority interests  | 2,815              | 5,033          | 9,296           |
| Taxes paid  | (231)              | (168)          | (1,516)         |
| Net (gains) losses including write-downs of financial items                           | (440)              | (2,618)        | (3,161)         |
| Depreciation, amortization and write-downs  | 2,681              | 2,511          | 14,168          |
| Associated companies  | (239)              | (225)          | (986)           |
| Difference between expensed and paid pensions   | 169                | 113            | 267             |
| Currency (gains) losses not relating to operating activities                          | 25                 | 35             | 57              |
| Change in other accruals  | 427                | (246)          | 866             |
| <b>Net cash flow from operating activities</b>  | <b>5,207</b>       | <b>4,435</b>   | <b>18,991</b>   |
| Payments on purchase of tangible and intangible assets                                | (2,271)            | (1,551)        | (11,613)        |
| Payments on purchase of subsidiaries and associated companies, net of cash received   | (3)                | (4,424)        | (6,281)         |
| Proceeds from sale of tangible and intangible assets and businesses, net of cash paid | 59                 | 211            | 1,112           |
| Proceeds from sale of and payments for other investments                              | 768                | 3,077          | 3,751           |
| <b>Net cash flow from investment activities</b>                                       | <b>(1,447)</b>     | <b>(2,687)</b> | <b>(13,031)</b> |
| Proceeds from and payments of interest-bearing liabilities                            | (686)              | (277)          | (4,311)         |
| Issuance of shares and repayment of equity  | 22                 | 7              | 33              |
| Share buy back  | (329)              | (620)          | (2,020)         |
| Dividends paid to minority interests  | (25)               |                | (193)           |
| Dividends paid to Telenor's shareholders  |                    |                | (1,764)         |
| <b>Net cash flow from financing activities</b>  | <b>(1,018)</b>     | <b>(890)</b>   | <b>(8,255)</b>  |
| Effect on cash and cash equivalents of changes in foreign exchange rates              | 47                 | 75             | (268)           |
| <b>Net change in cash and cash equivalents</b>  | <b>2,789</b>       | <b>933</b>     | <b>(2,563)</b>  |
| Cash and cash equivalents at the beginning of the period                              | 5,081              | 7,644          | 7,644           |
| <b>Cash and cash equivalents at the end of the period</b>                             | <b>7,870</b>       | <b>8,577</b>   | <b>5,081</b>    |

**Table of Contents****ANALYTICAL INFORMATION**

|   | Q1     | 2003<br>Q2 | Q3     | Q4     | 2004<br>Q1 | Q2     | Q3     | 2005<br>Q4 | Q4     |
|---|--------|------------|--------|--------|------------|--------|--------|------------|--------|
| Revenues (NOK in millions)  | 12,606 | 13,223     | 13,491 | 13,801 | 14,245     | 15,226 | 15,608 | 15,622     | 15,270 |
| EBITDA (NOK in millions)  | 5,016  | 5,681      | 5,605  | 4,519  | 5,048      | 5,699  | 5,654  | 4,556      | 5,106  |
| Operating profit (loss) (NOK in millions)   | 1,475  | 1,612      | 2,300  | 2,173  | 2,537      | 2,990  | 2,895  | (1,633)    | 2,425  |
| Profit (loss) before taxes and minority interests (NOK in millions)               | 1,047  | 2,490      | 2,005  | 1,884  | 5,033      | 2,983  | 2,988  | (1,708)    | 2,815  |
| Equity ratio including minority interests (%)                                     | 42.6   | 45.5       | 48.0   | 47.0   | 46.8       | 46.3   | 48.8   | 47.7       | 47.0   |
| Net interest-bearing liabilities (NOK in millions)                                | 26,139 | 25,317     | 21,584 | 17,817 | 19,297     | 21,973 | 20,596 | 19,195     | 15,933 |
| Net interest-bearing liabilities/EBITDA excluding gains and losses last 12 months | 1.8    | 1.6        | 1.3    | 1.0    | 1.0        | 1.1    | 1.0    | 0.9        | 0.8    |
| Capex (NOK in millions)   | 1,230  | 1,314      | 1,460  | 2,450  | 1,471      | 4,012  | 3,140  | 4,122      | 3,360  |
| Investments in businesses (NOK in millions)                                       | 23     | 268        | 9      | 263    | 3,749      | 294    | 644    | 1,122      | 50     |
| No. of man-years  | 21,200 | 21,150     | 20,300 | 19,450 | 20,600     | 20,200 | 20,700 | 20,900     | 21,900 |
| - of which abroad   | 8,700  | 8,700      | 8,100  | 7,450  | 8,650      | 8,750  | 9,450  | 9,500      | 10,600 |

**MOBILE OPERATIONS**  
**Telenor Mobil - Norway**

|  |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| No. of mobile subscriptions (NMT + GSM) (in thousands)                   | 2,342 | 2,330 | 2,364 | 2,364 | 2,378 | 2,451 | 2,562 | 2,645 | 2,635 |
| No. of GSM subscriptions (in thousands)                                  | 2,294 | 2,285 | 2,324 | 2,327 | 2,346 | 2,422 | 2,536 | 2,623 | 2,635 |
| - of which prepaid (in thousands)  | 1,093 | 1,091 | 1,120 | 1,099 | 1,091 | 1,118 | 1,178 | 1,228 | 1,218 |
| Average traffic minutes per subscription per month (AMPU) in the quarter | 168   | 179   | 182   | 176   | 179   | 187   | 187   | 182   | 175   |

|  |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Average revenue per subscription per month (ARPU) in the quarter         | 317   | 330   | 335   | 310   | 315   | 332   | 328   | 318   | 297   |
| - of which contract  | 459   | 476   | 489   | 452   | 464   | 491   | 499   | 491   | 453   |
| - of which prepaid   | 158   | 166   | 167   | 155   | 147   | 146   | 129   | 119   | 117   |
| No. of SMS/MMS and content messages (in millions)                        | 566   | 594   | 619   | 630   | 611   | 656   | 726   | 792   | 818   |
| <b>Sonofon - Denmark</b>   |       |       |       |       |       |       |       |       |       |
| No. of mobile subscriptions (in thousands)                               |       |       |       |       | 987   | 1,203 | 1,253 | 1,275 | 1,232 |
| - of which prepaid (in thousands)  |       |       |       |       | 250   | 451   | 485   | 462   | 413   |
| Average traffic minutes per subscription per month (AMPU) in the quarter |       |       |       |       | 147   | 157   | 139   | 151   | 153   |
| Average revenue per subscription per month (ARPU) in the quarter         |       |       |       |       | 250   | 233   | 219   | 207   | 217   |
| - of which contract  |       |       |       |       | 287   | 291   | 281   | 267   | 267   |
| - of which prepaid   |       |       |       |       | 135   | 111   | 120   | 111   | 126   |
| No. of SMS/MMS and content messages (in millions)                        |       |       |       |       | 479   | 545   | 588   | 687   | 722   |
| <b>Telenor Mobile Sweden</b>   |       |       |       |       |       |       |       |       |       |
| No. of mobile subscriptions (in thousands)                               | 52    | 59    | 65    | 81    | 84    | 92    | 96    | 105   | 107   |
| - of which prepaid (in thousands)  | 26    | 23    | 28    | 44    | 48    | 55    | 56    | 57    | 56    |
| Average traffic minutes per subscription per month (AMPU) in the quarter | 28    | 38    | 49    | 69    | 73    | 96    | 104   | 108   | 113   |
| Average revenue per subscription per month (ARPU) in the quarter         | 120   | 155   | 172   | 175   | 169   | 181   | 182   | 169   | 164   |
| - of which contract  | 195   | 239   | 252   | 248   | 252   | 262   | 265   | 241   | 215   |
| - of which prepaid   | 45    | 49    | 56    | 103   | 106   | 122   | 125   | 117   | 121   |
| <b>Pannon - Hungary</b>  |       |       |       |       |       |       |       |       |       |
| No. of mobile subscriptions (in thousands)                               | 2,514 | 2,514 | 2,564 | 2,618 | 2,596 | 2,588 | 2,595 | 2,770 | 2,792 |
| - of which prepaid (in thousands)  | 1,989 | 1,981 | 2,019 | 2,023 | 1,977 | 1,935 | 1,886 | 1,991 | 1,955 |
| Average traffic minutes per subscription per month                       | 104   | 110   | 113   | 116   | 111   | 121   | 127   | 131   | 125   |

