

Annual Report

1996



1996

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Highlights in 1996



- Internet had its real breakthrough. In the autumn, Telenor entered into a strategic alliance with Schibsted on access and content. Telenor took over all the Schibsted Nett customers, bringing its market share to 75 per cent.
- It was resolved that Telenor's new head office is to be located at Fornebu. Bringing all the Group's activities in the Oslo area under one roof will result in substantial savings.
- The new price structure for 1997 was adopted. This is step in the direction of removing cross-subsidies

- and in letting prices better reflect real costs. For the customer, the tariff system is less complicated and prices are lower.
- Tariffs for ordinary telephony were cut by an average of 6 per cent, corresponding to NOK 500 million per year. Cellular tariffs were cut by a good 20 per cent.
 - Telenor became the clear leader in the GSM market. With a 65 per cent market share.
 - Grameen Phone, in which Telenor has a majority shareholding, was granted a licence to develop a GSM net-

- work in Bangladesh, an interesting market in a densely populated country. The network was opened in Dhaka, the capital, on Independence Day, 26 March 1997.
- Telenor AS's equity was increased by NOK 2,000 million, by converting the remaining interest-bearing debt to the Government.
 - Norway is almost fully digitalised. 2.8 million numbers represent a 91 per cent digitalisation degree at the end of the year.
 - Marlink was introduced, an information network for the internatio-

- nal shipping market, based on intranet technology. Marlink is an example of the value-added network services that Telenor is developing in association with collaborating partners' special understanding of their own lines of business.
- Telenor consolidated its position in the corporate market as the country's leading supplier of telecommunications and data services. This was in part a result of acquisitions of companies with expertise in the field of information technology and software.

Business from a woman's perspective – a woman rents out her GSM telephone enabling the village to keep in contact with the rest of Bangladesh and the outside world.

Key figures

<i>Amounts in NOK million</i>	1996	1995	1994
Operating income	22.170	19.859	18.444
Operating expenses excl. depreciation	15.618	13.678	12.356
Ordinary depreciation	3.887	3.562	3.362
Operating profit	2.665	2.619	2.726
Profit before taxes	2.354	2.103	2.052
Current assets	6.474	5.739	5.701
Fixed assets	23.106	21.739	20.370
Total assets	29.580	27.478	26.071
Interest-bearing debt	5.860	6.906	8.699
Equity	14.671	11.721	10.979
Cash flow from operations	4.827	6.284	5.415
Investments ¹⁾	5.528	4.555	3.354
Profit margin ²⁾	10,6%	10,6%	11,1%
Return on capital employed ³⁾	14,9%	14,9%	14,8%
Return on equity ⁴⁾	17,8%	18,5%	17,2%
No. of employees 31.12	19.221	18.480	16.629
No. of man-years 31.12	18.113	17.406	15.613

Definitions:

- 1) Investments in fixed assets and long-term investments in shares and satellite organisations
- 2) Profit before taxes/Total operating income
- 3) Profit before taxes + financial expenses/Average (total assets – non interest-bearing debt)
- 4) Profit before taxes/Average equity

This is Telenor

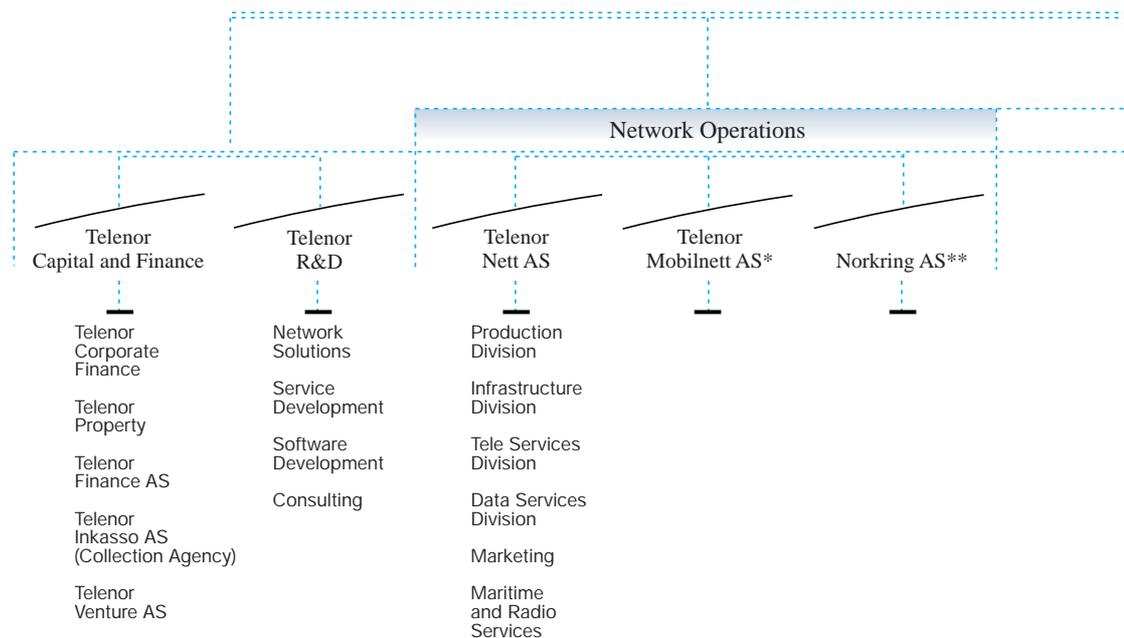
Vision

Telenor – the leading telecommunications and information company, which places the customer first and can compete with the best.

Business concept

Telenor shall:

- ensure, on a commercial basis, that the development of modern telecommunications and information technology is going to benefit its Norwegian customers and Norwegian society in general
- strengthen our corporate customers' competitiveness and added value creation
- facilitate a more rational public administration
- contribute to the welfare of our residential customers by making their everyday life easier, and more rewarding by providing them with a wider range of services.

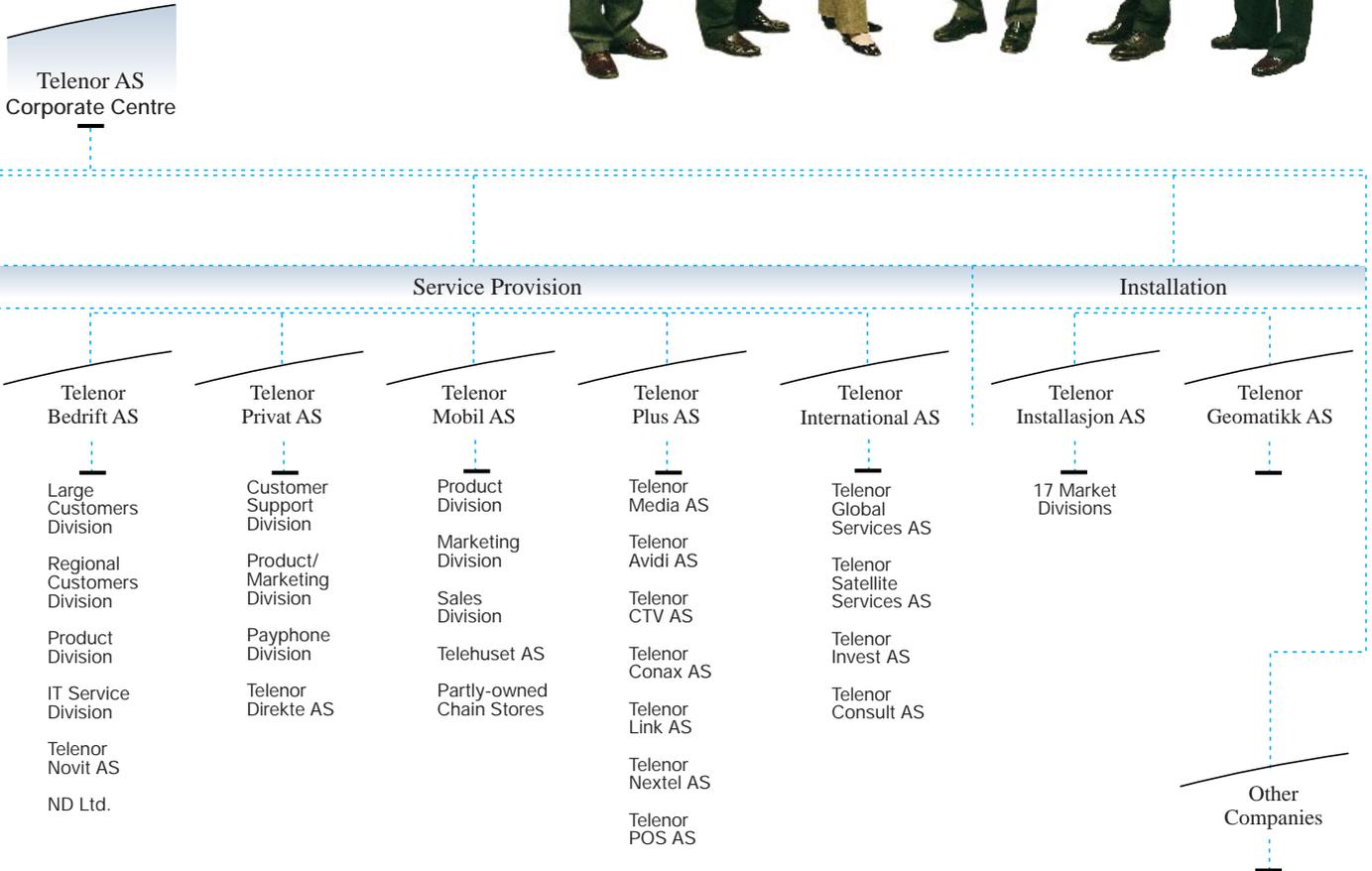


The Telenor Group comprises the state-owned joint-stock company Telenor AS and its subsidiaries. With more than 19,000 employees and an annual revenue of NOK 22.2 billion, Telenor is one of the largest companies in Norway, and one of those that adds most value.

Telenor is Norway's market leader in the fields of telecommunications, data services, and media distribution. The services comprise everything from simple telephone subscriptions to the installation and operation of complete IT systems. Telenor's competitive position is

going to be strengthened through technological developments, by putting emphasis on value-added services, and by increasing its international involvement.

*Tormod Hermansen, President and CEO,
Jon Fredrik Baksaas, EVP and CFO,
Marit Døving EVP, Terje Thon Sr. EVP,
Ole Petter Håkonson Sr. EVP,
and Magnus Dokset, EVP.*



* In operation from 1.6.1997

** Agreed ownership 1999: Telenor 90%, NRK 10%
Ownership 31.12.1996: NRK 60%, Telenor 40%

Those parts of the Group that are adding value through production and supply of services, cover seven business areas. The Corporate Centre, Telenor R&D, and Telenor Capital and Finance

serve the rest of the organisation with the essential Group services. The overall management of Telenor is in the hands of the Corporate Centre. The Group's commercial

activities are divided into three main segments: net-work operations, service provision, and installation. Normal commercial principles apply to business between these areas.

A



1996

Directors' Report



Report of the Board of Directors

Introduction

Telenor's objective is to create values for the benefit of its owner, customers, employees, and others that have an interest in the company – in other words Norwegian society in general. Telenor is to act as a guarantor – ensuring that Norwegian customers have access nationally and internationally to high quality telecommunications and IT services at a reasonable price. We believe that Telenor to a large extent meets these expectations. The price level for telephony is among the lowest in the OECD, and on the whole the quality of the telecommunications services is good throughout the country. Telenor's activities also have a positive impact on other Norwegian industrial activity. A profit before taxes of NOK 2.35 billion, representing a 14.9 per cent return on capital employed, shows that profitability is satisfactory.

Market conditions

The Nordic region

As competition gradually becomes fiercer and competitors position themselves across national borders, the Nordic region will emerge as a natural home market. Sweden represents 40 per cent of this market. In 1996, Telenordia AB, which is a joint venture owned by Telenor, BT, and TeleDanmark, became a supplier to 30 per cent of the companies listed on the Stockholm Stock Exchange's A list. In addition, Telenordia has a customer base of 40,000 Internet subscribers. In the field of satellite distributed broadcasting, Telenor is a clear market leader in the Nordic region.

In the Norwegian segment of the home market, three distinctive features are visible. Firstly, Telenor has achieved an indisputable lead in the GSM market. At the end of the year, Telenor Mobil had a 65 per cent market share. Increased mobile traffic made a large contribution to the 17 per cent rise in total telephone traffic.

In the corporate market, Telenor has consolidated its position as the nation's leading supplier of telecommunications and data services. About half of the revenue is generated by IT-related services, with a market share of 10–15 per cent. This position has to a large degree been secured by acquiring com-

panies with expertise in information technology and software. The acquisition of Allianse and Novit has strengthened Telenor's position with regard to municipal administrations and the banking and finance industry.

The growth of the Internet market was almost explosive in 1996. The clarification of Telenor's Internet strategy resulted in an alliance with Schibsted Nett in the Autumn of 1996. This agreement implies that both parties are to concentrate on their core products, communication services and contents respectively, while they shall together create the leading market place for Internet users in Norway and the Nordic region through Scandinavia Online.

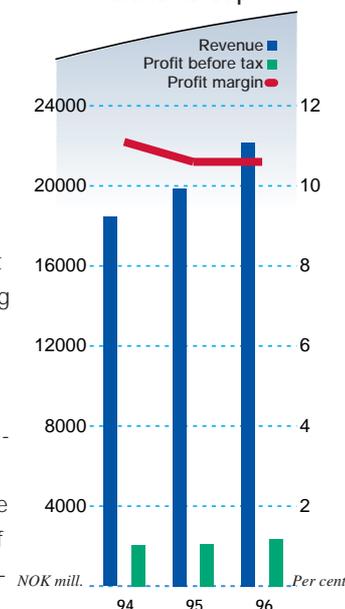
The alliance between Schibsted Nett and Telenor is now being reviewed by the Competition Authorities. The Board believes that the overall benefits to be gained from having a strong leader in the Norwegian Internet market, particularly in view of the relatively low barriers to entry in this market, are more important to the customer than any negative impacts that might result from having a high market share. Furthermore, the Board believes that a strong national supplier will be of benefit to the customers.

The International market

One major aspect of Telenor's strategy is to concentrate also on the international market. This strategy is rooted in the Norwegian home market, a presence in Europe, and exploiting opportunities in the rest of the world. Co-operating with BT has been of enormous strategic importance, and Telenor's sales of Concert products doubled in 1996. Concentration is on mobile communication, satellite communication, value adding network services, and media-related services. Telenor enters into new markets through joint ventures, or directly through projects under its own auspices which support the Group's core activities.

An important aspect of the investment strategy relates to participation in mobile telephony projects. The GSM network in Montenegro was completed and opened in 1996. By leading a joint venture, Telenor succeeded in being awarded a GSM licence in Bangladesh, a large market with exciting opportunities. This network opened in March 1997. The

Key figures 1996
Telenor Group



mobile telephone companies in St. Petersburg and in Hungary reported sound growth in 1996, and are now leaders in their markets. The Irish Esat Digifone, in which Telenor has a 40 per cent stake, opened its network in March 1997.

The satellite position 1 degree west was strengthened during the course of the year. Telenor's new communications satellite, Thor II, is to be put into orbit during the first half of 1997, and this will increase capacity considerably. In 1996, two important value-adding network services were launched, based on Telenor's communication expertise, and its partners' knowledge of their special fields. These are MarLink, an information and broker network for the shipping industry, and the tele-pathology system PathSight, which has been developed together with Norway's Radium Hospital.

Financial matters

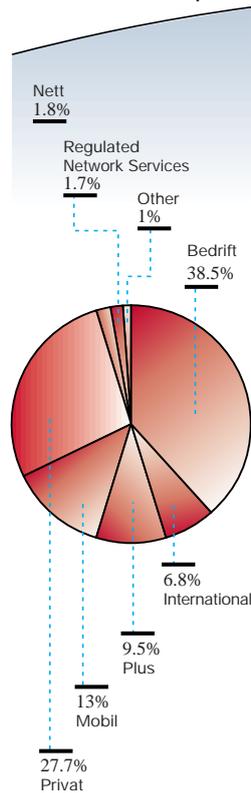
Operating income and result

In 1996, the Group's operating income totalled NOK 22,170 million, compared to NOK 19,859 million in 1995. The growth derived first and foremost from network-based services, supply services, and the acquisition of new companies. About 5 per cent of the 11.6 per cent growth can be assigned to acquisitions.