|  |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| (AMPU) in the quarter  |       |       |       |       |       |       |       |       |       |
| Average revenue per subscription per month (ARPU) in the quarter         | 151   | 161   | 165   | 170   | 165   | 170   | 184   | 171   | 157   |
| - of which contract  | 388   | 414   | 416   | 412   | 399   | 389   | 400   | 356   | 327   |
| - of which prepaid   | 86    | 92    | 97    | 99    | 92    | 96    | 103   | 96    | 84    |
| <b>DiGi.Com - Malaysia</b>   |       |       |       |       |       |       |       |       |       |
| No. of mobile subscriptions (100% in thousands)                          | 1,802 | 1,944 | 2,053 | 2,205 | 2,413 | 2,583 | 2,804 | 3,239 | 3,461 |
| - of which prepaid (100% in thousands)                                   | 1,709 | 1,850 | 1,953 | 2,101 | 2,301 | 2,453 | 2,653 | 3,067 | 3,259 |
| Average traffic minutes per subscription per month (AMPU) in the quarter | 174   | 173   | 177   | 175   | 167   | 164   | 170   | 165   | 163   |
| Average revenue per subscription per month (ARPU) in the quarter         | 121   | 110   | 115   | 115   | 113   | 107   | 110   | 98    | 92    |
| - of which contract  | 294   | 309   | 326   | 318   | 312   | 312   | 297   | 238   | 233   |
| - of which prepaid   | 111   | 99    | 105   | 105   | 104   | 97    | 100   | 90    | 84    |
| <b>Kyivstar - Ukraine</b>  |       |       |       |       |       |       |       |       |       |
| No. of mobile subscriptions (100% in thousands)                          | 2,012 | 2,205 | 2,512 | 3,037 | 3,221 | 3,610 | 4,856 | 6,252 | 7,662 |
| - of which prepaid (100% in thousands)                                   | 1,614 | 1,768 | 2,037 | 2,503 | 2,675 | 3,031 | 4,211 | 5,532 | 6,892 |
| Average traffic minutes per subscription per month (AMPU) in the quarter | 42    | 51    | 57    | 72    | 68    | 74    | 95    | 95    | 91    |
| Average revenue per subscription per month (ARPU) in the quarter         | 77    | 87    | 98    | 93    | 84    | 93    | 95    | 68    | 53    |
| - of which contract  | 168   | 176   | 203   | 200   | 191   | 213   | 223   | 184   | 165   |
| - of which prepaid   | 55    | 65    | 73    | 70    | 62    | 69    | 72    | 52    | 40    |
| <b>GrameenPhone - Bangladesh</b>   |       |       |       |       |       |       |       |       |       |
| No. of mobile subscriptions (100% in thousands)                          | 835   | 928   | 1,047 | 1,141 | 1,520 | 1,795 | 2,024 | 2,388 | 2,928 |
| - of which prepaid (100% in thousands)                                   | 631   | 725   | 820   | 899   | 1,258 | 1,501 | 1,730 | 2,092 | 2,625 |
| Average traffic minutes per subscription per month (AMPU) in the quarter | 221   | 225   | 233   | 230   | 239   | 246   | 249   | 241   | 237   |
| Average revenue per subscription per month (ARPU) in the quarter         | 133   | 132   | 141   | 128   | 120   | 106   | 103   | 87    | 81    |
| - of which contract  | 274   | 282   | 332   | 319   | 331   | 287   | 302   | 257   | 288   |

|  |        |        |        |        |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| - of which prepaid   | 86     | 87     | 88     | 76     | 71     | 69     | 67     | 60     | 36     |
| <b>Telenor Pakistan</b>  |        |        |        |        |        |        |        |        |        |
| No. of mobile subscriptions (in thousands)                               |        |        |        |        |        |        |        |        | 344    |
| <b>ProMonte GSM - Montenegro</b>   |        |        |        |        |        |        |        |        |        |
| No. of mobile subscriptions (in thousands)                               |        |        |        |        |        |        | 340    | 279    | 279    |
| - of which prepaid (in thousands)  |        |        |        |        |        |        | 297    | 234    | 235    |
| Average traffic minutes per subscription per month (AMPU) in the quarter |        |        |        |        |        |        | 113    | 87     | 91     |
| Average revenue per subscription per month (ARPU) in the quarter         |        |        |        |        |        |        | 139    | 107    | 115    |
| - of which contract  |        |        |        |        |        |        | 309    | 284    | 288    |
| - of which prepaid   |        |        |        |        |        |        | 111    | 79     | 82     |
| <b>Associated companies</b>  |        |        |        |        |        |        |        |        |        |
| No. of mobile subscriptions (100% in thousands)                          | 17,158 | 15,105 | 17,035 | 19,478 | 21,028 | 24,594 | 28,662 | 33,763 | 38,645 |
| <b>FIXED - Norway</b>  |        |        |        |        |        |        |        |        |        |
| <b>Retail market</b>   |        |        |        |        |        |        |        |        |        |
| No. of PSTN subscriptions (in thousands)                                 | 1,449  | 1,427  | 1,381  | 1,308  | 1,248  | 1,219  | 1,196  | 1,182  | 1,165  |
| No. of ISDN subscriptions (lines in thousands)                           | 1,816  | 1,800  | 1,755  | 1,682  | 1,600  | 1,548  | 1,498  | 1,449  | 1,394  |
| PSTN/ISDN generated traffic (mill. minutes)                              | 4,268  | 3,876  | 3,454  | 3,787  | 3,725  | 3,279  | 2,851  | 3,171  | 2,848  |
| Market share of PSTN/ISDN generated traffic (%)                          | 68     | 68     | 68     | 68     | 67     | 68     | 67     | 67     | 67     |
| No. of Online subscriptions residential market (in thousands)            | 315    | 304    | 301    | 294    | 286    | 276    | 263    | 241    | 215    |
| No. of ADSL subscriptions residential market (in thousands)              | 114    | 124    | 139    | 163    | 191    | 214    | 245    | 286    | 339    |
| No. of ADSL subscriptions business market Norway (in thousands)          | 7      | 10     | 11     | 14     | 17     | 21     | 25     | 40     | 46     |