The development in revenue and profits must be seen in light of the significant reductions in the price of ordinary and mobile telephony, and the sharp rise in the number of GSM subscribers. In 1996, wireline tariffs were cut by an average of six per cent, representing NOK 500 million. Cellular tariffs were cut by an average of 20 per cent from 1 December 1995. Furthermore, as a result of changes in the framework conditions for international cellular traffic, the cost of international mobile telephony was reduced by up to 50 per cent from 1 November 1996. All-in-all, these price cuts represent approximately NOK 900 million.

The profit before taxes was NOK 2,354 million, compared to NOK 2,103 million in the preceding year. The return on capital employed was 14.9 per cent, which equals the return in 1995. The return on equity was 17.8 per cent, against 18.5 per cent in 1995. The Board of Directors considers this to be

Revenue 1996
Telenor Group



satisfactory, particularly bearing in mind the increasing competition in telecommunications.

Higher turnover, the results of restructuring, and internal efficiency improvements all contributed to the improvement in profits. The sharp rise in the number of GSM subscribers resulted in commissions and marketing support costs of somewhat more than NOK 800 million, which was on a par with 1995. The profit before taxes was also charged with a provision amounting to NOK 221 million made for extending the parent company's offer of early retirements. Net expenses incurred by TNM and related to redundancies are, as assumed when Telenor AS was established, charged to the company's provision made for this purpose. The amount was NOK 319 million.

In 1996, Telenor's activity through minority-owned companies was high, especially abroad. In accordance with the Group's current accounting principles, these investments are recorded in accordance with the purchase method of accounting, cf Note 12.

The Group's net financial expenses totalled NOK 311 million, compared to NOK 516 million in 1995. On average, the interest level was lower in 1996 than in 1995, but because of interest rate agreements, Telenor has not enjoyed full benefits of the falling interest rates. Net interest-bearing debt was lower than in 1995, primarily as a result of the remaining interest-bearing debt to the Government, NOK 2,000 million, being converted to equity in June 1996.

Investments

The Group invested a total of NOK 5,528 million in 1996, which is roughly NOK 1,000 million more than in 1995. This increase is mainly due to acquisitions and increased international activities. It is also due to intensified network development as a result of the forced pace of digitalisation.

Of the Group's total investments, NOK 1,250 million was invested abroad. Network investments aggregated NOK 2,500 million, of which NOK 750 million was in the mobile network. Acquisitions resulted in investments in the region of NOK 800 million.

Capital and financing

At the end of 1996, the Group's equity ratio stood at 49.6 per cent. This represents equity totalling NOK 14,671 million. Telenor AS's equity was increased by NOK 2,000 million on 27 June 1996, when the remaining interest-bearing debt to the Government was converted.

Net interest-bearing debt totalled NOK 5.860 million at the end of 1996, down NOK 1,094 million on the year before. 62 per cent of the debt had floating interest rates or fixed interest rate of less than 12 months. The average remaining term was 4.9 years.

In the course of 1996, Telenor established a Euro Medium Term Note programme (EMTN programme) for USD 1,000 million for long-term financing and a Euro Commercial Paper programme (ECP programme) for USD 500 million for short-term borrowing in the Euro market.

During the past year, more investment opportunities were identified than originally expected. These opportunities comply with Telenor's strategy for international growth. However, the portfolio of identified investments is of a scope that implies that the long-term objective of an equity ratio of between 42 and 50 per cent cannot be maintained without an injection of new equity.

Regulatory matters

Telecommunications markets recognise no borders. The international free trade agreement on telecommunications which takes effect on 1 January 1998 is proof of this. If very serious asymmetric competitive conditions are not to arise in such a liberalised market, the regulatory regime must provide scope for effective competition on product functionality and price. An asymmetric regulation in the form of special restrictions and impositions on the traditional players will inhibit a development that is beneficial to the users.

In Norway, the telecommunications industry is so well developed that little regulation is needed to ensure that all parts of the market are provided with an adequate service. Effective regulation cannot be

Indices
Telecommunication tariffs
and Consumer Price index



measured in terms of redistribution of market shares, but in the product ranges offered and the price the consumer has to pay.

Price structure

Over the last couple of decades, telecommunications operators have encouraged the use of telephony by pricing connection to the network lower and calls higher than the underlying costs. This means that those customers who make a lot of calls subsidise those who seldom make calls, and that international and trunk calls subsidise local connections and traffic. The removal or reduction of such cross-subsidies is absolutely necessary in a competitive market. Telenor's 1997 price structure is a step in the direction of removing cross-subsidies and letting prices reflect real costs. On the whole, the adjustments have given telecommunications users a simplified tariff system and lower prices.

Ownership relations

Telenor has high ambitions and wants to position the Group so that it can capture its relative share of the European telecommunications/IT market's growth, while still satisfying its national objectives. Such goals make heavy demands of the company's owner, the Norwegian Government, because growth calls for injections of fresh equity above and beyond that which Telenor can generate from its own operations.

Telenor's Board of Directors is pleased that the Government, as owner, has accepted the Board's proposal to increase the Group's capital in 1996. The Board recognises that Telenor currently has interesting business opportunities which will call for a higher level of investment than has been prepared for.

Network and technology

The Norwegian telecommunications network is technologically advanced, robust and well developed. The extensions made and measures implemented in 1996 underline this. At the end of 1996, the degree of digitalisation was 91 per cent. This places Norway at the forefront internationally.



The extension of the domestic network is primarily built on SDH technology. The strongest driving forces behind a strengthening of the network are the new operators' demand for high capacity communication and the demand for Internet services. The almost explosive increase in the number of Internet subscribers has resulted in Telenor Nett starting to build a new, nationwide network for Internet traffic, with capacity for 450,000 users.

In 1995 an agreement was signed which gave Telenor the right to exploit excess capacity in Jernbaneverket's (Norwegian Rail) fibre network. The liberalisation of the market on 1 November 1996 implied that owners of alternative networks could offer excess capacity on the network to the market from that date. Telenor and Jernbaneverket have been in a dialogue with ESA regarding the possibility of continuing this agreement. On the basis of the new market regulations, Telenor and Jernbaneverket have decided that the agreement from 1995 will not be continued.

Broadcasting activities are now organised in Nor-kring AS, in which the Norwegian Broadcasting Corporation (NRK) owns 60 per cent of the shares and Telenor 40 per cent. In 1999, Telenor's shareholding will have risen to 90 per cent. The conditions issued by the Ministry of Transport and Telecommunications for developing the GSM network in outlying districts were met by 1 July 1996. From 1 November, developing separate infrastructure was permitted, as was linking cellular networks together. This implies an effective utilisation of the mobile networks, and will result in substantial savings for the mobile operators.

Telenor has always striven to apply correct procedures to cases that refer to wiretapping. Therefore, the Board takes a serious view of the breaches of routines that have occurred, even though they have not resulted in unauthorised wiretapping. An external revision group has been established to ensure that Telenor's rules and regulations are in accordance with Norwegian legislation, and that they are lived up to.

Organisation

In 1996, the Group divided and co-ordinated the business areas into a network operator segment, a



service provider segment, and an installations segment. Telenor now has a robust and dynamic organisation which allows for transversal co-operation and interplay between the Group's various units.

At the end of 1996, the Telenor Group had 19,221 employees. This is 741 more than one year earlier. An increasing number of Telenor's staff are engaged in international activities. Of a total of 18,113 man-years, as many as 1,424 man-years were carried out outside Norway, or in connection with Telenor's activities abroad. This is roughly 500 more than in 1995, and reflects quite clearly the increase in the Group's international involvement.

Most business areas have implemented projects aimed at registering existing expertise and identifying areas to be concentrated on. Telenor's main international strength is the competence of its staff. The invitation to participate in VIAG INTERKOM's major assignment on Germany's fixed and cellular networks is recognition of Telenor's competence.

At the end of the year, a separate project was started aimed at increasing the number of female managers in the organisation.

Telenor's Resource Pool (TNM) was dismantled from its original form on 1 February 1997, almost a year ahead of schedule. More than 4,700 employees have been through this unit since it was established in 1993. So far, more than 2,000 have left Telenor, and about the same number have been given other jobs within the Group. The rest have either taken early retirement, or receive salary pending retirement. Responsibility for further staff reductions and restructuring has been transferred to the business areas, with support being provided by the Telenor Restructuring Unit.

In 1996, 508 employees availed themselves of the Group's offer of early retirement. So far, almost 2,000 employees have taken early retirement. Telenor's pension Fund covers 37 companies in the Group, and at the end of the year it had 17,719 active members and 168 pensioners. Total assets were approximately NOK 560 million.



In 1996, resolutions were passed and preparation started on the building of new office premises at Fornebu (Oslo), and in Trondheim and Bergen. In the Oslo area alone, Telenor will reduce the costs of office space by 25 per cent by locating its activities together at new headquarters.



The internal and external environment

A continual and systematic effort has been made to maintain and improve the working environment in the Group's business areas, units, and companies. Sick leave in 1996 was 4.5 per cent. This is 0.2 per cent higher than in 1993, but still lower than in 1994. Occupational injuries, measured in terms of sick leave from injuries per million hours worked, fell from 3.4 in 1995 to 2.8 in 1996.

A new strategy has been adopted for the external environment, where ambitions are high. Based on the 1996 plan of action, a great deal of work has been carried out in various environmental areas. Together with 20 other European telecommunications companies, Telenor has subscribed to an environmental charter.

Allocation of the profit for the year

In 1996, the parent company's profit after taxes was NOK 1,119 million. The Board would point out that the Storting (Parliament), in the National Budget debate for 1997, set the dividend to be distributed at NOK 950 million, or NOK 400 million higher than the Government had proposed in Proposition no. 1 to the Storting (1996-97). Under the circumstances, the Board will propose that the Annual General Meeting declares a dividend of NOK 950 million for 1996, but would at the same time stress the need for the Government, as the owner, to adopt a long-term, stable dividend policy adapted to the Group's opportunities to grow, its growth goals, and the need for capital adequacy.

In order to make a Group contribution of NOK 450 million to subsidiaries, and at the same time pay the dividend, NOK 281 million must be transferred from Retained earnings.

The Board proposes the following allocations (NOK million):

To dividend	(950)
From Retained earnings	281
Total allocations	(669)

Outlook for the future

In addition to transporting signals, the ability to create and process information will be the basis for future added values. One of Telenor's main challenges will be to be broadly represented at the upper end of the value chain. This is also important if we are to compensate for the loss of market shares in the traditional monopoly areas. Telenor has positioned itself in the upper part of the value chain, and is actively striving to have 20 per cent of the Group's total revenue come from new products within a period of five years.

An important part of Telenor's strategy is to expand internationally in order to compensate for lost income from the home market. Involvement in the international markets, as well as the domestic market, will call for investments totalling tens of billions of kroner over the next few years. Access to capital will therefore be decisive if the strategy, and thus Telenor's position as a leading IT force in Norway, is to be successful. Realising the new IT centre at Fornebu is another important factor to realise this strategy. It will be necessary to continue focusing on efficient operations and cost reductions.

Internet represents a major challenge and at the same time a factor of uncertainty. Developments are difficult to predict with any certainty with the exception of the fact that the Internet will realise the concept of information highways and a multi-media society. It is therefore even more important for Telenor to be in a position to plan for the future with a dividend policy and regulatory conditions that are predictable and sustainable.

On the basis of the Group's overall market position, its financial strength, an advanced telecommunications network, and the expertise of its staff, the Board takes a positive view of the opportunities that will be presented after 1998.

Remuneration, fees etc.

Remuneration to the parent company's Board of Directors amounted to NOK 807,500 in 1996, and remuneration to the Corporate Assembly amounted to NOK 305,000.

In 1996, salary and other remuneration to the President and Chief Executive Officer totalled NOK 1,284,961.



The President and Chief Executive Officer's other agreements are referred to in Note 3.

Estimated auditor's fee for the parent company in 1996 is NOK 2,370,000. In addition, invoices regarding other services amounts to NOK 2,146,000. This includes statutory reports on the Group to the regulatory authorities.

Oslo,
15 April 1997



Christian Brinch
Christian Brinch
Vice-Chairman



Ada Kjeseth
Ada Kjeseth



Arnfinn Hofstad
Arnfinn Hofstad
Chairman



Oddbjørn Nordset
Oddbjørn Nordset



Tore Gulbrandsen
Tore Gulbrandsen



Åshild Bendiktsen
Åshild Bendiktsen



Terje Møg Gustavsén
Terje Møg Gustavsén



Synnøve Lohne-Knudsen
Synnøve Lohne-Knudsen



Svein Eivind Solheim
Svein Eivind Solheim



Financial Statements

1996



Profit and loss account

1 January–31 December

<i>Amounts in NOK million</i>	Note	1996	1995	1994
Operating income	1	22,170	19,859	18,444
OPERATING EXPENSES				
Cost of goods sold and traffic charges		5,052	4,339	3,827
Salaries and personnel costs	2,3	5,888	5,220	4,757
Other operating expenses	4,5,6	4,678	4,119	3,772
Depreciation and write-downs	14	3,887	3,562	3,362
Total operating expenses		19,505	17,240	15,718
Operating profit		2,665	2,619	2,726
FINANCIAL INCOME AND EXPENSES				
Financial income	7	252	231	260
Financial expenses	7	(563)	(747)	(934)
Net financial items		(311)	(516)	(674)
Profit before taxes		2,354	2,103	2,052
Tax charge	8	(441)	(603)	(173)
Minority interests		(3)	(19)	(4)
Profit for the year		1,910	1,481	1,875

Balance sheet

as at 31 December

<i>Amounts in NOK million</i>	Note	1996	1995	1994
ASSETS				
Cash and cash equivalents	9	713	1,033	1,605
Accounts receivable	10	4,206	3,713	3,129
Other current assets	11	948	691	531
Inventories		607	473	469
Total current assets		6,474	5,910	5,734
Shares and other current investments	12	1,558	994	599
Other long-term receivables	13	975	518	165
Fixed assets	14,15	20,573	20,056	19,573
Total fixed assets		23,106	21,568	20,337
Total assets		29,580	27,478	26,071
LIABILITIES AND EQUITY				
Short-term interest-bearing debt	16	333	58	15
Short-term non-interest-bearing debt	17	7,387	6,586	4,438
Total short-term debt		7,720	6,644	4,453
Long-term interest-bearing debt	16	5,527	6,848	8,684
Long-term non-interest-bearing debt	17	1,567	2,196	1,952
Total long-term debt		7,094	9,044	10,636
Minority interests		95	69	3
Equity	18	14,671	11,721	10,979
Total liabilities and equity		29,580	27,478	26,071
Mortgages	19	92	45	–
Guarantee liability	19	1,832	1,627	850

Arnfinn Hofstad (sign.)

Oddbjørn Nordset (sign.)

Tore Gulbrandsen (sign.)

Christian Brinch (sign.)

Åshild Bendiktsen (sign.)

Synnøve Lohne-Knudsen (sign.)

Tormod Hermansen (sign.)

President and CEO

Terje Moe Gustavsen (sign.)

Ada Kjeseth (sign.)

Svein Eivind Solheim (sign.)