**Wholesale market**

|  |    |    |    |     |     |     |     |     |     |
|--|----|----|----|-----|-----|-----|-----|-----|-----|
| No. of PSTN subscriptions (in thousands)       | 11 | 12 | 42 | 104 | 151 | 170 | 180 | 188 | 192 |
| No. of ISDN subscriptions (lines in thousands) | 14 | 17 | 52 | 126 | 188 | 215 | 234 | 250 | 256 |
| No. of ADSL subscriptions (in thousands)       | 21 | 31 | 41 | 56  | 76  | 86  | 90  | 91  | 96  |
| No. of LLUB (in thousands)                     | 53 | 59 | 68 | 80  | 96  | 108 | 123 | 145 | 172 |

**BROADCAST**

|  |       |       |       |       |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| No. of television subscribers in the Nordic region       |       |       |       |       |       |       |       |       |       |
| - Subscribers with satellite dish (in thousands)         | 713   | 708   | 726   | 763   | 778   | 782   | 800   | 824   | 851   |
| - Cable TV subscribers (in thousands)                    | 575   | 590   | 594   | 604   | 605   | 611   | 614   | 624   | 616   |
| - Households in small antenna TV-networks (in thousands) | 1,130 | 1,049 | 1,100 | 1,098 | 1,132 | 1,161 | 1,190 | 1,212 | 1,197 |
|  | 24    | 26    | 28    | 31    | 34    | 35    | 38    | 44    | 48    |

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**Table of Contents****THE OPERATIONS FIRST QUARTER**

| OK in millions)    | Total         |               | of which      |               | EBITDA       |              | Operating profit |              | Associated companies |            | Net financial items |              | Profit (loss) before taxes and minority interests |              |
|--------------------|---------------|---------------|---------------|---------------|--------------|--------------|------------------|--------------|----------------------|------------|---------------------|--------------|---|--------------|
|                    | 2005          | 2004          | 2005          | 2004          | 2005         | 2004         | 2005             | 2004         | 2005                 | 2004       | 2005                | 2004         | 2005  | 2004         |
|                    | revenues      | revenues      | external      | external      |              |              | (loss)           | (loss)       |                      |            |                     |              |   |              |
| Telenor Mobil      |               |               |               |               |              |              |                  |              |                      |            |                     |              |   |              |
| Norway             | 2,838         | 2,804         | 2,560         | 2,493         | 1,001        | 1,002        | 790              | 763          | 1                    | 1          | 18                  | 12           | 809   | 770          |
| Telefon Denmark    | 1,193         | 670           | 1,173         | 666           | 253          | 167          | (100)            | (22)         |                      |            | (42)                | (25)         | (142)   | (47)         |
| Ukrainstar Ukraine | 1,163         | 825           | 1,162         | 825           | 632          | 505          | 401              | 380          |                      |            | (95)                | (35)         | 306   | 343          |
| Non GSM            |               |               |               |               |              |              |                  |              |                      |            |                     |              |   |              |
| Hungary            | 1,415         | 1,401         | 1,413         | 1,400         | 517          | 556          | 201              | 225          |                      |            | 19                  | (3)          | 220   | 222          |
| Gi.Com             |               |               |               |               |              |              |                  |              |                      |            |                     |              |   |              |
| Malaysia           | 1,034         | 936           | 1,033         | 935           | 451          | 426          | 193              | 197          |                      |            | (28)                | (28)         | 165   | 169          |
| ameenPhone         |               |               |               |               |              |              |                  |              |                      |            |                     |              |   |              |
| Bangladesh         | 640           | 489           | 640           | 489           | 329          | 283          | 252              | 249          |                      |            | (7)                 | 5            | 245   | 254          |
| Other mobile       |               |               |               |               |              |              |                  |              |                      |            |                     |              |   |              |
| Operations         | 168           | 46            | 140           | 32            | (88)         | (25)         | (145)            | (33)         | 259                  | 224        | 14                  | (7)          | 128   | 184          |
| Fixed              | 4,571         | 4,923         | 4,110         | 4,491         | 1,408        | 1,632        | 647              | 678          | 10                   | 18         | (108)               | (171)        | 549   | 523          |
| Broadcast          | 1,390         | 1,306         | 1,362         | 1,271         | 380          | 349          | 236              | 162          | 12                   | 18         | 303                 | (138)        | 551   | 421          |
| Other activities   | 2,467         | 2,370         | 1,679         | 1,636         | 242          | 181          | (8)              | (54)         | (43)                 | (33)       | 119                 | 2,907        | 68  | 2,820        |
| Eliminations       | (1,609)       | (1,525)       | (2)           | 7             | (19)         | (28)         | (42)             | (8)          |                      | (3)        | (42)                | (246)        | (84)  | (251)        |
| <b>Total</b>       | <b>15,270</b> | <b>14,245</b> | <b>15,270</b> | <b>14,245</b> | <b>5,106</b> | <b>5,048</b> | <b>2,425</b>     | <b>2,537</b> | <b>239</b>           | <b>225</b> | <b>151</b>          | <b>2,271</b> | <b>2,815</b>                                      | <b>5,033</b> |

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**DEFINITIONS**

From the first quarter of 2005 the definition of some key figures for the mobile operations has been revised to be more in line with the general practises in the mobile business. The revenue specifications and definitions have been revised accordingly. The objective behind these changes is to give a more transparent presentation of the financial figures and related key figures.

In addition, from the first quarter of 2005, the revenue specification in Fixed Norway have been revised in order to give a clearer presentation.

The comparable figures for 2004 have been revised accordingly, for mobile operations also for 2003. Please see the current definitions below.

**MOBILE OPERATIONS**

**Revenues**

**Subscription and traffic**

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

**Interconnection revenues**

consist of revenues from incoming traffic. Revenues from incoming traffic related to service provider subscriptions are not included.

**Other mobile revenues**

consist of inbound roaming, national roaming and revenues related to service providers and MVNOs (Mobile Virtual Network Operators).

**Non-mobile revenues**

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

**Key Figures**

**Subscriptions**

Contract subscriptions are counted until the subscription is terminated. 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.

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Data only SIM-cards are included, but SIM-cards used for telemetric applications are excluded. Telemetric is defined as machine-to-machine SIM-cards (M2M), for example, vending machines and meter readings. Data only SIM-cards are included, but SIM-cards used for telemetric applications are excluded. Telemetric is defined as machine-to-machine SIM-cards (M2M), for example, vending machines and meter readings.

### **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. 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.

Mobile revenues company's subscriptions consist of Subscription and traffic and Interconnection revenues 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.

### **SMS/MMS and content messages**

The number of messages is based on outgoing and incoming messages from the company's own subscriptions. Included are rated and free messages related to SMS, MMS and content domestically and when roaming. Outgoing and incoming messages related to inbound roaming, national roaming, service providers and MVNOs are not included.

### **FIXED NORWAY**

#### **Revenues**

##### **Telephony (PSTN/ISDN)**

consist of subscription and connection fee, traffic (fixed-fixed, to mobile network, to other countries, VAS, other) and IP.

##### **ADSL/Internet**

consist of subscription fee for ADSL and Internet and traffic charges for Internet traffic (810/815).

##### **Data services**

consist of Nordicom, Frame relay and IP-VPN.

##### **Other revenues**

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



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**Wholesale revenues**

consist of sale to service providers of telephony (PSTN/ISDN) and ADSL, national and international interconnect, transit traffic, leased lines and other wholesale and service provider revenues.

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**IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

Regulations of the European Union (EU) require that publicly listed companies within the EU prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) by 2005. Due to the European Economic Area (EEA) agreement, Norwegian listed companies will also be required to follow IFRS. Telenor's first IFRS financial statements will be for the year ending 31 December 2005 and will include the comparative period for 2004. Starting in the first quarter of 2005, Telenor will provide unaudited financial information in accordance with IFRS including comparable figures for 2004.

Telenor has made an evaluation of the differences between Telenor's accounting principles according to Norwegian Generally Accepted Accounting Principles (N GAAP) and IFRS principles based on management's current understanding of these standards. There is inherent uncertainty around the interpretation and implementation of IFRS. Accordingly, new pronouncements and interpretations may be issued during 2005 which could affect the final IFRS figures for 2004 and the interim figures for 2005. Consequently, changes in the company's understanding of IFRS may result in revisions or other differences than those identified below. The figures are not audited. Audited figures will be reported in the financial statements for the year ended 31 December 2005.

The accounting principles according to N GAAP are found in the annual report for 2004. The main changes in accounting principles when preparing Telenor's financial statements according to IFRS are found below.

**Transitional effects for Telenor**

In general, IFRS 1 First-Time Adoption of International Financial Reporting Standards provides that accounting policies applied in the comparative period of 2004 must be consistent with IFRS standards effective at the reporting date for its first IFRS financial statements, which is 31 December 2005 for Telenor. However, there are certain voluntary and mandatory exemptions in IFRS 1 of which the most important to Telenor are:

- a) **Business combinations:** Business combinations prior to 1 January 2004 will not be restated in accordance with IFRS and the basis as determined for N GAAP will be carried forward. Telenor follow IFRS for business combinations subsequent to 1 January 2004. On 12 February 2004, the remaining 46.5% shares of the associated company, Sonofon, were acquired increasing Telenor's ownership interest to 100%. The purchase is restated and the assets and liabilities assumed are recognized at fair value as of 12 February 2004 (the date of consolidation) according to IFRS. For N GAAP, only 46.5% of the fair values were recognized at the date of consolidation and the carrying values for the original investment in Sonofon were carried forward. The purchase price allocation according to IFRS increased net excess values and therefore increased the group's equity at the time of consolidation compared with N GAAP. Due to a different depreciation and amortization profile of the identified assets under IFRS, the depreciation and amortization expense is reduced. At year-end 2004, an impairment was necessary for Sonofon and the resulting write-down of goodwill according to IFRS was higher than that according to N GAAP due to a higher equity value according to IFRS.
  - b) **Employee benefits:** Telenor has elected to recognize all cumulative actuarial gains and losses on pension obligations at the date of transition to IFRS. This decreased Telenor's equity as of 1 January 2004, and decreased pensions expenses for 2004 compared to N GAAP. Telenor use the corridor
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approach for actuarial gains and losses subsequent to 1 January 2004 under IFRS. The cumulative actuarial losses as of 1 January 2004 for IFRS was higher than those according to N GAAP. This is primarily due to the use of a lower discount rate for IFRS which increased the pension obligations and due to the calculation of social security tax on the actuarial gains and losses according to IFRS.

- c) **Share-based payments:** The fair value of share-based compensation at the grant date is expensed over the vesting period according to IFRS. Telenor uses a Black & Scholes valuation model to calculate the fair value. According to the transitional rules only options granted subsequent to 7 November 2002 that had not vested as of 1 January 2005 are included. In accordance with N GAAP, no expense was recognized for stock options.
- d) **Cumulative translation differences** that existed at the date of transition to IFRS for all foreign operations and the corresponding translation differences on financial instruments used to hedge such investments are deemed to be zero at the date of transition to IFRS, and are kept permanently in equity. As a consequence, the gain or loss on a subsequent disposal of an entity reported in currency other than Norwegian Krone shall exclude translation differences that arose before the date of transition to IFRS. This had no effect on the total equity as of 1 January 2004, but has a positive effect on the gains on sale in 2004 according to IFRS compared to N GAAP. Telenor's cumulative translation differences as of 1 January 2004 were NOK 2 billion in accordance with N GAAP.

**Reconciliation of net income and shareholders' equity for the Telenor Group from N GAAP to IFRS**

The tables below show the estimated effects on net income and equity of implementing IFRS as from 1 January 2004. Comments to the various effects on net income and equity are provided below the tables.

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## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

| <b>As of 31 March 2004</b><br>(NOK in millions except per share amounts)   | Note            | N<br>GAAP<br>Reported | Reclassifications | Adjustments<br>IFRS | Adjusted      |
|--|-----------------|-----------------------|-------------------|---------------------|---------------|
| <b>Revenues</b>  | <b>1a), 1b)</b> | <b>14,276</b>         |                   | <b>(31)</b>         | <b>14,245</b> |
| Gains on disposal of fixed assets and operations                           | 2)              | 8                     |                   | (8)                 |               |
| <b>Total revenues</b>  |                 | <b>14,284</b>         | <b>(8)</b>        | <b>(31)</b>         | <b>14,245</b> |
| <b>Operating expenses</b>  |                 |                       |                   |                     |               |
| Costs of materials and traffic charges                                     | 1b)             | 3,652                 |                   | (27)                | 3,625         |
| Own work capitalized   |                 | (124)                 |                   |                     | (124)         |
| Salaries and personnel costs   | 1b), 3), 4)     | 2,528                 |                   | (14)                | 2,514         |
| Other operating expenses   | 1b), 2), 5)     | 3,210                 | (25)              | (23)                | 3,162         |
| Losses on disposal of fixed assets and operations                          | 2)              | 2                     |                   | (2)                 |               |
| Other income and expenses  | 2), 10)         |                       | 19                | 1                   | 20            |
| Amortization of goodwill   | 7)              | 213                   |                   | (213)               |               |
| Depreciation and amortization other  | 5), 6)          | 2,518                 |                   | (10)                | 2,508         |
| Write-downs  | 8)              | 3                     |                   |                     | 3             |
| <b>Total operating expenses</b>  |                 | <b>12,002</b>         | <b>(8)</b>        | <b>(286)</b>        | <b>11,708</b> |
| <b>Operating profit (loss)</b>   |                 | <b>2,282</b>          |                   | <b>255</b>          | <b>2,537</b>  |
| <b>Associated companies</b>  | <b>9)</b>       | <b>133</b>            |                   | <b>92</b>           | <b>225</b>    |
| <b>Financial income and expenses</b>                                       |                 |                       |                   |                     |               |
| Financial income   |                 | 108                   |                   | (3)                 | 105           |
| Financial expenses   | 5)              | (409)                 |                   | (6)                 | (415)         |
| Net currency loss  |                 | (31)                  |                   |                     | (31)          |
| Net gain (loss) and write-downs of financial items                         | 10)             | 2,591                 |                   | 21                  | 2,612         |
| <b>Net financial items</b>   |                 | <b>2,259</b>          |                   | <b>12</b>           | <b>2,271</b>  |
| <b>Profit (loss) before taxes and minority interests</b>                   |                 | <b>4,674</b>          |                   | <b>359</b>          | <b>5,033</b>  |
| Taxes  | 11)             | (1,589)               |                   | (21)                | (1,610)       |
| <b>Profit (loss) before minority interests</b>                             |                 | <b>3,085</b>          |                   | <b>338</b>          | <b>3,423</b>  |
| Minority interests   | 13)             | (284)                 |                   | (8)                 | (292)         |
| <b>Net income</b>  |                 | <b>2,801</b>          |                   | <b>330</b>          | <b>3,131</b>  |
| Net income (loss) per share in NOK (basic),<br>excluding treasury shares   |                 | 1.58                  |                   | 0.19                | 1.77          |
| Net income (loss) per share in NOK (diluted),<br>excluding treasury shares |                 | 1.58                  |                   | 0.19                | 1.77          |