Cash flow statement

1 January–31 December

<i>Amounts in NOK million</i>	Note	1996	1995	1994
CASH FLOW FROM OPERATING ACTIVITIES				
Generated from operations *)		5,851	5,405	5,384
Change in inventories, debtors and creditors		(579)	299	309
Change in other operating items		(445)	580	(278)
Net cash flow from operating activities (A)		4,827	6,284	5,415
CASH FLOW FROM INVESTING ACTIVITIES				
Investments in fixed assets		(5,047)	(4,473)	(3,353)
Proceeds from sale of fixed assets		522	208	76
Change in other investments		(1,020)	(655)	(85)
Net cash flow from investing activities (B)		(5,545)	(4,920)	(3,362)
NET CASH FLOW FROM FINANCING ACTIVITIES				
Change in equity		1,994	–	(3,742)
Establishment of debt due to reorganisation		–	–	3,198
Dividend paid		(550)	(100)	–
Repayment of debt		(4,263)	(3,576)	(3,180)
Proceeds from issue of new debt		3,217	1,740	2,021
Net cash flow from financing activities (C)		398	(1,936)	1,703
Net change in cash and cash equivalents (A+B+C)		(320)	(572)	350
Cash and cash equivalents as at 1 January	9	1,033	1,605	1,255
Cash and cash equivalents as at 31 December	9	713	1,033	1,605
*) This figure comprises the following:				
Profit before tax		2,354	2,103	2,052
(Gain)/loss on sale of fixed assets		(46)	73	(16)
Depreciation and write-downs		3,887	3,562	3,362
Taxes paid		(344)	(333)	(14)
Generated from operations		5,851	5,405	5,384

The effect of acquisitions is not presented on a separate line.

Accounting policies

General

The annual report comprises of the Report from the Board of Directors, the company's and the Group's Profit and Loss Accounts, Balance Sheets, Cash Flow Statement, and Notes to the financial statements.

In 1996 and 1995, there were changes made in the organisation of the Group that affect the comparability between the different years for Telenor AS. The comparative figures for Telenor AS for fiscal year 1994 are from the pro forma profit and loss account for the public enterprise Televerket and the joint-stock company Televerket AS. Up until 31 October 1994, Televerket was a public enterprise. On 1 November 1994 the public enterprise was converted into a joint-stock company with the Government transferring the business and establishing the capital of Televerket AS. Since Televerket was not a separate legal entity for taxation purposes, the accounts for the 1994 fiscal year, therefore, only consider the tax charge for Televerket AS for the period 1 November 1994–31 December 1994.

The annual accounts have been presented in accordance with accounting legislation and Norwegian generally accepted accounting principles. All amounts are in NOK million and refer to the Telenor Group unless otherwise indicated.

Consolidation principles

The Group accounts comprise Telenor AS and all subsidiaries in which Telenor AS owns more than 50 per cent of the capital and has a controlling influence. These companies are disclosed in Note 12. The Group accounts show the Group's financial situation and result when these companies are regarded as one.

Shares in subsidiaries are eliminated in accordance with the purchase method of accounting. All significant transactions and balances between companies in the Group are eliminated. Minority interests in the profit for the year and equity are shown as separate items in the profit and loss account and balance sheet. The results of companies acquired during the year are consolidated from the date of acquisition

Accruals and classification principles

Income

Traffic income is billed in arrears and recorded as income at the time of delivery. Subscription income is billed in advance and allocated evenly over the subscription period. Individual service assignments are recorded as income as performed. Income from service agreements is recognised over the term of the agreement.

Cost of goods sold and traffic charges

Telenor settles traffic to and from Norway with foreign telecommunications operators. Traffic costs to foreign countries represent remuneration to the foreign telecommunications operators for their share of the traffic from Norway. The share of traffic from abroad is similarly recorded as traffic revenue by Telenor.

Telecommunication traffic to and from mobile networks is settled in a similar manner. Telenor receives a remuneration for its share of the externally generated traffic, while the cellular operators' share of external mobile-terminated traffic is recorded as traffic costs in Telenor's accounts.

Pension cost and pension obligations

The manner in which pension costs are dealt with in the accounts is in accordance with the Draft Norwegian Accounting Standard for Pension Costs. According to this standard, the group pension scheme is dealt with as a defined benefit plan. Up to 31 August 1995 most of Telenor's employees were covered through the Norwegian Public Service Pension Fund. This scheme was dealt with as a supplementary scheme.

The group pension plan is covered through the foundation Telenor Pensjonskasse. 17,719 of the Group's employees are covered through Telenor Pensjonskasse.

In addition, the company has a number of small group pension schemes with independent insurance companies and a separate pension fund for executive officers.

The pension costs and pension obligations for the defined benefit scheme are calculated on the basis of assumptions made regarding the discount rate, future salary adjustments, pensions and benefits from the National Insurance Scheme, future yields on pension funds and actuarial assumptions regarding mortality, voluntary retirement etc. The pension fund assets are valued at their actual value, and deducted from net pension obligations recorded in the balance sheet. Any surplus funding is recorded on the balance sheet to the extent that such a surplus funding can probably be utilised. Changes in the obligations and pension fund assets that are the result of deviations and estimates/assumptions are realised over the expected remaining pension-earning period (15 years) if the deviations exceed 10 per cent of gross pension obligations (pension fund assets if these are higher). Deviations that are not recorded appear from Note 2. The company's legal obligations are not affected by the manner in which they are dealt with in the accounts.

The basis for calculating the year's pension cost for the defined benefit scheme is based on the number of qualifying (pension earning) years, salary level on retirement and the following assumptions:

Discount rate	7.0%
Annual salary adjustment/increase in NIS basic amount (G)	3.5%
Annual adjustment to pensions	2.5%
Return on pension fund assets	8.0%
Leaving rate	2.5%

Early retirement costs

Early retirement costs are charged within personell costs in the year the decision to retire is made, based on estimated future costs.

Early retirement was offered to Televerket's staff from 1 March 1993. It has been continued in Telenor AS through to the end of 1996. The offer is made to employees over 60 years of age. The cost of early retirements is met by Telenor AS. The early retirement pension amounts to 66 per cent of ordinary pension base plus a supplement of $\frac{1}{4}$ G. The net present value of anticipated pension obligations is included under long-term debt in the balance sheet. A discount rate of 7 per cent has been used and the amount includes payroll tax.

The obligation's internal cost of funding is calculated. The interest element is presented as a financial expense.

Research and development costs

Research and development costs are charged within the appropriate costs as incurred.

Taxes

The tax charge includes the taxes payable for the period as well as changes in deferred tax benefits/liabilities. Changes in deferred tax/deferred tax benefits/liabilities represent taxes which relate to the financial results for the period but which will become due for payment/receipt during later periods. Deferred tax benefits/liabilities are calculated by making full allocation for all temporary timing differences including losses carried forward in accordance with the liability method, using nominal amounts and the tax rate at the balance sheet date.

Classification of assets and liabilities

Items which are linked to the business cycle, or which normally fall due for payment within one year of the balance sheet date, are classified as current assets or short-term liabilities in the balance sheet. Assets acquired for the purpose of long-term holding are

classified as fixed assets. The distinction between short-term liabilities and long-term debt and receivables is normally drawn one year before the payment matures. Liabilities where the underlying facility is of a long-term nature are treated as long-term debt, irrespective of the actual maturity date.

Other

Gains and losses resulting from the sale of fixed assets are treated as part of normal business operations and classified as ordinary operating income and expenses.

Valuation principles

Bonds, certificates and other securities

The Group's investments include shares, bonds, certificates and cash deposits. The portfolios are managed as uniform groups, and an adjustment in value is only made if the total portfolio has a lower market value than the original cost (the portfolio principle). Net unrealised losses are recorded as an expense under financial items, while unrealised gains are only recorded as income to the extent they reverse previously expensed losses.

Accounts receivable

Accounts receivable are recorded at their nominal value, less a provision for bad debts. Accrued, not yet invoiced income is classified as accounts receivable.

Inventories

Inventories are valued at the lower of original cost price and market value. A deduction is made for obsolescence. Spare parts that are linked to specific fixed assets are capitalised and depreciated over the economic life of the underlying asset.

Shares and other investments

Shares and other investments, including shares in associated companies, are valued at historical cost, or market value if it is determined that there has occurred a permanent diminution in value. Any return received is recorded as financial income. Distributions received over and above the scheduled plan from the satellite organisations are recorded as long-term debt until final approval for the distribution is received.

Fixed assets/depreciation

General

Capitalised assets include investments which increase capacity or substantially improve quality. These are recorded in the balance sheet at historical cost less accumulated depreciation and write-downs. Ongoing maintenance costs are charged to the profit and loss account.

Ordinary depreciation is based on the expected economic and technical life of the asset from the time the asset was brought into normal operations. Depreciation on fixed assets taken over from the public enterprise Televerket, on 1 November 1994, is based on historical cost.

Internal investment costs are directly capitalised and are not shown as operating income or expenses. Internal costs related to investments in administrative support systems are expensed as incurred.

Depreciation principles

Depreciation is provided on fixed assets on a straight line basis using the following rates:

Office machinery and equipment	20–30%
Satellites, computer equipment, software in exchanges and other equipment with a short economic life	10–20%
Transmission and exchange equipment	10–20%
Cable and power supply installations	6–8%
Buildings	3–4%
Goodwill	10–33%

Goodwill

On acquiring another company for a consideration which exceeds the value of the individual identifiable assets or liabilities, the difference is recorded as goodwill on the balance sheet. Goodwill is amortised on the basis of estimated economic life, but not over a period longer than 20 years. Goodwill related to an underlying licence agreement is amortised over the term of the agreement. If, however, the actual value is assessed to be lower at year-end, the value is written down to market value.

Depreciation principles, mobile telephone network

NMT and pager networks that were taken over from Televerket on the formation of Telenor Mobil AS on 1 January 1993 are depreciated using the "sum of the digits" method based on the expected earnings profile. The GSM network and other ordinary fixed assets are depreciated on a straight-line basis. When calculating the annual depreciation, an expected economic life of between 5 and 8 years has been assumed.

Depreciation principles, cable-TV installations

Cable-TV installations that were taken over on the establishment of TBK a.s in 1988 and acquired systems that are in operation, are depreciated on a straight line basis over 10 years. Investments in the trunk network are depreciated over 12 years.

New development projects are depreciated on the assumption that $\frac{1}{2}$ of the aggregate net income from a new project refers to the connection charges to new subscribers. The remaining $\frac{1}{2}$ refers to the annual subscription income. Against this background, $\frac{1}{2}$ of the project costs are depreciated on a straight line basis over 12 years, while the remaining costs are expensed over 4 years, of which about $\frac{1}{2}$ in the year of construction and the remainder equally distributed over the following 3 years. Internal administration and planning costs linked to new projects are charged to the profit and loss account.

Foreign exchange

Liquid assets denominated in foreign currencies are translated at the rate prevailing on the balance sheet date.

Unhedged receivables and payables in foreign currencies are translated at the lower/higher of the historical or year-end rates. Receivables and payables denominated in the same currency are netted, but in such a manner that short-term and long-term items are treated separately.

For unhedged positions, unrealised losses are expensed, while unrealised gains are only recognised as income to the extent that they reverse previously expensed losses.

Financial instruments

Interest rate swaps

Interest rate swaps and future interest agreements are used to achieve the desired interest structure between the Group's interest-bearing assets and liabilities. Interest income and expenses are recorded as incurred.

Forward contracts and currency swap agreements

Forward contracts and currency swap agreements are undertaken to adjust the foreign exchange exposures in the balance sheet with regard to the formally agreed rate at which the receivable/payable is due. In such cases, the forward contract/swap agreement is taken into consideration when determining the accounting treatment of the corresponding payable/receivable.

Forward rate premiums/discounts are allocated over the term of the contract.

Notes to the financial statements

1. Operating income *)

	1996	1995	1994
Telephony **)	10,951	10,742	10,625
Mobile telephony	2,686	2,399	1,885
Other network-based operations	1,971	1,566	1,202
Satellite ***)	875	771	977
Customer equipment etc.	3,616	2,609	2,206
Advertising income	895	774	558
Other	1,176	998	991
Total operating income	22,170	19,859	18,444

*) The breakdown for 1996 is changed compared to previous years. Classification of operating income for 1995 and 1996 is adjusted accordingly.

**) Includes traffic and subscription fees for telephone and ISDN. It also includes income from incoming traffic from other networks (international and NetCom).

***) Up to and including 1994 all transit traffic over the Eik Earth Station was pertaining to accounts, recorded as operating income and expenses. From 1995 only net operating income is recorded.

2. Pension costs, pension obligations and pension fund assets

	1996	1995	1994
<i>Pension costs for the period are as follows:</i>			
<i>Contribution schemes and early retirement pensions:</i>			
Contribution to Norwegian Public Service Pension Fund	–	89	228
Early retirement pensions	221	259	257
Total contributions and early retirements	221	348	485
<i>Beneficial plans:</i>			
Net present value of the year's earnings	222	91	40
Interd est cost on pension obligations	42	20	9
Gross pension cost	264	111	49
Estimated return on pension fund assets	(42)	(28)	(16)
Difference between estimated and actual yield recorded	4	–	1
Net pension costs	226	83	34
Payroll tax	28	12	7
Net pension cost incl. payroll tax	254	95	41
Pension costs charged to the year's result	475	443	526
<i>Pension obligations and pension fund assets are as follows:</i>			
Gross pension obligations at 01.01	550	412	126
Acquisition/sale of subsidiaries	128	29	–
Gross pension cost	264	111	49
Payment of pensions	(14)	(2)	(1)
Gross pension obligations 31.12	928	550	174
Pension fund assets 01.01	444	263	181
Acquisition/sale of subsidiaries	65	50	–
Payments in and out and estimated return on pension fund assets	228	131	74
Pension fund assets at 31.12	737	444	255
Net pension obligations (assets) at 31.12	191	106	(81)

continues

<i>note 2 continues</i>	1996	1995	1994
Estimates and deviations not recorded on balance sheet	(47)	(19)	–
Payroll tax	18	10	(9)
Net pension obligations (assets) including payroll tax	162	97	90
Pension funds (see Note 13)	115	166	90
Pension obligations (see Note 17)	277	263	–

3. Salaries and personnel costs

In addition to salaries and personnel costs recorded in the Profit and Loss Account, pay-related costs resulting from internal investment projects amounted to NOK 295 million in 1996 (NOK 198 million in 1995). These costs were capitalised.

In connection with the establishment of Telenor AS, an agreement has been signed with the President and CEO according to which the company is obliged, under certain conditions, to pay salary for 6 months beyond the ordinary period of notice. Any other remuneration in arrears shall be co-ordinated with other earned income. In addition, the President and CEO's pension age is 65 years, with a right to retire at the age of 60 with a supplementary pension, making his pension 66 per cent of his salary at retirement date.

4. Other operating expenses

Other operating expenses include the cost of renting premises, machinery, fixtures and fittings, purchases and maintenance of equipment, external services, transport and sales, marketing and administration costs.

5. Bad debts

	1996	1995	1994
Realised losses for the year	204	149	207
Recovered on amounts previously written off	(42)	(35)	(21)
Change in provision for bad debts	4	54	7
Total bad debts	166	168	193

Bad debts are included in Other operating expenses in the Profit and Loss Account.

6. TNM deficit

Telenor Resource Pool (TNM) is absorbing Telenor's redundant staff. By raising the level of their skills, and initiating new business, the division seeks to obtain income-generating activity within or outside Telenor for these staff.

In accordance with the Proposition no. 43 (1993–1994) to the Norwegian Storting (Parliament) a provision of NOK 1,100 million was made to cover deficits through to the end of 1997. At the end of 1996, the provision amounts to NOK 341 million.

In February 1997, TNM was dismantled from its original form after having been operative for four years. Further restructuring has been placed in the hands of Telenor Restructuring Unit.

TNM's deficit is charged to the profit and loss account, and the provision is recorded as income in line with the deficit estimated at the time the provision was made. Any deviation between the actual deficit and provision reversed is classified as other operating expenses.

	1996	1995	1994
Income TNM	5	47	216
Salaries and personnel costs	253	346	468
Other costs	71	101	183
Total costs TNM	324	447	651
Deficit TNM	(319)	(400)	(435)
Income from provision made	363	456	55
Net effect on other operating expenses	44	56	(380)
Estimated interest cost (internal)	(52)	(63)	–
Net effect on profit before taxes	(8)	(7)	(380)

7. Financial income and expenses

	1996	1995	1994
Distribution from satellite organisations	119	97	89
Interest on balances with the Treasury	–	–	11
Interest income	93	80	80
Other financial income	40	54	80
Total financial income	252	231	260
Interest on Government loans	92	328	750
Interest on other debt	436	209	112
Other financial expenses	35	210	72
Total financial expenses	(563)	(747)	(934)
Net financial items	(311)	(516)	(674)

8. Taxes

The tax charge for the year is as follows:

	1996	1995	1994
Taxes payable	571	333	14
Change in tax for previous fiscal years	2	3	–
Change in deferred tax	(132)	267	159
Total tax charge	441	603	173

The changes in deferred tax assets/liabilities arise due to different principles for recognising certain revenue and expenses in the tax and financial accounts, and are detailed below:

	1996	1995	1994
<i>Basis for taxes payable:</i>			
Profit before taxes	2,354	2,103	2,052
Profit from the public enterprise Televerket	–	–	(1,225)
Permanent differences	36	26	32
Change in temporary differences	838	243	(1,803)
Applied carried forward losses	(1,403)	(1,181)	(75)
Losses to be carried forward	–	–	1,092
Group items and eliminations	215	(2)	(23)
Basis for taxes payable	2,040	1,189	50
Taxes payable (28%)	571	333	14
<i>Basis for deferred tax:</i>			
Differences linked to short-term balance sheet items	(380)	(321)	(183)
Differences linked to long-term balance sheet items	729	1,579	1,936
Utilisation of carryforward losses	(7)	(22)	(1,162)
Total basis for deferred tax/deferred tax benefit	342	1,236	591
Total deferred tax benefit (28%)	77	72	–
Total deferred tax (28%)	173	418	165

Temporary differences mainly consist of tax depreciation exceeding financial depreciation, and provisions for early retirements and pension obligations.

Telenor AS was in a dialogue with the tax authorities regarding the correct tax-related depreciation rates for production equipment in the telecommunications network. In the accounts for the fiscal years 1994 and 1995, the telecommunications network is depreciated for tax purposes as balance group d, i.e. 20% depreciation. The Central Office for Taxation of Large-sized Companies has for the most part accepted Telenor's treatment of these items.

9. Cash and bank deposits

This item comprises cash, bank deposits and deposits with the postal giro. The Group has established withholding tax guarantees for payment of the staff's PAYE withholding tax. The Telenor Group has established a Group bank account with two banks. Under these agreements, Telenor AS is the Group account-holder, whereas the other companies in the Group are sub-account holders or participants. The banks can set off balances in their favour against deposits, so that the net position represents the net balance between the bank and the Group account holder. Interest on the subsidiaries' share of deposits and amounts due the banks are recorded as intra-group interest and are eliminated in the Group accounts. NOK 56 million of the bank deposits is restricted.

10. Accounts receivable

	1996	1995	1994
Accounts receivable	3,010	2,036	1,628
Accrued, not yet invoiced income	1,450	1,922	1,695
Provision for bad debts	(254)	(245)	(194)
Total accounts receivable	4,206	3,713	3,129

11. Other current assets

	1996	1995	1994
Certificates	–	114	15
Prepaid expenses	174	163	164
Receivables for minority-owned companies	69	3	–
Shares *)	406	211	33
Other receivables	299	200	319
Total other current assets	948	691	531

*) Short term shares are specified below.

<i>Amounts in NOK 000s</i>	No. of shares held by Telenor	The Group's holding	Book value
Elkøp Norge ASA	824,450	11.5%	150,585
Provida ASA	1,018,100	14.2%	57,014
Cetronic AS	245,600	30.7%	6,766
Eltek AS	1,765	9.1%	20,059
Gran-Jansen AS	277,200	22.2%	5,411
Incatel AS	45,332	42.9%	600
Info Call 1-2-3 AS	2,575	34.0%	1,000
Internett Kanal 1 AS	157,500	39.4%	4,025
Intra Media AS	74,847	22.5%	10,000
Linkcom Business Syst, AS	1,206,000	29.7%	1,702
Linne Data Management AB	1,474,206	22.8%	15,201
Maritech Systems AS	26,000	20.0%	4,000
Maxware AS	1,011,065	31.5%	11,400
Micro Design ASA	194,817	13.4%	9,315
MobileDisplay AS	509	45.9%	2,373
MRT Micro ASA	5,000,000	17.1%	15,002
Norsk Tekst AS/Norvekst AS	552	24.5%	6,000
Nätcentralen NFM AB	1,000	40.0%	983

continues

note 11 continues

	No. of shares held by Telenor	The Group's holding	Book value
Open World Distribution AS	90,680	22.6%	6,000
PolyDisplay ASA	1,014,105	10.1%	905
Scandinavian Group AS	24,950	49.9%	260
Seatex Garex ASA	3,549,100	20.2%	65,241
Sysdeco Dikas AS	215,386	28.0%	4,999
T-SAT AS	23,820	4.3%	2,338
T-SAT Holding AS	56,850	37.9%	2,026
Trade AS	2,778	45.0%	2,303
Ucom AS	3,996	18.0%	833
Total shares classified as current assets			406,341

*) The marked value of Elkjøp, Provida and Seatex Garex are (NOK 000s) 155,409, 56,250, and 122,621 respectively.

12. Shares and other investments

Shares in subsidiaries:

Amounts in NOK 000s	The company's share capital	No. of shares held by Telenor	The Group's holding	Book value
Telenor Bedrift AS	350,000	350,000	100%	350,000
Telenor Mobil AS	300,000	300,000	100%	595,000
Telenor Privat AS	50	50	100%	50
Telenor Plus AS	109,000	109,000	100%	129,314
Telenor Venture AS	100,000	700,000	70%	86,000
Telenor International AS	1,000,000	1,000,000	100%	1,500,000
Telenor Installasjon AS	2,500	2,500	100%	2,500
Telenor Nett AS	50	50	100%	50
Telenor Finans AS	3,500	3,500	100%	81,968
Telenor Renhold og Kantine AS	1,000	510	51%	510
Telenor Svalbard AS	50	50	100%	50
Norsk Tele AS	50	50	100%	50
Telenor Miljø AS	2,000	2,000	100%	2,000
Telenor Inkasso AS	2,000	2,000	100%	2,000
Telenor Inka AS (Geomatikk AS)	14,000	14,000	100%	20,000
Total shares in subsidiaries				2,769,492

Shares in subsidiaries owned through subsidiaries:

Amounts in NOK 000s	The company's share capital	No. of shares held by Telenor	The Group's holding
TELENOR BEDRIFT			
Novit AS	45,000	4,070,268	90.45%
TBK Mobiltelefonhuset AS	425	425	100%
Telenor Teamco AS	22,000	220,000	100%
Telenor Dolphin AS	500	100,000	100%
Telenor Multicom AS	1,000	1,000	100%
Telenor Direkte AS	9,000	9,000	100%
Telenor April Data AS	50	50	100%
Telenor Ergosoft AS	1,500	60,000	100%
Telenor Info Medica AS	7,300	7,300	100%
4P Datalab AS	600	6,000	100%
Telenor Allianse AS	10,000	9,100	91%
Telefonselskapet AS	1,000	1,040	52%
Teleteknikk AS	50	52	52%
Telenor RIT AS	10,000	100,000	100%
Telenor Comma AB, Sweden	SEK 1,436	14,360	100%
Telenor Comma AS, Denmark	DKK 8,000	80	100%
Telenor Comma OY, Finland	FIM 15	77	51%
ND Systems Ltd, Ireland	IEP 550	550,000	100%
Norsk Data Ltd, England	GBP 3,804	3,804,000	100%

continues

note 12 continues

		The company's share capital	No. of shares held by Telenor	The Group's holding
Telenor Forum AS (Allianse Hordaland)		1,530	153,000	100%
Telenor Alfashop AS		50	50	100%
SCS Consultance AS		50	50	100%
Computer Telephony AS		50	50	100%
Ergosoft AB	SEK	10,050	100,500	100%
Ergosoft Innovation AS		50	50	100%
TELENOR INTERNATIONAL				
Telenor Consult AS		1,500	15,000	100%
Telenor Carrier Services AS		100,000	100,000	100%
Telenor Global AS		25,000	25,000	100%
Telenor Invest AS		300,000	300,000	100%
Telenor Satellite Services AS		400,000	400,000	100%
Telenor Hungary Tavkolesi Kft	HUF	1,000	1	100%
Telenor Polska sp.z.o.o	PLN	75	100	100%
Telenor Slovakia s.r.o	SKK	100	100	100%
Telenor Czech Republic s.r.o	CZK	4,100	100	100%
Telenor UK Ltd	GBP	10	10,000	100%
Telenor Comm. Services Group BV	NLG	75	18,002	90%
Telenor Satellite Services AB	SEK	400	400	100%
Norcom Networks Communication	USD	19,997	1,482,100	100%
Full Cry Neva	RUB	147,300	98,961	67%
AirPage GmbH	ATS	1,400	8,960	64%
Comet Telecom Advisors Kft	HUF	300	100	100%
DCIT s.r.o	CZK	2,000	62	62%
Comet Holding AS		19,000	19,000	100%
Second Opinion Solutions AS		225	1,320	59%
International Private Networks AS		50	50	100%
Telenor MarLink AS		50	50	100%
Neva Nor Telekom AS		150	1,005,000	67%
TELENOR PLUS				
Telenor Avidi AS		30,000	300,000	100%
Telenor Media AS		50,000	50,000	100%
Telenor Link AS		8,000	8,000	100%
Telenor CTV AS		10,000	10,000	100%
Telenor Conax AS		1,000	10,000	100%
Schibsted Nett AS		625	62,500	100%
Telenor Pos AS		4,500	128,793	100%
Telenor Nextel AS (formerly Online)		10,000	2,000	100%
Telenor Markttech AS		480	48,000	100%
Telecom Scandinavia AS		500	500	100%
Tele Media Service AS		2,230	22,300	100%
Maxtel AS		50	50	100%
Telenor Media Directoria AS		378	378	100%
Gule Sider AS		50	50	100%
Telefonkatalogens Gule Sider AS		50	50	100%
Lokalveiviseren AS		7,288	7,288	100%
Telenor CTV Norge AS		4,000	4,000	100%
Bonnier Telenor Företaksinfo AB	SEK	500	66	66%
Tu Distrito SA	ESP	27,500	2,750	100%
Nord Trans Handelshus AB	SEK	50	255	51%
Nord Trans Biuro Reklam Sp.zo.o	PLN	200	200	100%
Telenor Media Espana SA	ESP	2,500	2,500	100%
Telenor Media Polska Sp.zo.o	PLN	300	1,000	100%
Scandinavian Card TV OY AB	FIM	500	500	100%
Scandinavia Online AS	DKK	500	10	100%
Scandinavia Online AB	SEK	50	500	100%
Scandinavia Online OY	FIM	19	192	100%
Telemarkedet AS		400	40,000	100%
Telemarkedet AB	SEK	50	500	100%
Games and Multimedia entertainment AS		50	50	100%

continues

note 12 continues

	The company's share capital	No. of shares held by Telenor	The Group's holding
TELENOR MOBIL			
Telenor Telehuset AS	20,600	20,600	100%
Transport Telematikk AS	50	50	100%
MobilData Kjedden AS	730	35,040	48%
Com-Gruppen AS	280	312	48%
MobilData Finans AS	100	10,000	100%
MobilData Billingstad AS	730	73,000	100%
TELENOR VENTURE			
Multi Media Studio AS	310	310	100%

Other shares owned by Telenor AS:

Amounts in NOK 000s	The company's share capital	No. of shares held by Telenor	The Group's holding	Book value
Tele Danmark AS	DKK 1,310,000	30,100	0.02%	10,927
Norkring AS *)	336,000	134,000	40.00%	134,400
Norway Presentation AS	3,000	13,600	35.00%	1,360
Trøndelag Vekst AS	41,025	19,335	2.93%	3,000
Miscellaneous	–	–	–	337
Total other shares				150,024

Other shares owned through subsidiaries:

Amounts in NOK 000s	The company's share capital	No. of shares held by Telenor	The Group's holding	Book value
TELENOR BEDRIFT				
Avenir AS	6,189	210,435	34.0%	7,167
Infocare AS	3,643	22,000	11.0%	3,300
AL Kommunedata	800	2	25.0%	819
Telenor Wick Hill AS	4,000	1,996	49.9%	1,996
Other shares	–	–	–	309
TELENOR INTERNATIONAL				
Telenordia AB *)	SEK 300,000	100,000	33.3%	272,709
TD Telekom	SUR 60,000	30	50.0%	40
Kola Telekom	SUR 4,000	100	50.0%	24
Internordia Comm. AB	SEK 5,000	25,000	50.0%	6,889
Telenor Business Comm. AS	DKK 10,000	50,000	50.0%	5,700
European Telecom, Luxemb.	LUF 1,250	2,200	44.0%	23,976
NorthWest GSM *)	RUB 31,000,010	165,100A/468,000B	12.7%A/26%B	23,610
Pannon GSM *)	HUF 18,500,000	3,758	20.3%	266,097
ESAT Digifone *)	IEP 2,970	1,188,000	40.0%	25,667
UAB Nelte	USD 1,300	2,288	44.0%	3,631
Starlight Communications LLC USA	USD 2,438	–	42.5%	18,875
Satellite Services SA	PLN 180	882	49.0%	23
Wahlberg & Sehlin, Sweden	SEK 7,481	374	34.0%	7,860
Marionor AS	7,527	60,816	20.2%	6,140
Connect Austria	ATS 500	105	21.0%	64
Other shares	–	–	–	4,294
TELENOR PLUS				
Lokaldelen i Sverige AB *)	SEK 68	2,298	34.0%	52,867
AS Publishing	2,000	1	50.0%	1,000
DM-huset AS	1,515	515	34.0%	1,095
Scandinavian Online AS	50,000	17,500	35.0%	17,500
Audiovoice AS	50	110	22.0%	15,841
Norsk Tekst AS	175	43	24.5%	6,000
Other shares	–	–	–	20

continues

<i>note 12 continues</i>	The company's share capital	No. of shares held by Telenor	The Group's holding	Book value
TELENOR MOBIL				
Nordialog AS	1,000	4,800	48%	480
Megafon AS	500	49	49%	245
Tele Ring AS	960	456	47.5%	456
TELENOR MILJØ				
Andre aksjer				297
Total other shares owned through subsidiaries				774,991

*) Key figures for the company according to preliminary accounts for major minority owned strategic investments are as follows:

<i>Amounts in NOK million</i>	Ownership	Operating share	Profit revenue	Equity after tax	Total assets
ESAT Digifone GSM	40%	–	(162)	(130)	149
Telenordia AB	33%	192	(269)	338	639
Pannon GSM	20.3%	750	(44)	371	1,573
North-West GSM	12.7% A/26%B	158	10	96	193
Norkring AS	40%	166	14	350	1,167
Lokaldelen AB	34%	253	24	65	139

Investments in satellite organisations **):

<i>Amounts in NOK 000s</i>	The Group's holding	Total max. capital	Share of actual capital ceiling (guarantee liability)	Book value
Inmarsat	6.82%	USD 1,600 mill.	836,245	316,589
Eutelsat	0.26%	ECU 1,900 mill.	40,081	5,344
Intelsat	2.44%	USD 4,000 mill.	631,016	310,781
Notelsat	50.0%	–	–	32
Total			1,507,342	632,746

Total shares and other investments

1,557,761

**) Telenor AS is a member of the satellite organisations INTELSAT, EUTELSAT, INMARSAT and NOTELSAT. These satellite organisations are financed in part by capital paid in by the members and in part by external loans. Telenor AS is liable for its share of the individual satellite organisation's obligations, which primarily comprise contracts/orders for new satellites. The obligations are reflected in the satellite organisations' actual maximum capital, which is the upper limit for the satellite organisations' commitments.