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| <b>As of 30 June 2004</b><br>(NOK in millions except per share amounts)    | Note            | N<br>GAAP<br>Reported | Reclassifications | IFRS<br>Adjustments | Adjusted      |
|--|-----------------|-----------------------|-------------------|---------------------|---------------|
| <b>Revenues</b>  | <b>1a), 1b)</b> | <b>29,534</b>         |                   | <b>(63)</b>         | <b>29,471</b> |
| Gains on disposal of fixed assets and operations                           | 2)              | 374                   | (374)             |                     |               |
| <b>Total revenues</b>  |                 | <b>29,908</b>         | <b>(374)</b>      | <b>(63)</b>         | <b>29,471</b> |
| <b>Operating expenses</b>  |                 |                       |                   |                     |               |
| Costs of materials and traffic charges                                     | 1b)             | 7,633                 |                   | (51)                | 7,582         |
| Own work capitalized   |                 | (288)                 |                   |                     | (288)         |
| Salaries and personnel costs   | 1b), 3), 4)     | 5,047                 |                   | (27)                | 5,020         |
| Other operating expenses   | 1b), 2), 5)     | 6,790                 | (189)             | (41)                | 6,560         |
| Losses on disposal of fixed assets and operations                          | 2)              | 29                    | (29)              |                     |               |
| Other income and expenses  | 2), 10)         |                       | (156)             | 7                   | (149)         |
| Amortization of goodwill   | 7)              | 458                   |                   | (458)               |               |
| Depreciation and amortization other  | 5), 6)          | 5,214                 |                   | 1                   | 5,215         |
| Write-downs  | 8)              | 4                     |                   |                     | 4             |
| <b>Total operating expenses</b>  |                 | <b>24,887</b>         | <b>(374)</b>      | <b>(569)</b>        | <b>23,944</b> |
| <b>Operating profit (loss)</b>   |                 | <b>5,021</b>          |                   | <b>506</b>          | <b>5,527</b>  |
| <b>Associated companies</b>  | <b>9)</b>       | <b>344</b>            |                   | <b>171</b>          | <b>515</b>    |
| <b>Financial income and expenses</b>                                       |                 |                       |                   |                     |               |
| Financial income   |                 | 224                   |                   | (5)                 | 219           |
| Financial expenses   | 5)              | (823)                 |                   | (13)                | (836)         |
| Net currency loss  |                 | (39)                  |                   |                     | (39)          |
| Net gain (loss) and write-downs of financial items                         | 10)             | 2,609                 |                   | 21                  | 2,630         |
| <b>Net financial items</b>   |                 | <b>1,971</b>          |                   | <b>3</b>            | <b>1,974</b>  |
| <b>Profit (loss) before taxes and minority interests</b>                   |                 | <b>7,336</b>          |                   | <b>680</b>          | <b>8,016</b>  |
| Taxes  | 11)             | (2,494)               |                   | (27)                | (2,521)       |
| <b>Profit (loss) before minority interests</b>                             |                 | <b>4,842</b>          |                   | <b>653</b>          | <b>5,495</b>  |
| Minority interests   | 13)             | (631)                 |                   | (24)                | (655)         |
| <b>Net income</b>  |                 | <b>4,211</b>          |                   | <b>629</b>          | <b>4,840</b>  |
| Net income (loss) per share in NOK (basic),<br>excluding treasury shares   |                 | 2.38                  |                   | 0.36                | 2.74          |
| Net income (loss) per share in NOK (diluted),<br>excluding treasury shares |                 | 2.38                  |                   | 0.36                | 2.74          |

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| <b>As of 30 September 2004</b><br>(NOK in millions except per share amounts) | Note            | N<br>GAAP<br>Report | IFRS<br>Reclassifications | Adjustments  | Adjusted      |
|--|-----------------|---------------------|---------------------------|--------------|---------------|
| <b>Revenues</b>  | <b>1a), 1b)</b> | <b>45,144</b>       |                           | <b>(65)</b>  | <b>45,079</b> |
| Gains on disposal of fixed assets and operations                             | 2)              | 445                 | (445)                     |              |               |
| <b>Total revenues</b>  |                 | <b>45,589</b>       | <b>(445)</b>              | <b>(65)</b>  | <b>45,079</b> |
| <b>Operating expenses</b>  |                 |                     |                           |              |               |
| Costs of materials and traffic charges                                       | 1b)             | 11,780              |                           | (29)         | 11,751        |
| Own work capitalized   |                 | (391)               |                           |              | (391)         |
| Salaries and personnel costs   | 1b), 3), 4)     | 7,271               |                           | (39)         | 7,232         |
| Other operating expenses   | 1b), 2), 5)     | 10,546              | (230)                     | (98)         | 10,218        |
| Losses on disposal of fixed assets and operations                            | 2)              | 81                  | (81)                      |              |               |
| Other income and expenses  | 2), 10)         |                     | (134)                     | 2            | (132)         |
| Amortization of goodwill   | 7)              | 705                 |                           | (705)        |               |
| Depreciation and amortization other  | 5), 6)          | 7,930               |                           | 4            | 7,934         |
| Write-downs  | 8)              | 46                  |                           | (1)          | 45            |
| <b>Total operating expenses</b>  |                 | <b>37,968</b>       | <b>(445)</b>              | <b>(866)</b> | <b>36,657</b> |
| <b>Operating profit (loss)</b>   |                 | <b>7,621</b>        |                           | <b>801</b>   | <b>8,422</b>  |
| <b>Associated companies</b>  | <b>9)</b>       | <b>636</b>          |                           | <b>210</b>   | <b>846</b>    |
| <b>Financial income and expenses</b>   |                 |                     |                           |              |               |
| Financial income   |                 | 343                 |                           | (8)          | 335           |
| Financial expenses   | 5)              | (1,204)             |                           | (20)         | (1,224)       |
| Net currency loss  |                 | (27)                |                           |              | (27)          |
| Net gain (loss) and write-downs of financial items                           | 10)             | 2,631               |                           | 21           | 2,652         |
| <b>Net financial items</b>   |                 | <b>1,743</b>        |                           | <b>(7)</b>   | <b>1,736</b>  |
| <b>Profit (loss) before taxes and minority interests</b>                     |                 | <b>10,000</b>       |                           | <b>1,004</b> | <b>11,004</b> |
| Taxes  | 11)             | (3,400)             |                           | (47)         | (3,447)       |
| <b>Profit (loss) before minority interests</b>                               |                 | <b>6,600</b>        |                           | <b>957</b>   | <b>7,557</b>  |
| Minority interests   | 13)             | (990)               |                           | (44)         | (1,034)       |
| <b>Net income</b>  |                 | <b>5,610</b>        |                           | <b>913</b>   | <b>6,523</b>  |
| Net income (loss) per share in NOK (basic),<br>excluding treasury shares     |                 | 3.20                |                           | 0.52         | 3.72          |
| Net income (loss) per share in NOK (diluted),<br>excluding treasury shares   |                 | 3.20                |                           | 0.52         | 3.72          |

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| <b>As of 31 December 2004</b><br>(NOK in millions except per share amounts) | Note            | N<br>GAAP<br>Reported | IFRS<br>Reclassifications | Adjustments  | Adjusted      |
|---|-----------------|-----------------------|---------------------------|--------------|---------------|
| <b>Revenues</b>   | <b>1a), 1b)</b> | <b>60,752</b>         |                           | <b>(51)</b>  | <b>60,701</b> |
| Gains on disposal of fixed assets and operations                            | 2)              | 550                   | (550)                     |              |               |
| <b>Total revenues</b>   |                 | <b>61,302</b>         | <b>(550)</b>              | <b>(51)</b>  | <b>60,701</b> |
| <b>Operating expenses</b>   |                 |                       |                           |              |               |
| Costs of materials and traffic charges                                      | 1b)             | 16,070                |                           | (20)         | 16,050        |
| Own work capitalized  |                 | (557)                 |                           |              | (557)         |
| Salaries and personnel costs  | 1b), 3), 4)     | 10,021                |                           | (51)         | 9,970         |
| Other operating expenses  | 1b), 2), 5)     | 14,873                | (898)                     | (104)        | 13,871        |
| Losses on disposal of fixed assets and operations                           | 2)              | 74                    | (74)                      |              |               |
| Other income and expenses   | 2), 10)         |                       | 422                       | (12)         | 410           |
| Amortization of goodwill  | 7)              | 939                   |                           | (939)        |               |
| Depreciation and amortization other   | 5), 6)          | 10,684                |                           | (47)         | 10,637        |
| Write-downs   | 8)              | 2,596                 |                           | 935          | 3,531         |
| <b>Total operating expenses</b>   |                 | <b>54,700</b>         | <b>(550)</b>              | <b>(238)</b> | <b>53,912</b> |
| <b>Operating profit (loss)</b>  |                 | <b>6,602</b>          |                           | <b>187</b>   | <b>6,789</b>  |
| <b>Associated companies</b>   | <b>9)</b>       | <b>718</b>            |                           | <b>268</b>   | <b>986</b>    |
| <b>Financial income and expenses</b>  |                 |                       |                           |              |               |
| Financial income  |                 | 496                   |                           |              | 496           |
| Financial expenses  | 5)              | (1,534)               |                           | (27)         | (1,561)       |
| Net currency loss   |                 | (87)                  |                           |              | (87)          |
| Net gain (loss) and write-downs of financial items                          | 10)             | 2,651                 |                           | 22           | 2,673         |
| <b>Net financial items</b>  |                 | <b>1,526</b>          |                           | <b>(5)</b>   | <b>1,521</b>  |
| <b>Profit (loss) before taxes and minority interests</b>                    |                 | <b>8,846</b>          |                           | <b>450</b>   | <b>9,296</b>  |
| Taxes   | 11)             | (2,244)               |                           | (55)         | (2,299)       |
| <b>Profit (loss) before minority interests</b>                              |                 | <b>6,602</b>          |                           | <b>395</b>   | <b>6,997</b>  |
| Minority interests  | 13)             | (1,244)               |                           | (76)         | (1,320)       |
| <b>Net income</b>   |                 | <b>5,358</b>          |                           | <b>319</b>   | <b>5,677</b>  |
| Net income (loss) per share in NOK (basic),<br>excluding treasury shares    |                 | 3.07                  |                           | 0.18         | 3.25          |
| Net income (loss) per share in NOK (diluted),<br>excluding treasury shares  |                 | 3.06                  |                           | 0.18         | 3.25          |

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| <b>Profit and loss 2004</b><br>(NOK in millions) | Note | First<br>quarter | Second<br>quarter | Third<br>quarter | Fourth<br>quarter | Year<br>2004  |
|--|------|------------------|-------------------|------------------|-------------------|---------------|
| <b>Net income (loss) NGAAP</b>                   |      | <b>2,801</b>     | <b>1,410</b>      | <b>1,399</b>     | <b>(252)</b>      | <b>5,358</b>  |
| Amortization of goodwill, negative goodwill      | 7)   | 213              | 245               | 247              | 234               | 939           |
| Depreciation and amortization other              | 6)   | 13               | (7)               | 4                | 53                | 63            |
| Write-down of goodwill                           | 8)   |                  |                   |                  | (935)             | (935)         |
| Pensions   | 3)   | 24               | 24                | 23               | 24                | 95            |
| Asset Retirement Obligations                     | 5)   | (10)             | (11)              | (12)             | (13)              | (46)          |
| Share-based compensation                         | 4)   | (4)              | (5)               | (5)              | (5)               | (19)          |
| Sale of software                                 | 1a)  | 11               | 2                 | 23               | 15                | 51            |
| Associated companies                             | 9)   | 92               | 79                | 39               | 58                | 268           |
| Adjusted gains                                   | 10)  | 20               | (6)               | 5                | 15                | 34            |
| Tax on IFRS adjustments                          | 11)  | (21)             | (6)               | (20)             | (8)               | (55)          |
| Minority interests                               | 13)  | (9)              | (16)              | (20)             | (32)              | (76)          |
| <b>Total adjustments</b>                         |      | <b>330</b>       | <b>299</b>        | <b>284</b>       | <b>(594)</b>      | <b>319</b>    |
| <b>Net income (loss) IFRS</b>                    |      | <b>3,131</b>     | <b>1,709</b>      | <b>1,683</b>     | <b>(846)</b>      | <b>5,677</b>  |
| <b>Equity</b>                                    |      |                  |                   |                  |                   |               |
| (NOK in millions)                                | Note | 01.01.04         | 31.03.04          | 30.06.04         | 30.09.04          | 31.12.04      |
| <b>Shareholders equity NGAAP</b>                 |      | <b>37,237</b>    | <b>40,083</b>     | <b>40,130</b>    | <b>41,248</b>     | <b>37,594</b> |
| Amortization of goodwill, negative goodwill      | 7)   | 343              | 556               | 801              | 1,048             | 1,282         |
| Depreciation and amortization other              | 6)   |                  | 13                | 6                | 10                | 63            |
| Write-down of goodwill                           | 8)   |                  |                   |                  |                   | (935)         |
| Business Combinations                            | 8)   |                  | 622               | 622              | 786               | 622           |
| Pensions   | 3)   | (1,825)          | (1,801)           | (1,777)          | (1,754)           | (1,730)       |
| Asset Retirement Obligations                     | 5)   | (296)            | (306)             | (317)            | (329)             | (342)         |
| Share-based compensation                         | 4)   |                  |                   |                  |                   |               |
| Sale of software                                 | 1a)  | (267)            | (256)             | (254)            | (231)             | (216)         |
| Associated companies                             | 9)   | (139)            | (47)              | 32               | 71                | 129           |
| Adjusted gains and translation differences       | 10)  |                  | (57)              | (49)             | (93)              | (66)          |
| Tax on IFRS adjustments                          | 11)  | 595              | 574               | 568              | 548               | 540           |
| Dividends  | 12)  | 1,776            | 1,776             |                  |                   | 2,602         |
| Minority interests                               | 13)  | 226              | 218               | 202              | 182               | 150           |
| <b>Total adjustments</b>                         |      | <b>413</b>       | <b>1,292</b>      | <b>(166)</b>     | <b>238</b>        | <b>2,099</b>  |
| <b>Shareholders equity IFRS</b>                  |      | <b>37,650</b>    | <b>41,375</b>     | <b>39,964</b>    | <b>41,486</b>     | <b>39,693</b> |