13. Other long-term receivables

	1996	1995	1994
Deferred tax benefit	77	72	–
Net pension fund assets	115	166	90
Subordinated loan Norkring	184	–	–
Subordinated loan Esat Digifone	108	–	–
Loan Norkring	175	–	–
Prepaid rent	147	100	–
Prepaid expenses	33	–	–
Deposits for housing and commercial properties	51	46	12
Other long-term assets	85	134	63
Total other long-term receivables	975	518	165

14. Fixed assets

	Historical cost at 01.01.96	Acquisitions 1996	Disposals 1996	Depr. and write-downs 1996	Acc. Depr and write-downs at 31.12.96	Book value at 31.12.96
Local, regional and trunk network	23,120	1,122	(576)	1,211	(17,126)	6,540
Mobile telephone network and exchanges	2,816	634	–	557	(1,674)	1,776
Subscriber equipment	1,115	59	–	43	(1,017)	157
Exchanges	10,344	789	(2,114)	877	(5,759)	3,260
Radio installations	1,554	41	(223)	13	(568)	804
Cable TV facilities	448	74	(8)	38	(211)	303
Land and buildings	9,704	461	(608)	448	(4,755)	4,802
General administrative investments	2,499	861	(209)	540	(2,518)	633
Goodwill and intangible assets	536	738	(111)	160	(246)	917
Total	52,136	4,779	(3,849)	3,887	(33,874)	19,192
Construction work in progress	1,113	268	–	–	–	1,381
Total	53,249	5,047	(3,849)	3,887	(33,874)	20,573

Depreciation on operating assets in Telenor AS that have been taken over from the public enterprise Televerket is based on a principle of continuity. This implies that the depreciation charge in the joint-stock company is based on the original acquisition cost to the public enterprise as at 31 October 1994, and on the original depreciation schedules for these assets.

15. Investments in and disposals of fixed assets over the last 5 years:

	1996		1995		1994		1993		1992	
	Inv.	Sale	Inv.	Sale	Inv.	Sale	Inv.	Sale	Inv.	Sale
Local, regional and trunk network	1,122	10	899	6	706	–	529	–	1,094	–
Mobile telephone network and exchanges	634	–	1,176	–	644	2	302	–	–	–
Subscriber equipment	59	–	58	6	52	–	42	59	36	–
Exchanges	789	–	539	3	685	–	369	140	859	–
Radio installations	41	166	110	1	62	–	228	299	699	–
Cable TV facilities	74	5	82	–	38	–	57	1	121	–
Land and buildings	461	288	263	143	204	13	307	18	670	3
General administrative investments	861	53	1,118	49	600	61	264	4	200	4
Goodwill and intangible assets	738	–	407	–	96	–	65	8	21	–
Total	4,779	522	4,652	208	3,087	76	2,163	529	3,700	7

Investments and sales for the years 1992–1994 comprise Televerket and subsidiaries.

16. Interest-bearing debt

<i>Interest-bearing debt by type</i>	1996	1995	1994
Certificate loan	1,186	1,135	–
Interest-bearing debt to the Government	–	3,000	6,518
Loans taken up under EMTN programme	2,767	–	–
Loans from Japanese investors	1,450	1,450	845
Syndicated loan/long-term credit facility	–	1,263	1,321
Other	124	–	–
Total long-term interest-bearing debt	5,527	6,848	8,684
Deposits from customers	17	15	15
Short-term bank loans	133	–	–
Other	183	43	–
Total short-term interest-bearing debt	333	58	15
Total interest-bearing debt	5,860	6,906	8,699

In June 1996, a short-term Euromarket Commercial Paper programme (ECP) was established with a limit of USD 500 million. At 31 December 1996, outstanding certificates under this programme had a book value of NOK 1,086 million, with an average term of 0.15 years. In addition there was an outstanding certificate in the Norwegian market corresponding to NOK 100 million. The certificate loans are linked to the underlying long-term credit facilities and are treated as long-term, irrespective of the actual maturity date.

The remaining part of the interest-bearing debt to the Government amounting to NOK 2,000 million was converted to equity on 27 June 1996.

In February 1996, a European Medium Term Note programme (EMTN) was established with a USD 1,000 million ceiling. At 31 December 1996, loans drawn under this facility had a book value of NOK 2,767 million, and a term of between 4 and 10 years.

In 1995, a new drawing facility was established with a ceiling of USD 500 million and a due date of 2002. At 31 December 1996, there were no outstanding amounts under this facility.

With the use of forward foreign exchange contracts, swaps and interest rate swaps which are identical with the principal amount, interest rate, and term, the loans/drawings are swapped to NOK. In the accounts, these loans/drawings are recorded as loans in NOK at floating rates.

Analysis of long-term interest-bearing debt

NOK million	Balance at 31.12.96	1997	1998	Maturity 1999	2000	2001	After 2001
Certificate loans	1,186	1,186	–	–	–	–	–
Interest-bearing debt to the State	–	–	–	–	–	–	–
Drawings under EMTN programme	2,767	–	–	–	529	1,426	812
Loan from Japanese investors	1,450	–	–	–	146	–	1,304
Syndicated loan/long-term credit facilities	–	–	–	–	–	–	–
Other	124	–	124	–	–	–	–
Total long-term interest bearing debt	5,527	1,186	124	–	675	1,426	2,116

Average remaining time to maturity is 4.9 years as at 31.12.96.

	Balance at 31.12.96 (NOK million)	Average nominal interest rate 1996 (%)	Interest-rate incl. effect of interest swaps (%)	Nominal interest term (years)*	Interest-rate fixing incl. effect of interest swaps (years)*
Certificate loans	1,186	4.95	4.95	0.19	0.19
Interest-bearing debt to the State	–	8.12	8.12	–	–
Drawings under EMTN programme	2,767	5.08	5.34	0.28	1.00
Loan from Japanese investors	1,450	5.48	6.91	0.19	2.92
Syndicated loan/long-term credit facilities	–	5.46	5.46	–	–
Others	124	–	–	–	–
Total long-term interest bearing debt	5,527	5.74	6.53	0.24	1.79

*) the remaining interest-rate period is given in years.

Interest-rate swaps at 31.12.96.

Currency	Principal	Telenor pays (%)	Telenor receives	Due date
NOK	300 mill.	Fixed: 7.20	Floating: 6 months Nibor	1999
NOK	200 mill.	Fixed: 8.35	Floating: 6 months Nibor	2000
NOK	300 mill.	Fixed: 5.80	Floating: 6 months Nibor	2000
NOK	100 mill.	Fixed: 8.59	Floating: 6 months Nibor	2001
NOK	500 mill.	Fixed: 6.15	Floating: 6 months Nibor	2001
NOK	100 mill.	Fixed: 8.91	Floating: 6 months Nibor	2002
NOK	300 mill.	Fixed: 7.73	Floating: 6 months Nibor	2002
NOK	200 mill.	Fixed: 8.39	Floating: 6 months Nibor	2004
NOK	200 mill.	Fixed: 9.10	Floating: 6 months Nibor	2004

Interest swaps are arranged to achieve the desired interest rate structure between the Group's interest-bearing assets and liabilities. Interest income/expense on these contracts are recorded as incurred.

17. Non-interest bearing liabilities

	1996	1995	1994
Accounts payable	2,322	2,343	1,756
Government taxes, withheld PAYE taxes, holiday pay etc.	1,387	1,164	1,230
Dividends payable	950	550	100
Taxes payable	571	333	14
Advances from customers	955	928	726
Other current liabilities	1,202	1,268	612
Total current non-interest bearing liabilities	7,387	6,586	4,438
Early retirement *)	763	750	686
Pension obligations *)	277	263	–
Obligations TNM *)	341	652	1,045
Deferred tax	173	418	165
Other long-term debt	13	113	56
Total long-term non-interest bearing debt	1,567	2,196	1,952
Total non-interest bearing debt	8,954	8,782	6,390

*) The obligations are discounted to their present value and are subject to an internal cost of funds.

18. Equity

	1996	1995	1994
Equity at 01.01	11,721	10,979	12,893
Profit for the year 01.01–31.12	1,910	1,481	1,875
Change in accounting and accrual principles 01.11.94	–	–	148
Correction of equity on transition to joint-stock company 01.11.94	–	–	(3,897)
Dividends received	–	–	50
Implementation of accounting standard	–	(187)	7
Allocated to dividends	(950)	(550)	(100)
Increase in equity	1,994	–	–
Other	(4)	(2)	3
Total Telenor Group	14,671	11,721	10,979

The share capital as at 31.12.96 comprises 720,000 shares with a nominal value of NOK 10,000 each. All the shares are owned by the Government.

19. Mortgages and guarantees

	1996	1995	1994
<i>Mortgages:</i>			
Inventories and receivables	90	45	–
Other	2	–	–
Total mortgages	92	45	–
<i>Guarantee liability:</i>			
PAYE taxes withheld	271	251	–
Satellite organisations	1,507	1,347	721
Other guarantees	54	29	129
Total guarantees issued	1,832	1,627	850

When certain long-term loans were raised without collateral being lodged, a negative pledge was issued.

20. Contingencies

Contingent liabilities

Telenor AS has not made any significant provision for contingent liabilities. Such contingent liabilities may refer to future court cases, warranties/guarantees, environmental clean up etc. Similarly, no provision has been made for the leases of premises where the contractual lease substantially exceeds the market price.

Telenor Bedrift AS acquired the shares in Comma Data Service AS (Comma) in March 1995. In February 1996, Telenor Bedrift AS was sued by interested parties that are of the opinion that they have a pre-emptive right to the Comma shares. Telenor Bedrift AS refutes this claim completely.

Telenor has received a written request for an originating summons from NetCom ASA. NetCom claims that Telenor has priced leased lines too high. The claim put forward is NOK 70 mill. Telenor refutes this claim completely.

Leases and rental obligations

The Group has entered into leasing obligations for its fleet of vehicles and office machinery where the annual leasing fee is approximately NOK 200 million. Furthermore, the Group and the company have signed long term lease agreements for premises where the annual costs are approximately NOK 355 million. Finally the Group has signed agreements regarding printing and distribution of telephone directories amounting to NOK 130 million annually. Most of these leases expire between 1997 and 2006.

In 1995, the Telenor Group signed an agreement with the Norwegian State Railways (NSB) to lease NSB's infrastructure (see the Report of the Board of Directors). Prepayments are recorded in the balance sheet as long-term receivables.

21. Business areas

Telenor Group has a considerable internal trade. The purpose of internal pricing is to obtain a reasonable picture of the profitability in the different business areas.

Internal supply of regulated network services is priced after negotiations between the business areas based on cost-orientated prices. For enterprise based services, product development etc. prices are negotiated according to market values. All other trade between the business areas are expected to be based on market prices. The distribution of internal and external operating income will be seen from the presentation of the individual business areas.

Corporate Finance, which is included in «Other units of Telenor AS», is responsible for planning and raising external loans as well as internal lending to the business areas. Interest-bearing debt in the business areas are predominantly loans from Corporate Finance. The business areas within Telenor AS are charged a calculated interest based on an estimated long term interest-bearing debt.

As a consequence of the changes of principles in internal trade and calculated financial expenses, the operating profit and profit before taxation for the years 1995 and 1996 are not fully comparable. These changes apply only to the business areas within Telenor AS.

As part of the overall restructuring of the Telenor Group, Telenor Nett and Telenor RNT (regulated network services) are gathered in Telenor Nett AS as from 1st January 1997. Furthermore, the installation activities in Telenor Bedrift, Telenor Privat, and Telenor Nett are gathered in Telenor Installasjon AS. Telenor Privat is established as a limited company from 1st January 1997 and finally the network activity of Telenor Mobil AS is separated and established as a limited company, Telenor Mobilnett AS, from the same date.

The table below is based on the organisation of the group in 1996.

	Operating income	Operating expenses excl. depr.	Ordinary depreciation	Operating result	Pre-tax profit/loss	Interest bearing debt	Total assets
Telenor Bedrift	9,912	9,496	167	249	304	540	5,114
Telenor International	2,995	2,346	260	389	476	1,256	4,625
Telenor Plus	2,340	2,002	168	170	166	399	1,516
Telenor Mobil	3,968	3,028	865	75	12	1,418	3,468
Telenor Privat	7,134	6,598	127	409	437	256	2,189
Telenor Nett	6,802	3,518	2,082	1,202	701	6,844	12,076
Telenor RNT	7,926	7,531	1	394	375	593	1,437
Other units*)	2,283	2,109	411	(237)	(118)	5,715	8,739
Other limited companies (AS)**)	298	243	41	14	16	109	666
Eliminations	(21,488)	(21,253)	(235)	–	(15)	(11,270)	(10,250)
Telenor Group	22,170	15,618	3,887	2,665	2,354	5,860	29,580

*) Other units in Telenor AS consist of headquarter staff and support units where the most important are Research and Development, Property Management, and Corporate Finance.

***) Other AS comprise small companies owned directly by Telenor AS.

Profit and loss account

1 January–31 December

<i>Amounts in NOK million</i>	Note	1996	1995	1994 pro forma
Operating income		12,634	13,207	15,123
OPERATING EXPENSES				
Cost of goods sold and traffic charges		2,852	3,050	3,245
Salaries and personnel costs	2	2,796	3,080	3,626
Other operating expenses	3	2,597	2,512	3,109
Depreciation and write-downs	8	2,621	2,707	2,868
Total operating expenses		10,866	11,349	12,848
Operating profit		1,768	1,858	2,275
FINANCIAL INCOME AND EXPENSES				
Interest from companies in the Telenor Group		132	95	9
Financial income		68	131	249
Interest to companies in the Telenor Group		(57)	(75)	–
Financial expenses		(516)	(692)	(856)
Net financial items		(373)	(541)	(598)
Profit before taxes		1,395	1,317	1,677
Tax charge	4	(276)	(512)	(260)
Profit for the year		1,119	805	1,417
TRANSFERS AND ALLOCATIONS				
Group contribution received		(450)	545	
Allocated to dividend		(950)	(550)	
Transferred to Legal reserves		–	(81)	
Transferred to Retained earnings		281	(719)	
Total transfers and allocations		(1,119)	(805)	

Balance sheet

as at 31 December

<i>Amounts in NOK million</i>	Note	1996	1995	1994
ASSETS				
Cash and cash equivalents		–	–	900
Accounts receivable	5	2,125	2,253	2,751
Other current assets	6	506	777	931
Inventories		120	156	147
Total current assets		2,751	3,186	4,729
Shares and other current investments		2,919	2,718	1,678
Other long-term receivables	7	4,293	2,561	167
Fixed assets	8,9	14,967	16,011	17,646
Total fixed assets		22,179	21,290	19,491
Total assets		24,930	24,476	24,220
LIABILITIES AND EQUITY				
Short-term interest-bearing debt		803	673	10
Short-term non-interest-bearing debt	10	4,131	3,616	3,761
Total short-term debt		4,934	4,289	3,771
Long-term interest-bearing debt		5,401	6,848	7,839
Long-term non-interest-bearing debt	10	1,734	2,180	2,044
Total long-term debt		7,135	9,028	9,883
Equity	11	12,861	11,159	10,566
Total liabilities and equity		24,930	24,476	24,220
Mortgages	12	–	–	–
Guarantee liability	12	188	176	721

Arnfinn Hofstad (sign.)

Oddbjørn Nordset (sign.)

Tore Gulbrandsen (sign.)

Christian Brinch (sign.)

Åshild Bendiktsen (sign.)

Synnøve Lohne-Knudsen (sign.)

Tormod Hermansen (sign.)

President and CEO

Terje Moe Gustavsen (sign.)

Ada Kjeseth (sign.)

Svein Eivind Solheim (sign.)

Cash flow statement

1 January–31 December

<i>Amounts in NOK million</i>	1996	1995	1994 pro forma
CASH FLOW FROM OPERATING ACTIVITIES			
Generated from operations *)	3,712	3,916	4,537
Change in inventories, debtors and creditors	57	265	143
Change in other operating items	(727)	(559)	(7)
Net cash flow from operating activities (A)	3,042	3,622	4,673
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in fixed assets	(2,038)	(2,263)	(2,394)
Proceeds from sale of fixed assets	507	1,050	47
Change in other investments	(1,873)	(3,362)	22
Net cash flow from investing activities (B)	(3,404)	(4,575)	(2,325)
NET CASH FLOW FROM FINANCING ACTIVITIES			
Change in equity	1,994	–	(3,749)
Establishment of debt due to reorganisation	–	–	3,198
Group contribution received	545	474	–
Dividend paid	(550)	(100)	–
Repayment of debt	(4,265)	(3,576)	(2,850)
Proceeds from issue of new debt	2,818	2,585	1,321
Net cash flow from financing activities (C)	542	(617)	(2,080)
Net change in cash and cash equivalents (A+B+C)	180	(1,570)	268
Cash and cash equivalents as at 1 January.	(670)	900	632
Cash and cash equivalents as at 31 December	(490)	(670)	900
*) This figure comprises the following:			
Profit before taxes	1,395	1,317	1,677
(Gain)/Loss on sale of fixed assets	(44)	141	(8)
Depreciation and write-downs	2,621	2,707	2,868
Taxes payable	(260)	(249)	–
Generated from operations	3,712	3,916	4,537

Notes to the accounts

1. Accounting principles

The parent company's accounting principles are identical to the Group's, which are described above. In those cases where the Notes to the parent company are significantly different from the Group's, they are shown below. Reference is also made to the Notes to the Group's accounts.