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## NOTES

- 1a)** Telenor is a provider of full service application and IT operating systems services. Under N GAAP, revenue from sale of software licenses and software upgrades was recognized upon their delivery. For revenue recognition related to software Telenor applies US GAAP principles (Statement of Position (SOP 97-2)) for IFRS. Revenue from sale of software licenses and software upgrades is deferred and recognized as revenue over the remaining software maintenance period as the customer does not have the right to use the software unless Telenor provides software maintenance. In addition, in conjunction with these contracts, Telenor may develop additional applications that are not essential to the use of the software. Under N GAAP, the fees for the development of the additional software were recognized based on the percentage of completion method of accounting. Under IFRS, these development fees are also deferred and recognized as revenue over the remaining software maintenance period.

This reduced equity as of 1 January 2004, while revenues and profit before taxes and minority interest for 2004 increased.

- 1b)** Under N GAAP, revenue from telecommunications installation fees and connection fees were recognized in revenue at the time of the sale and all initial related costs were expensed as incurred. Under IFRS, such connection and installation fees that do not represent a separate earnings process are deferred and recognized over the periods that the fees are earned which is the expected period of the customer relationship. Initial related costs to the extent of the deferred revenue are also deferred over the same period.

For IFRS, Telenor applies US GAAP principles (Emerging Issue Task Force (EITF) 00-21) for allocation of the consideration for revenue recognition for arrangements that involve the delivery or performance of multiple products or services. Revenue arrangements with multiple deliverables are divided into separate units of accounting if the deliverables in the arrangement meet the following criteria: (1) the delivered item has value to the customer on a standalone basis; (2) there is objective and reliable evidence of the fair value of undelivered items; and (3) delivery of any undelivered item is probable. Arrangement consideration is allocated among the separate units of accounting based on their relative fair values, with the amount allocated to the delivered item being limited to the amount that is not contingent on the delivery of additional items or other specified performance criteria. For Telenor, amounts allocated to the delivered elements are limited to the amount received in cash at the time of sale. Telenor has used the principles in EITF 00-21 for agreements entered into after 1 January 2004. Part of the connection fee has been allocated to sale of equipment and therefore recognized as revenue at the same time the equipment is recognized as revenue.

Telenor has reduced revenues for the year 2004 for deferred connection fees by NOK 102 million. Deferred connection fees and related costs recorded in the balance sheet amounted to NOK 1.5 billion as of 1 January 2004. This has no effect on equity or net income because the related costs are also deferred, limited to the amount of deferred revenues. Costs deferred for the year 2004 include a reduction of materials and traffic costs of NOK 20 million; an increase in salaries and personnel expenses of NOK 24 million; and a reduction of other operating expenses of NOK 106 million.

- 2)** Gains and losses on disposals of fixed assets and operations, expenses for workforce reductions and loss contracts are reclassified to a separate line item included in operating expenses according to IFRS.

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- 3) Under IFRS, cumulative unrecognized actuarial losses on pension obligations re recorded to equity as of 1 January 2004. As a result, the N GAAP amortization of actuarial losses recorded to salaries and personnel expenses is reversed for IFRS.
- 4) Share-based compensation increases salary and personnel expenses according to IFRS. This has no effect on equity.
- 5) According to IFRS, an asset retirement obligation exists where Telenor has a legal or constructive obligation, whether contractual, by law, or by a promissory estoppel, to settle an asset retirement obligation. Where Telenor is required to settle an asset retirement obligation, Telenor has estimated and capitalized the net present value of the obligations and increased the carrying value of the related long-lived asset, with an amount equal to the depreciated value of the asset retirement obligation. Subsequent to the initial recognition, an accretion expense is recorded relating to the asset retirement obligation, and the capitalized cost is expensed as ordinary depreciation in accordance with the related asset. Under N GAAP, asset retirement obligations were limited to expenses to material known and planned removals within a reasonable timeframe.

The accumulated effects of asset retirement obligations were recorded to equity as of 1 January 2004. Net income is affected by the subsequent depreciation of fixed assets and interest expenses.

- 6) Adjustment of the fair value for the acquisition of Sonofon results in lower amortization and depreciation expense related to other intangible assets and tangible fixed assets in 2004 according to IFRS compared with N GAAP, see (a) business combinations above.
- 7) Goodwill is no longer amortized under IFRS, beginning from 1 January 2004 but is tested for impairment on an annual basis and whenever indicators of impairment arise.

In accordance with the transitional rules in IFRS 1, negative goodwill on Utfors AB was recorded to equity as of 1 January 2004.

- 8) Compared with N GAAP, write-downs for the year 2004 increased under IFRS primarily due to a larger write-down of goodwill for Sonofon as of 31 December 2004. The book value of Sonofon was higher than N GAAP because goodwill was not amortized for IFRS in 2004 and due to the restatement of the acquisition as discussed in (a) business combinations above.

In addition, in the fourth quarter of 2004, NOK 50 million related to write-downs of goodwill on Utfors AB and Canal Digital Group due to previously not recognized deferred tax assets at acquisition of these companies. The tax assets did not satisfy the criteria for separate recognition when the business combinations were initially accounted for, but parts were realized in 2004. Both in N GAAP and IFRS the realized tax income was recognized in the profit or loss statement. According to IFRS, in addition, the acquirer shall reduce the carrying amount of goodwill and recognize the reduction as an expense. According to N GAAP, the carrying amount of goodwill was reduced and the carrying amount of deferred tax asset was increased, and the subsequent reduction in the carrying amount of deferred tax asset was recorded as a tax expense. However, according to both sets of accounting principles this procedure shall not result in negative goodwill, nor shall it increase negative goodwill previously recognized.



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In principle, the adjustment for IFRS compared to N GAAP in the profit and loss statement should be a reclassification between write-down of goodwill and tax expense. However, due to different carrying amount of goodwill according to N GAAP compared to IFRS, the IFRS adjustment resulted in a write-down of goodwill of NOK 50 million for the fourth quarter of 2004, and a tax income of only NOK 25 million.

- 9) Telenor's share of equity of associated companies decreased by NOK 139 million as of 1 January 2004, of which the adjustment for the cumulative unrecognized actuarial losses on pension obligations accounted for NOK 104 million.

According to N GAAP, investments in entities in which Telenor has an ownership that was considered to be temporary in nature were recorded at cost or written down to fair value. Under IFRS, temporary investments in which Telenor have significant influence, normally an ownership of 20% to 50% are accounted for under the equity method. As of 1 January 2004, this decreased equity by NOK 27 million.

The accumulated effect of NOK 8 million for asset retirement obligations in associated companies was recorded to equity according to IFRS as of 1 January 2004.

For the year 2004, the results from associated companies increased by NOK 268 million according to IFRS compared to N GAAP mainly due to the reversal of N GAAP amortization of goodwill of NOK 254 million.

- 10) According to IFRS, gains on disposals of operations and financial assets increase compared to N GAAP for 2004, due to the effects of changes in pension obligations and translation differences. Translation differences also affected the IFRS adjustments for 2004.
- 11) Tax on IFRS adjustments relate primarily to pensions, asset retirement obligations and the sale of software. In addition, in the fourth quarter of 2004 a tax income of NOK 25 million was recorded for IFRS compared to N GAAP, see 8) above.
- 12) Under N GAAP, dividends payable reduced shareholders' equity for the year in which it related. Under IFRS, dividends payable is recorded as a reduction of shareholders' equity in the year it is approved.
- 13) Minority interests for IFRS adjustments relate primarily to EDB Business Partner ASA.
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**Table of Contents****Reconciliation of shareholders equity for the Telenor Group from 31 December 2004 to 1 January 2005 due to the implementation of IAS 39**

IAS 39 Financial Instruments: Recognition and Measurement was 1 January 2005. Up to and including 31 December 2004, Telenor accounted for Financial Instruments according to N GAAP.

| (NOK in millions)                               | Note | Shareholders<br>equity |
|---|------|------------------------|
| <b>Shareholders equity 31<br/>December 2004</b> |      | <b>39,693</b>          |
| Derivative instruments at fair value            | 14)  |                        |
| cash flow hedges                                |      | 13                     |
| derivatives not qualifying as hedges            |      | (289)                  |
| Shares held-for-sale at estimated fair<br>value | 15)  | 458                    |
| Skatt på endringene                             |      | (16)                   |
| Minority s share                                |      | (8)                    |
| <b>Total adjustments</b>                        |      | <b>158</b>             |
| <b>Shareholders equity 1<br/>January 2005</b>   |      | <b>39,851</b>          |

14) As of 1 January 2005, Telenor records all derivative instruments, as well as interest-bearing liabilities that qualify for hedge accounting, at fair value. As of 1 January 2005, interest rate derivatives used to manage the overall risk of Telenor s debt portfolio do not qualify for hedge accounting according to IFRS. These derivatives are now being treated as stand-alone financial instruments at fair value and constituted the main part of the implementation effect. Gains or losses from fair value adjustments subsequent to 1 January 2005 will be recorded to the statement of profit and loss.

Up to and including 31 December 2004, Telenor did not recognize changes in fair value of interest-bearing liabilities due to changes in interest rates. Correspondingly, for interest rate derivatives that qualified for hedge accounting, Telenor did not recognize unrealized changes in fair value due to changes in interest rates. From 1 January 2005, interest-bearing liabilities and derivatives designated as hedge objects and hedge instruments, respectively, for fair value hedges are presented gross in the balance sheet. Changes in fair value of both the hedged object (interest-bearing liabilities) and the hedge instrument (interest rate derivatives) are recorded to the statement of profit and loss.

Up to and including 31 December 2004, gains and losses on foreign exchange contracts that were designated as hedges of firm commitments (cash flow hedges) were deferred and recognized in income at the same time as the related transactions, provided that the hedged transaction is eligible for hedge accounting. From 1 January 2005, such contracts are recorded in the balance sheet at fair value with changes in fair value through equity until the hedge transactions are made. The increase in equity by NOK 13 million before taxes as of 1 January 2005 included a gain of NOK 52 million before taxes for the hedge of the sale of Intelsat Ltd., which was completed in the first quarter of 2005.

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- 15) Up to and including 31 December 2004, shares available-for-sale were valued at the lower of cost and estimated fair value. From 1 January 2005, Telenor record shares available -for-sale at estimated fair value. Changes in the fair values of investments in shares are recorded in a separate component of equity until impaired or sold.

In the first quarter of 2005, Telenor's shareholdings in Intelsat Ltd and Q-Free ASA were sold, and Telenor realized total gains of NOK 412 million before taxes, including a gain on the hedge instrument. These shareholdings were included in equity as of 1 January 2005 with NOK 402 million before taxes, including a gain of NOK 52 million on the hedge instrument.

For financial instruments, the comparative figures for the profit and loss statements for 2004 are not restated to the principles in IAS 39. Equity as of 31 December 2004 is reconciled to equity as of 1 January 2005. The nature of the main adjustments would have been the same for equity at other points of time in 2004. However, as of 1 January 2004 the fair value adjustments for shares available-for-sale would have been significantly higher, as it would have included the listed companies Cosmote, New Skies and Q Free ASA. Cosmote and New Skies were sold in the first quarter and fourth quarter of 2004, respectively. The fair value adjustments of listed shares as of 1 January 2004 would have been NOK 1,676 million after taxes, of which Cosmote was NOK 1,598 million. The nature of the main adjustments on the profit and loss statement and on the balance sheet items would have been as described above.

**Cash flow statement**

Telenor presents the cash flow statement with both the direct and indirect method. Telenor has not identified differences between the principles for the cash flow statement according to N GAAP and IFRS. However, since the net income for 2004 is different for IFRS compared to N GAAP, the starting point and items reconciling between net income and net cash flow from operating activities change. Net cash flow from operating activities is the same according to both sets of accounting principles.

**Balance sheet**

The changes described above impact the balance sheet and its classification and total assets and liabilities increase in accordance with IFRS.

Total assets increased in the IFRS balance sheet for 2004, compared to N GAAP. As of 31 December 2004, the increase was NOK 3.5 billion. The changed allocation of excess values on Sonofon had the most significant effect. Beside this, the increase was primarily due to the implementation effects of: deferred expenses related to deferred connection fees; capitalization of the remaining book value of asset retirement obligations; and deferred tax assets on the implementation effects, primarily on pension liabilities. This was partially offset by the recording of negative goodwill directly to equity as of 1 January 2004. Non-amortization of goodwill according to IFRS increased the book value of goodwill compared to N GAAP, offset by the write-downs that were made in the fourth quarter of 2004.

Equity increased, as shown in the table above.

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Provision including deferred tax liabilities, increased as of 31 December 2004, primarily due to recognition of actuarial losses on pensions, asset retirement obligations and increased deferred tax liabilities.

Short term liabilities decreased by NOK 0.9 billion as of 31 December 2004 compared to N GAAP, due to the reversal of the accrual for dividends payable compared to N GAAP, which was partially offset by the deferred connection fees and the deferred revenues from the sale of software.

The balance sheet as of 1 January 2005 was affected by the implementation of IAS 39. In addition to the increased equity as shown above, fair value of derivatives and bonds increased financial assets by NOK 2.0 billion and increased liabilities by NOK 2.3 billion. Net interest-bearing liabilities were not affected. Fair value of shares available-for-sale increased the value of shareholdings by NOK 0.5 billion.