2. Pension costs, pension obligations and pension fund assets

<i>Amounts in NOK million</i>	1996	1995	Pro forma 1994
<i>Pension costs for the period are as follows:</i>			
Contribution schemes and early retirement pensions:			
Contribution to Norwegian Public Service Pension Fund	–	78	227
Early retirement pensions	217	255	257
Total contributions and early retirements	217	333	484
<i>Beneficial plans:</i>			
Present value of the year's earnings	127	37	–
Interest cost on pension obligation	16	4	–
Gross pension cost	143	41	–
Estimated return on pension fund assets	(8)	(1)	–
Difference between estimated and actual yield recorded	–	–	–
Net pension costs	135	40	–
Payroll tax	17	5	–
Net pension cost incl. payroll tax	152	45	–
Pension costs charged to the year's result	369	378	484
<i>Pension obligations and pension fund assets are as follows:</i>			
Gross pension obligations at 01.01	274	233	1
Acquisition/sale of subsidiaries	(38)	–	–
Gross pension cost	143	41	–
Payment of pensions	–	–	–
Gross pension obligations 31.12	379	274	1
Pension fund assets 01.01	47	1	1
Acquisition/sale of subsidiaries	(5)	–	–
Payments in and out and estimated return on pension fund assets	128	46	–
Pension fund assets at 31.12	170	47	1
Net pension obligations (assets) at 31.12	209	227	–
Estimates and deviations not recorded on balance sheet	1	–	–
Payroll tax	27	29	–
Net pension obligations (assets) including payroll tax	237	256	–
Pension obligations (see Note 10)	237	256	–

3. Bad debts

	1996	1995	Pro forma 1994
Realised losses for the year	53	56	145
Received on amounts previously written off	(15)	(14)	(16)
Change in provision for bad debt	3	7	12
Total bad debts	41	49	141

Bad debts are included in Other operating expenses in the Profit and Loss Account.

4. Taxes

The tax charge for the year is as follows:

	1996	1995	1994
Taxes payable	396	249	–
Change in tax for previous fiscal years	1	–	–
Change in deferred tax	(121)	263	260
Total tax charge	276	512	260

The changes in deferred tax assets/liabilities arise due to different principles for recognising certain revenue and expenses in the tax and financial accounts, and are detailed below:

	1996	1995	1994
<i>Basis for taxes payable:</i>			
Profit before taxes	1,395	1,317	1,677
Profit from the public enterprise Televerket	–	–	(1,225)
Group contribution received	(450)	536	474
Permanent differences	–	2	3
Change in temporary differences	470	123	(1,987)
Applied carried forward losses	–	(1,086)	–
Losses to be carried forward	–	–	1,058
Basis for taxes payable	1,415	892	–
Taxes payable (28%)	396	249	–
<i>Basis for deferred tax:</i>			
Differences linked to short-term balance sheet items	(101)	(156)	(203)
Differences linked to long-term balance sheet items	1,276	1,762	2,190
Utilisation of carried forward losses	–	–	(1,058)
Total basis for deferred tax/deferred tax benefit	1,175	1,606	929
Total deferred tax benefit (28%)	66	72	–
Total deferred tax (28%)	395	522	260

Temporary differences mainly consist of tax depreciation exceeding financial depreciation, and provisions for early retirements and pension obligations.

5. Accounts receivable

	1996	1995	1994
Accounts receivable	1,294	1,000	1,375
Accrued, not yet invoiced income	898	1,317	1,522
Provision for doubtful debts	(67)	(64)	(146)
Total accounts receivable	2,125	2,253	2,751

6. Other current assets

	1996	1995	1994
In account with Group companies	123	553	700
Certificates	–	114	15
Shares	208	40	–
Other receivables	175	70	216
Total other current assets	506	777	931

7. Other long-term receivables

	1996	1995	1994
Interest-bearing subordinated loan group company	–	350	100
Interest-bearing intra-Group receivables	3,645	1,990	50
Deferred tax benefit	66	72	–
Other	582	149	17
Total long-term receivables	4,293	2,561	167

8. Fixed assets

	Historical cost at 1.1.96	Acquisitions 1996	Disposals 1996	Depr. and write-downs 1996	Acc. Depr. and write-downs at 31.12.96	Book value 31.12.96
Local, regional and trunk network	22,670	1,087	(576)	1,165	(16,909)	6,272
Subscriber equipment	1,114	59	–	43	(1,017)	156
Exchanges	9,186	607	(2,114)	665	(4,991)	2,688
Radio installations	255	41	(223)	13	(27)	46
Land and buildings	9,433	382	(407)	437	(4,700)	4,708
General administrative investments	2,691	178	(179)	277	(2,163)	527
Goodwill and intangible assets	105	1	–	21	(21)	85
Total	45,454	2,355	(3,499)	2,621	(29,828)	14,482
Construction work in progress	802	–	(317)	–	–	485
Total	46,256	2,355	(3,816)	2,621	(29,828)	14,967

Depreciation on operating assets in Telenor AS that have been taken over from the public enterprise Televerket is based on a principle of continuity. This implies that the depreciation charge in the joint-stock company is based on the original acquisition cost to the public enterprise as at 31 October 1994, and on the original depreciation schedules for these assets.

9. Investments in and disposals of fixed assets over the last 5 years:

	1996		1995		1994		1993		1992	
	Inv.	Sale	Inv.	Sale	Inv.	Sale	Inv.	Sale	Inv.	Sale
Local, regional and trunk network	1,087	9	899	163	706	–	529	–	1,094	–
Subscriber equipment	59	–	58	6	52	–	42	59	36	–
Exchanges	607	–	539	3	685	–	369	140	859	–
Radio installations	41	166	110	713	62	–	228	299	699	–
Land and buildings	382	285	168	123	202	13	307	18	670	3
General administrative investments	178	47	384	42	439	34	144	–	166	–
Goodwill and intangible assets	1	–	105	–	–	–	–	–	–	–
Total	2,355	507	2,263	1,050	2,146	47	1,619	516	3,524	3

Investments and sales for the years 1992–1994 comprise Televerket.

10. Non-interest bearing liabilities

	1996	1995	1994
Accounts payable	1,222	1,329	1,553
Government taxes, withheld PAYE taxes, holiday pay etc.	604	586	971
Dividends payable	950	550	100
Group contribution	450	–	–
Taxes payable	396	249	–
Other current liabilities	509	902	1,137
Total current non-interest bearing liabilities	4,131	3,616	3,761
Early retirement *)	761	750	686
Pension obligations	237	256	–
Obligations TNM *)	341	652	1,045
Deferred tax	395	522	260
Other long-term debt	–	–	53
Total long-term non-interest bearing debt	1,734	2,180	2,044
Total non-interest bearing debt	5,865	5,796	5,805

*) The obligations are discounted to their present value and are subject to an internal cost of funds.

11. Equity

Equity movements in 1996

	Share capital	Legal reserve	Retained earnings	Total
Equity at 01.01.96	6,000	4,100	1,059	11,159
Profit 01.01–31.12.96	–	–	1,119	1,119
Implementation of accounting standard	–	–	(11)	(11)
Increase in equity	1,200	800	(6)	1,994
Allocated to dividend	–	–	(950)	(950)
Group contribution paid	–	–	(450)	(450)
Total Telenor AS	7,200	4,900	761	12,861

The share capital comprises 720,000 shares with a nominal value of NOK 10,000 each. All the shares are owned by the Government.

12. Mortgages and guarantees

	1996	1995	1994
<i>Mortgages:</i>			
Inventories and receivables	–	–	–
Total mortgages	–	–	–
<i>Guarantee liabilities:</i>			
PAYE taxes withheld	176	176	–
Satellite organisations	–	–	721
Other guarantees	12	–	–
Total guarantees issued	188	176	721

When certain long-term loans were raised without collateral being lodged, a negative pledge was issued.

13. Other liabilities

Liabilities linked to leases and rents

Telenor AS has leasing liabilities for its fleet of vehicles and office machinery with an annual lease of NOK 4 million. Furthermore, the company has signed long-term leases for premises with an annual cost of NOK 195 million. Most of these leases terminate in the period 1997–2006.

Auditor's report

We have audited the annual accounts for Telenor AS showing profits of NOK 1,119 million for the company and profits of NOK 1,910 million for the Group. The annual accounts, which consist of the Directors' report, profit and loss accounts, balance sheet, statement of cash flows, notes and consolidated accounts, are the responsibility of the Board of Directors and the Chief Executive Officer.

Our responsibility is to examine the company's annual accounts, its accounting records and the conduct of its affairs.

We have conducted our audit in accordance with applicable laws, regulations and generally accepted auditing standards. We have performed the auditing procedures we considered necessary to determine that the annual accounts are free of material errors or omissions. We have examined, on a test basis, the accounting material supporting the financial statements, assessed the appropriateness of the accounting principles applied, the accounting estimates made by management and evaluated the overall presentation of the annual accounts. We have also evaluated the company's asset management and internal controls to the extent required by generally accepted accounting standards.

The appropriation of the net profit for the year as proposed by the Board of Directors, complies with the requirements of the Joint Stock Companies Act.

In our opinion, the annual accounts have been prepared in conformity with the Joint Stock Companies Act and present fairly the company's and the Group's financial position at 31 December 1996, and the result of operations for the fiscal year in accordance with generally accepted accounting principles.

Oslo, 15 April 1997

ARTHUR ANDERSEN & CO



Olve Gravråk

State Authorised Public Accountant (Norway)

Report from the Corporate Assembly

At its meeting of 24 April 1997, the Corporate Assembly dealt with the Board's proposal for the group accounts, the company's accounts and the allocation of the profit for the year for Telenor AS. The Corporate Assembly recommends that the General Meeting approves the Board's recommendation.



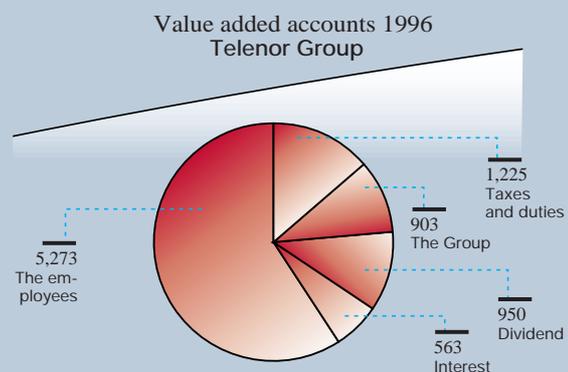
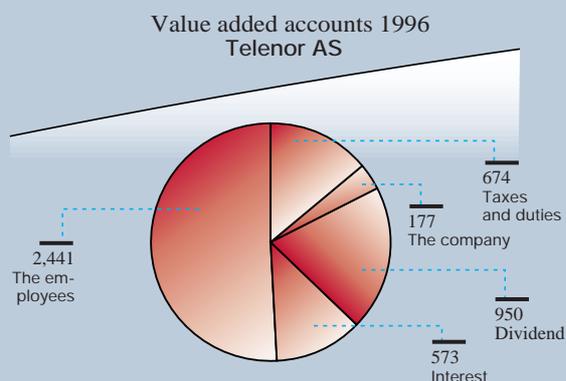
Mona Røkke

Chairperson of the Corporate Assembly

Value added accounts

		Telenor AS						Telenor Group							
1995		1996						1996		1995					
13,207		12,634		Operating income				22,170		19,859					
(5,479)		(5,398)		To suppliers of goods and services				(9,621)		(8,371)					
7,728		7,236		Value added in own business – gross				12,549		11,488					
(2,707)		(2,621)		Capital use (depreciation)				(3,887)		(3,562)					
5,021		4,615		Value added in own business – net				8,662		7,926					
226		200		Total value added				252		231					
5,247		4,815		Financial income				8,914		8,157					
WHICH IS DISTRIBUTED AS FOLLOWS:															
Employees															
2,730		52.0%		2,441		50.7%		5,273		59.1%		4,599		56.4%	
852		16.2%		821		17.1%		1,430		16.0%		1,368		16.8%	
INVESTORS OF CAPITAL															
328		6.2%		92		1.9%		92		1.0%		328		4.0%	
439		8.4%		481		10.0%		471		5.3%		419		5.1%	
550		10.5%		950		19.7%		950		10.7%		550		6.8%	
THE STATE															
944		18.0%		674		14.0%		1,225		13.8%		1,330		16.3%	
TELENOR															
256		4.9%		177		3.7%		903		10.1%		931		11.4%	
5,247		100.0%		4,815		100.0%		8,914		100.0%		8,157		100.0%	

*) Payment of VAT accounted for a further NOK 2,605 million for the Group (NOK 2,552 million in 1995) and NOK 976 million for Telenor AS in 1996 (NOK 1,231 million in 1994).



Analytic information and development characteristics

The shareholders' return

Telenor activities are premised on profitability. This is a goal in itself. Profitability is also essential if growth targets are to be reached, Telenor's commercial independence is to be maintained, and to be able to offer adequate telecommunications services to every part of Norway.

So far, the return on equity, as it appears in the financial statements, has been the main point of focus in measuring Telenor's return on capital. But calculating a return on the basis of these results provides only part of the picture of the owner's return in a period when the Group is taking great steps to establish itself internationally.

In the future, therefore, Telenor intends to supplement the current accounts with assessments of the value of the Group as a whole, or separately in the case of the international projects.

The shareholder will then have three different sources on which to consider the total return:

- A current value assessment of the Group as a whole, which emphasises development over time, and a comparison with competing companies.
- An assessment of the value of the international engagements, combined with the return on equity according to the accounts for the more traditional activity.
- The return on equity based on the accounts for the Group as a whole.

Financial development

If those involved in lines of business that are experiencing significant changes in technologies and market conditions fail to participate actively in the development, there is a good chance that they will fairly quickly see that their competitiveness is greatly reduced and that they lose market shares. This can turn into a vicious circle, because it will demand considerable resources to catch up on the technological and market-related lag. In order to avoid such a negative development, Telenor's overriding goal is to maintain its relative position in the European telecommunications/IT industry. This presumably implies an annual growth of at least 6–8 per cent.

The industrial environment in which Telenor operates has fundamentally changed over the last few years. The need for capital adequacy is also influenced by the fact that Telenor is a small company in an international context. One of Telenor's strategic goals, therefore, is to have a book equity ratio that is as close to 50 per cent as possible, and 42 per cent is considered to be the absolute minimum.

Based on the State's long-term interest rates, which fluctuated a great deal at the beginning of the 1990s, and which in 1994/95 were in the 7–9 per cent range, and an addition of 4–6 per cent risk premium after tax, Telenor's Paragraph 10 Plan for 1995 stipulated that the goal for long-term return on equity was 15–20 per cent before tax. The risk premium is a function of several aspects, including the yield expected by the stock market, and the company's financial and operational risks.

In the Report to the Storting (Parliament) No. 21 (1995–96) on Telenor, the Ministry of Transport and Communications also based itself on a return on equity of at least 15 per cent before tax for the period 1996–97. As will be seen from the above, methods of assessment are now being considered which complement the traditional method based on the financial accounts.

Further comments on the development of results

From 1995 to 1996, Telenor's revenue rose by 11.6 per cent (NOK 2,311 million), while growth was 7.7 per cent from 1994 to 1995 (NOK 1,415 million). Growth was as follows:

<i>NOK million</i>	1994/95	1995/96
Reduced prices –		
network-based products	(850)	(900)
Increased volume –		
network-based products	1,400	1,400
Other organic growth	265	911
Acquisitions	600	900
Total	1,415	2,311

The schemes linked to Telenor Resource Pool resulted in a net operating expense (after having taken the original provision to income) of NOK 380 million



in 1994, NOK 7 million in 1995, and NOK 8 million in 1996.

The company's early retirement scheme resulted in the 1994 result being charged with NOK 257 million, the 1995 result with NOK 259 million, and the 1996 result with NOK 221 million.

Competition in the cellular market became increasingly fierce in 1995 and 1996. At the same time, the number of GSM subscribers rose sharply. This resulted in substantial sums being paid to dealers in the form of commissions and marketing support. This figure was in the NOK 800 million range in both 1995 and 1996.

Telenor expects that further positioning by established and new players in the Norwegian telecommunication/IT market will increase competition in the next few years. Telenor assumes that the competitors will concentrate on the corporate market and international telephony.

In the mobile market, the situation will be affected by the issuance of new licences for GSM 1800. The increase in competition may well reduce Telenor's margins.

Further information on the segments will be found in Notes 1 and 2 to the financial statements.

Market trends

Competition is intense, and the situation is in no way transparent. Technologies are changing rapidly, and a hundred or so competitors, alliances, complex deliveries, and buyers who are organising themselves are important elements of the market dynamics. The development is being directed by the liberalisation of the telecommunications market and a fusion of communication services, content, IT and user equipment.

It is in this complex market place that Telenor will have to ensure that the goals for 2001 are satisfied. This implies that the Group must have at least a 70 per cent market share in Norway, 40 per cent of the Nordic market together with its partners, while at the same time expanding internationally. Of revenue totalling NOK 30 billion in the year 2001, at least NOK 10 billion should be generated by activities outside Norway – and at least 20 per cent of Telenor's total revenue should come from new product areas.

In order to systematically utilise resources in the right markets, a business system has been developed for the lines of business that Telenor is engaged in. This "line of business system" provides information on where the Group has a satisfactory market position, and which areas need strengthening – through acquisitions, innovation, or through increases in the sales of existing products. Telenor's competitive strength is closely linked to its ability to be a total supplier and to capitalise on the extensive customer data base.

A range of central development trends can be identified in the market, which provide a framework and indicate the direction of the commercial activities:

Globalisation/internationalisation

The national telecommunication operators will have to develop a dominant position in their local telecommunications and IT markets if, on the one hand, they are to hinder any advance from international telecommunications alliances, and on the other hand, they are to counter competition from small niche suppliers.

The customers are organising themselves

The customers recognise the benefits of joining together in order to obtain benefits of scale from the suppliers. This also includes, for example, residential customers in housing associations.

Less complicated interface

The customer is demanding increasingly simpler and more user-friendly interfaces, which calls for increasingly more complicated technologies and system integration of applications, networks, hardware, operations, and monitoring.

Internet – internal and external

The Internet is creating new information structures at the same time as WEB is increasingly being referred to as a revolution for less complicated internal communication and WAN solutions.

The electronic marketplace

Development creates increased opportunities for secure electronic trading. Payment transactions, where security is guaranteed, will be available on the Internet in 1997.

Outsourcing

The expansive IT investments on the part of companies, combined with focus on profitability and on core activities, create considerable market opportunities for outsourcing.

The asynchronous employee

New technology, based on flexible and mobile solutions create independence from traditional workplace and working hours.

Fixed/mobile convergence

A merger of fixed and mobile networks opens up possibilities of integrated services, which give the customer one product, one invoice, and in due course one integrated telephone from the service provider.

Data and telephony merge

A company's telephone switchboard is now part of its IT equipment, and permits more efficient customer contact.

Decline in basic wireline services

Basic wireline services made up Telenor's financial backbone in 1996. Over time, liberalisation, new players, and a very significant reduction in margins in general will ultimately undermine this basis of income.

New network market

Telenor is facing extremely serious challenges in connection with the dismantling of the remaining exclusive rights with effect from 1998. The very significant investments made during the period the Group enjoyed reserved rights will be challenged by newcomers with alternative technology and new and different commercial ideas. These investments must be defended in a market that is becoming increasingly uncertain. At the same time, further concentration on multimedia and new content services open up for a sharp increase in traffic in both the existing and new networks. In this context, the further development of the Internet will be a particularly important factor.

Higher traffic volume – reduced tariffs

The progress made in the last few years in the transmission field implies that a steadily increasing volume of traffic can be transmitted over a given infrastructure (fibre or copper cables, radio line, satellite). This can result in reduced tariffs provided that the higher volume can be utilised by the market.

In future, low population density, which normally results in low traffic density could in the future imply that telecommunications customers will not fully benefit from the development in technologies in this area. This is an additional challenge the network operators in the Norwegian market have to face, and means that traffic volume as such will be a particularly important competition parameter.

Deregulation creates an opening for new solutions

As a result of deregulation it will in the future be possible to consider in one and the same context the development, operation and marketing of networks and services that previously had to be segregated. This is expected to trigger off a lot of pent-up creativity and thus contribute to exciting and good solutions for the customers. For Telenor as a network operator, this implies new opportunities and new challenges: opportunities because Telenor already has the network platforms and services that can now be combined and further developed, challenges because new players will be able to customise such solutions with the help of the latest technology, without having to consider earlier investments suited to a different set of regulations.

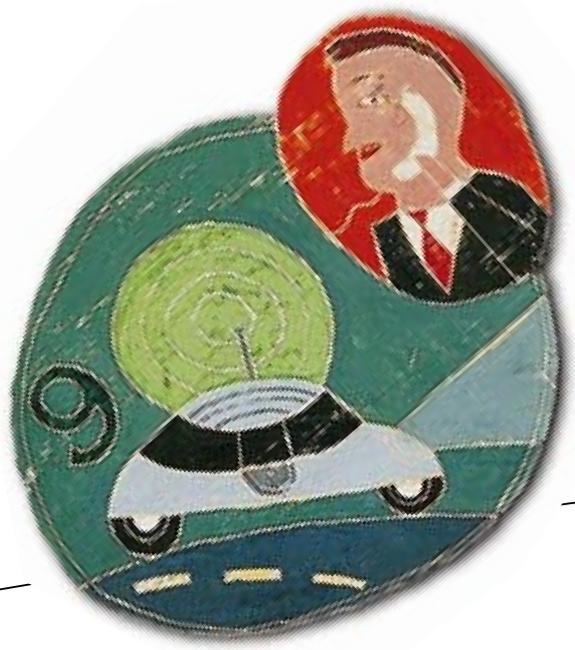
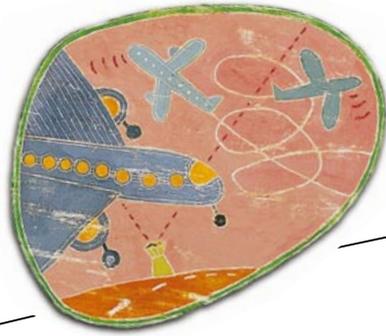
Effective network supplier

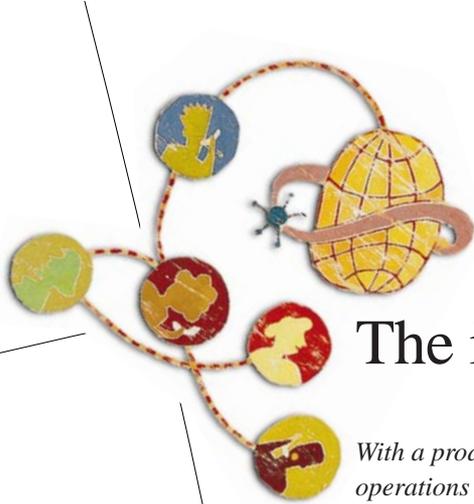
Competition on the future telecommunications and IT market will be fierce. Service providers, if they are to survive, will be forced to use the most efficient sub-contractors in all fields, adapted to the needs of the customer in question. Telenor's obvious objective, as a network operator, must be to be the most competitive supplier of network services in Norway, thus securing the traffic volume needed to sustain such a goal.



1996

Business Review





The information society's challenges

With a product portfolio that spans from telephony and leased lines, over IT applications and IT operations to the Internet, multimedia and selected content services, Telenor stands at the centre of the social development that will bring us into the post-industrial information society.

What is characteristic of the accelerating development process we are in the middle of is that it will more and more be the ability to create, process, communicate and exploit know-how and information which will be decisive for competitive value-adding, rather than processing and transporting various physical materials. This will not only apply to business in general, but also to the creation of value-added in the broadest sense such as that created by public institutions and administration. The same development is already having an impact on our private lives, where new technological aids such as PCs and modems are now becoming as common in the home as telephones and TV sets.

Melting together

Behind this development is a technological revolution, based on the possibilities made available by modern micro electronics of digitalising information of all types and of transmitting information at much faster speeds than before. Furthermore, with the development of radio technology we are no longer tied to physical connections in disseminating information and in communications, and this has created new conditions for mobility.

What were previously different technologies for telecommunications, data processing, and content dissemination have now been fused together. The former borders have been erased, and new combinations and alliances are being formed within each country and across national borders.

The development in the information society is characterised by many factors coming into play simultaneously, and in an intensifying interplay. Technological development, new applications and user needs, higher general competence, deregulation and market creation, new players and new competitive conditions create a self-sustaining dynamism which is pushing the development forward. New markets arise whenever monopolies are dismantled, but also as a result of the development of many new products and new commercial opportunities.

The volumes of services sold increase at rates that are far higher than normal in the economy in general, and at the same time, prices of standard products and services are being significantly reduced.

One main feature of the development is that the new technologies have paved the way for transnational markets. So competition becomes increasingly globalised, with the large multinational companies, engaged in both telecommunications and in IT and the media industry, establishing themselves in an ever-increasing number of markets.

Competitive

There is an increasing need to be prepared for change and to accept change, and being competitive at all times calls for a completely different degree of customer-orientation and flexibility than was normal in the organisation earlier.

For Telenor to survive in the long run, and to control and steer its own future, it is necessary for all parts of the organisation to successfully maintain competitiveness in the markets they service or the markets in which they obtain their resources. This is a decisive prerequisite if the Group is to create values that not only satisfy the demands made by the Government as the Group's owners, but also create the resources necessary for future investments in production equipment, expertise and technology, as well as in expanding the business portfolio through acquisitions when this suits the purpose.

For Telenor, the market dynamism implies that we must master a four-part main challenge:

- We must face competition from new players – national and international, in such a way that we avoid losing more market shares than we can afford to lose.
- We must strengthen our efforts in the rapidly growing markets for advanced services, including IT, multimedia and content services, so that we achieve a leading position in as many sub-markets as possible, thus helping to compensate for the loss

of revenue and profit contribution that will result from lost market shares in areas that were formerly monopolies.

- We must actively seek and exploit profitable projects outside Norway in areas where we have or can obtain competitive advantages.
- We must have an active dialogue with the authorities in order to arrive at a regulatory regime which is based on an adequate understanding of business logic, mechanisms, and fundamental assumptions for adding values in the network-based markets.

As we enter the era of the information society, and with ambitions of being the leading and most profitable player in the markets that will create the basis for the development of the information society in Norway, Telenor will have to focus on, and systematically strive to master all of these challenges.

Revolutionary

In our endeavours to master these challenges, it is necessary for us to recognise that we are now involved in a development process that will result in dramatic changes being made to the fundamental assumptions on which our business is based. In a world where all networks are joined together, and where there is competition not only between the service providers, but also between network operators, completely new players and business concepts will be fighting for the customers' attention and their willingness to pay.

The best example is the development of the Internet, which already now exerts an unusually strong force for change on the road toward the global multimedia society. Internet will be central in the merger of telecommunications, IT, and the publishing and broadcasting sectors, and will probably realise the idea of information highways.

Even with the fabulous growth in Internet connections, we are still at the very beginning of this development. The system has teething troubles, and problems regarding capacity and organisation. But the speed of innovation, the speed of change and the growth rate are fantastically high.

When we say that Internet technology is quite simply a revolutionary technology, it is because it represents a discontinuous change in operating methods, finance and application of telecommunications. It is changing the market and the industry in such a way that expertise, the arts, business models and competitive demands from today's players can become marginal or irrelevant.

There are many reasons for assuming that Internet technology does not represent the type of gradual change the telecommunications industry has been used to. It is based on distributed intelligence, open standards, and open access. In many ways this is in contrast to the prevailing centralised and hierarchical model with proprietary systems now found in the telecommunications sector.

An international group

Telenor views the future with optimism. We assume that international and national regulators will establish regulatory regimes that provide conditions for efficient market competition within and across national borders, while at the same time maintaining the incentives for innovation, renewal and market dynamism.

For Telenor, it is essential that we are allowed to compete on the same terms as our competitors, and that the principle of reciprocity between nations is adopted.

Our strategy for the next few years will be based on four main goals:

- We are to be the leading telecommunications/IT supplier in the Norwegian part of the Nordic region, which is our future domestic market
- We shall achieve an increase in revenue at least on a par with the growth in the European market.
- Our profitability measured as the sum of the increase in value and dividend shall give the Government, as our owner, a competitive return on capital employed.
- Our capital adequacy shall be maintained at a level which allows us to exploit profitable investment and positioning opportunities.

Our ability to continue playing a role in the development of society and business in Norway will depend on our international success. This is possibly the most important recognition of what market dynamism involves. Telenor must therefore find proper application for, and achieve a good return on, its expertise and its capital through international projects, and over time develop into an international group.

We have good reason for believing that we can succeed. We have continually received confirmation that our know-how basis in the form of motivated and competent staff has been laying the foundation for the growth and profitability we need. And we believe that these results will provide us with access to the capital needed from a long-term owner who has the capital to invest.



Torodd Henningsen

“I’m a Norwegian by birth, but a citizen of the world by disposition”.

From Henrik Ibsen’s Peer Gynt.

Telenor is today a Norwegian group with a great deal of activity abroad. Tomorrow, Telenor may be considered an international group with a great deal of activity in Norway.

This is a somewhat unusual way of looking at Telenor’s business activities. Only a few years ago such a characteristic would have been way off target, but then it is more than a couple of years that divide the public enterprise “Televerket” and today’s Telenor. Both the market and the way the business is run are completely different. While the previous framework was national, it is now global. Borders and distances have almost been eliminated. In the global market, there is nothing sensational in finding a Norwegian fitter from Sunndalsøra working on a mobile network in Bangladesh, or on a pager system in Austria. Or that telephone traffic from Somalia to other parts of the world goes through Eik Earth Station. In the global network, Norway and Telenor can easily be placed in the centre, and not on the outskirts of Europe.

New technology and a dynamic market have paved the way for dismantling monopolies and opening up for competition. The term “natural monopoly” is no longer relevant. The new telecommunications policy is identical with free competition, which in the long term will be most beneficial to both society and the individual customer. This view has been accepted by the western world in particular, and in 1997 it was also accepted by the World Trade Organisation’s (WTO) member nations. The Free Trade Agreement implies that the liberalisation that has already been adopted in the EU will be extended to the global telecommunications market. From 1 January 1998, there will be one free, global telecommunications market.

WTO expects the price of telephony and other telecommunication services to fall quickly, and that the impact on international telephony will be considerable. But contrary to other lines of business, where price reductions result in lower margins and weaker finances, price reduction in the telecommunications field result in a greater spread and thus higher revenue. According to WTO, revenues in the global telecommunications market are as high as NOK 4,500 billion. This figure is expected to double or triple over the next few years. One major aspect of the Free Trade

Agreement is that companies in all countries that subscribe to the WTO Agreement are ensured market access on the same terms as national companies. Altogether, the Agreement will increase Telenor’s possibilities of competing internationally.

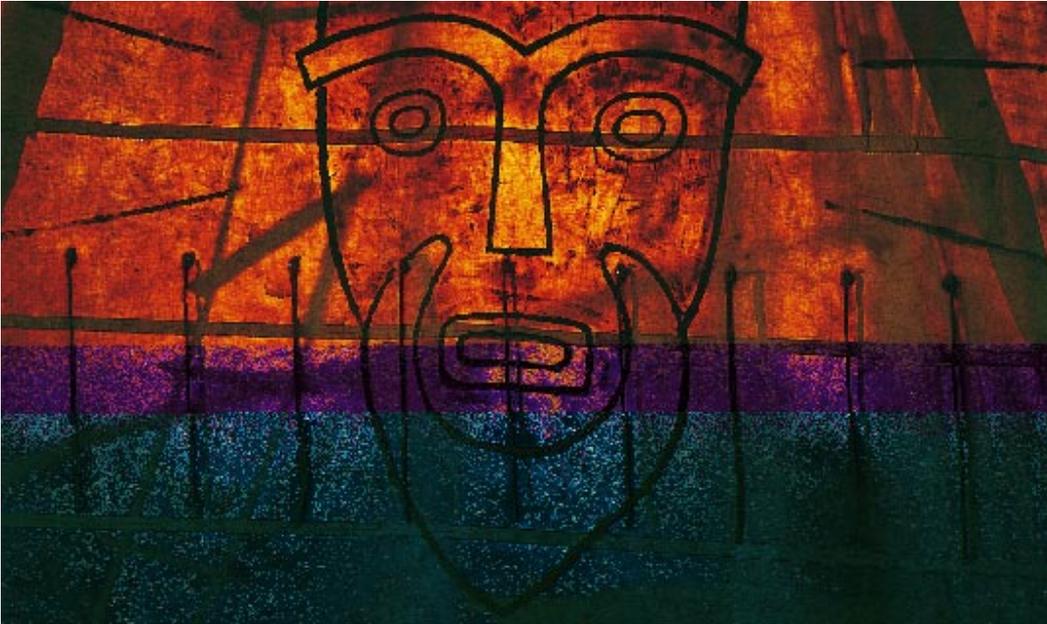
Since 1988, the Norwegian telecommunications market has gradually been deregulated. Ten years later, the market will be completely open, as it will be in about 70 other countries around the world. In principle, Norwegian and foreign companies will have the same rights and opportunities to offer their products and services in Norway as in the rest of the world. The consumers will be able to choose the supplier that offers them the best service. This is a situation most players have already been preparing for. At the beginning of 1997, Telenor already had hundreds of competitors to take into account. Many are major telecommunications companies with large domestic markets and strong alliances to back them up. This is a competitive situation where Telenor will inevitably lose market shares nationally.

The strategy, as for all national telecommunications companies, is to compensate for the loss of market shares in the home market by way of international expansion. For Telenor, this means countries outside of the Nordic region, since Nordic countries are now defined as part of the domestic market. If Telenor is to succeed in providing a good nation-wide service, and thus meet its owner’s expectations, the Group must be big enough to “go it alone”, and it must grow at least as much as its competitors in the European market. This calls for an international revenue accounting for at least 30 per cent of Telenor’s total revenue by the year 2001. In other words, Telenor must be more of an international company, where Peer Gynt’s words about “a Norwegian by birth, but a citizen of the world by disposition” may well become the next internal motto.

Despite its great ambitions, Telenor will still be a small company compared to the major international tele-



Thor Heyerdahl’s ability to tackle challenges and to move frontiers was proven yet again under his RA expeditions. This is something that Telenor wants to identify with.



Through Kon-Tiki and later projects, Thor Heyerdahl has helped focus on global co-operation and communication between different cultures. Telenor's international telecommunications solutions contribute in their own way to communication between people across national borders.

communications companies. It speaks for itself that Deutsche Telekom's profit was higher than Telenor's total revenue. It will be essential to exploit the competitive advantages, and the cutting edge expertise the company has built up. In Norway, telecommunications have played a major role in overcoming distances and terrain that lacks roads. Telenor has turned this difficult starting point into a competitive advantage, and today Norway has one of the most up-to-date and dependable telecommunications networks in the world.

Norway's long traditions as a shipping nation and North Sea oil producer have formed the basis for Telenor's strong position in the field of satellite communications. Telenor can also boast long experience and a high level of expertise in the field of mobile communication. A system for Nordic mobile telephony (NMT) was launched as early as in the 1980s, and Telenor played an active role in developing the European GSM system. Norway's cellular penetration level is among the highest in the world, and almost one in three Norwegians have a mobile telephone. Together with value-added services and directory production, mobile and satellite communications form the commercial basis for Telenor's international thrust.

The objective of Telenor's international activity is to satisfy the customers' need for professional and effective communication. This is to be achieved by offering world-class services at competitive prices. Strength in certain areas of expertise is the starting point for exploiting investment opportunities in Europe, and selected areas in the rest of the world. The ambition is to be among the ten largest mobile operators in Europe, and to be one of the leading suppliers of directories. Telenor intends to maintain its place as one of the largest satellite operators in Europe, and a leading global provider of value-added services in areas where Norwegian industry is of world class.

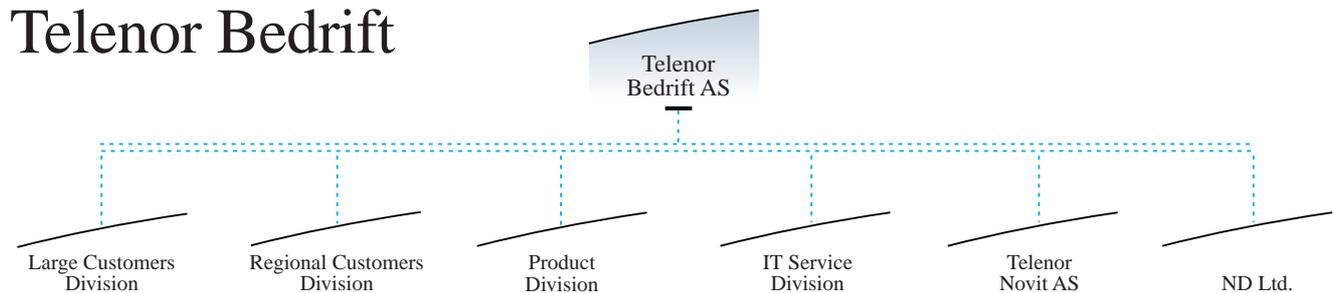
Telenor's competence is attractive to the outside world. This is not only the case with customers and authorities in nations with telecommunication systems that are less developed than Norway's, but also with some of the world's leading telecommunications operators. This was clearly shown when BT, together with VIAG, invited Telenor to contribute with its competence in mobile telephony in developing a new cellular network in Germany; and when the Dutch truck manufacturer DAF selected Telenor to supply its pan-European satellite network. Telenor has established an electronic marketplace for shipping, Marlink, where brokers, owners and their suppliers can find electronic shipping information and tools to analyse this information. The fact that the Czech republic chose Telenor as its supplier of telephone directories is confirmation that Telenor's expertise in this field is also in demand.

In a telecommunications market where old positions are crumbling, new players are emerging, established co-operation is breaking up and new alliances are being formed it is not feasible to stand alone. In this situation, Telenor has decided to enter into an alliance with i.a. BT, TeleDanmark, and NetHold. Together with BT, Telenor has launched the satellite telephone Mobiq, the world's first real global mobile communications system. Similarly, Telenor and NetHold will be among the first in the world to distribute digital TV programmes. This will be done from Telenor's satellite position 1 degree west. Together with TeleDanmark and other local partners, Telenor owns Pannon GSM, the fastest-growing mobile company in Hungary. As an international player, Telenor will expand its association with existing partners on a global basis, and at the same time endeavour to find the best partners possible for the local activities.

No barriers

"I think it will work, I want it to work" Thor Heyerdahl said. This says a lot about his way of tackling challenges. It is this type of attitude that Telenor wants to be identified with, and which has characterised the international progress the Group has achieved. In more than one sense we have been engaged in pioneer work and moving frontiers. This is also characteristic of the Kon-Tiki Museum and its research in various parts of the world, which Telenor supports through the "No barriers" sponsorship programme.

Telenor Bedrift



Managing Director:
Martin Furuseth

Activities:
Total supplier of communications solutions and networks to business and industry and public administration

Turnover:
NOK 9,912 million, of which NOK 1,361 million from within the Group

Share of the Group's turnover:
38.5 per cent

Profit before taxes:
NOK 304 million

Number of man-years:
5,106, of which 1,028 man-years with subsidiaries abroad

Telenor Bedrift is today the leading telecommunications and IT supplier in Norway. Its services range from single products, local telephone and computer systems, software solutions, operation and maintenance of telephone and computer systems, to nationwide infrastructure for communication within and between enterprises.

Organisation

During the second half of 1996, Telenor Bedrift resolved that it would concentrate its efforts and services on the medium-size and the large companies in the market. As a result, the chain of stores, Telehuset, was transferred to Telenor Mobil on 1 September 1996, while Telenor Direkte was transferred to Telenor Privat on 1 January 1997. As a result of this, Telenor has brought together its competence in services aimed at the small companies market in Telenor Privat, and its chain store/distribution channels competence in Telenor Mobil. Telenor Bedrift will thus be able to focus its activities on the large, more complex companies, where competition is already fierce.

From an organisational point of view, Telenor Bedrift is organised into two sales channels from 1 January 1997: the Large Customers Division and the Regional Customers Division. In addition, Telenor Multicom is a sales channel for distributing network products through external distributors. Telenor Bedrift also includes the IT Service Division, which is responsible for IT solutions, operating services, and the Product Division, which is responsible for the product portfolio.

The Large Customers Division deals with the Telenor Group's 50 largest customers, and follows these nationally and internationally. The division has full responsibility for sales, supplies, development and profit from this group of customers, across the Group's business areas.

The Regional Customer Division is a pure sales channel aimed at 35,000 regional customers. This division is organised into 13 market segments. Through these, the division is located nation-wide, with sales, customer/order centres, and local support functions such as project management and mercantile sales support.

Telenor Multicom markets, sells and supplies network services for the transmission of voice, data, and text. The company's distributors are first and foremost the large data centres and companies which are system integrators for their customers and specialised dealers.

The IT Service Division is the result of changes being made to the supply and organisation structure in 1996. At the turn of the year 1996/97, Telenor Comma and Telenor Teamco AS merged with the other technical units in Telenor Bedrift, and are now the two principal units in the IT Service Division. This division is the largest supplier of IT operations services in Norway, and is today responsible for operating more than 1,000 servers, 600 WAN routers, and 400 PABX facilities. Local maintenance agreements for several thousand critical IT systems are served by the division's 50 offices in Norway. The division also plays a major role in the development and operation of Telenor's internal IT systems.

The Product Division is responsible for all products, standard solutions and software programs that are sold through Telenor Bedrift. In addition, the division shall ensure that Telenor Bedrift always has an optimal product portfolio, and is also responsible for developing new products and concepts, as well as having formal responsibility for the software houses in Telenor Bedrift.

Finances

In 1996, Telenor Bedrift's revenue totalled 9,912 million. In 1995, revenue was NOK 8,202 million. Profit be-

fore taxes was NOK 304 million in 1996, down from NOK 377 million in 1995.

The increase in turnover was mainly from network-based services, supply and delivery services, and the acquisition of new companies in 1995 and 1996. The NOK 73 million reduction in profit before taxes was due to the equipment side having a weaker performance, increased product and development costs for network-based products, to changes in internal settlement principles, and to costs in connection with a new sales concept for small companies.

On the basis of Telenor Bedrift's new commercial structure, volumes of all products and services are expected to grow in 1997 as well. The prices of network services have been reduced, while margins on equipment are under pressure.

The Market

In 1996, the market situation continued to be characterised by other players expanding their product ranges by way of entering into new alliances. At the same time, margins and prices on equipment continued to be under pressure. Nevertheless, Telenor maintained its market shares, i.a. due to its strength in being able to offer complete voice and data solutions, as well as operation and maintenance of the customers' telecommunications and IT systems. Customers are increasingly seeking a responsible total supplier for installation and follow-up of their companies' voice and data systems.

In 1996, Telenor Bedrift signed a number of large contracts, of which we would mention Aker Olje- og Gassteknologi AS, where Telenor Bedrift is to have responsibility for the operation of the customer's telephone services. At Gardermoen, Telenor Bedrift is to lay all the cables for the new Oslo Airport, and deliver monitors and flight information systems. Furthermore, Det norske Veritas; ABB, and Statoil selected Telenor Bedrift to install and handle their national and international communications systems.

For the years to come, Telenor Bedrift has chosen three areas on which it will concentrate: Value-added services, data-telephony and supply services.

Two of the most critical tools that a company can have at its disposal are the telephony and data systems. If these systems are linked-up into one, with all the information this allows access to, new and exciting communication opportunities arise. Telenor Bedrift is one of the leaders in this field, also in an international perspective. This is a position the company intends to maintain.

Our data-supported telephony efforts have been strengthened through Telenor Bedrift's subsidiary Telenor Dolphin AS, which has a great deal of software expertise. A rapid development of data-supported telephony has been hindered because of the price level. A PABX facility which just a few years ago cost several millions of kroner, can now be installed for less than NOK 100,000. The fact that Norwegian companies are beginning to be more conscious of the way they deal with customers over the telephone, combined with new technology, will contribute to a strong growth in data-supported telephony in Norway in 1997.

Roughly 8,000 companies were linked to the Internet in 1996, and this figure is expected to double in 1997. In 1996, a number of companies started to enquire about internal information systems, but the largest growth in Intranet is expected to come from 1997 and through to the year 2000.

In the years to come, we will also experience that multimedia will become a part of the office landscape. The work situation surrounding the individual work station will provide an integrated information picture, with data, voice, picture and video. In the health sector, for example, it will be possible to have remote expertise available locally through video conferences combined with simultaneous exchange of documents, pictures and X-rays.

Also network services are experiencing growth. The integration of voice, sound and picture has made new demands on speed and capacity. Today this is



The VIP-network is conceived as a company's internal network, even if communication is transmitted through the public network.



The software family First Software illustrates Telenor Bedrift's software concentration. A clear profile consolidates the position in the Norwegian and the Nordic markets.



With video conferences, it is possible to meet face-to-face over long distances, without using time to travel.

offered via ISDN, but in the future there will be new services which will provide access to broadband, i.a. ADSL technology. In 1996, Telenor Bedrift had 100 VIP-Net customers. The goal is to double this figure in 1997. Demand for home offices and centralised services account for part of the growth.

The ATM (Asynchronous Transfer Mode) broadband network makes it possible to send large volumes of data and to run telecommunications and data on the same network. Telenor is working with Telenordia, (which is owned in equal parts by BT, TeleDanmark and Telenor) to offer this on a Nordic basis. This service will be increasingly in demand from companies that need to transmit large volumes of data at high speeds.

The sale of data at work stations, network servers and software reached record levels in 1996, but the growth slowed down compared to 1995. Telenor Bedrift expects the growth in sales of hardware to remain moderate, but that the company will nevertheless record a growth in software sales in 1997.

The technological range and sharply increasing complexity have made it less profitable to build up one's own cutting edge competence in standard information technology. An increasing number of businesses are therefore seeking external assistance with the implementation, operation and maintenance of their internal IT systems. Leading analysts expect a sharp growth in the total market for IT services towards the year 2000, especially in the field of outsourcing.

Strategy

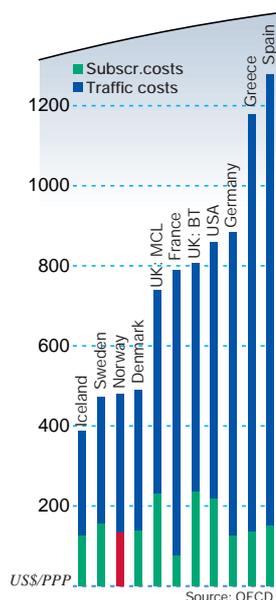
Over the last three years, Telenor Bedrift has followed a deliberate strategy aimed at becoming the leading IT company in the Norwegian corporate market. In 1996, basic network services (telephony) accounted for approximately half of the revenue from the 30,000 largest companies in Norway.

In order to establish a strong position on the IT market, Telenor Bedrift has chosen to acquire companies with products and expertise that Telenor Bedrift did not possess. Expertise in the field of software has been regarded as being of paramount importance to the company's future development, since the choice of data solutions is increasingly governed by the software offered.

This strategy was behind the acquisitions of Comma AS, InfoMedica AS, and Ergosoft AS in 1995, and continued with the acquisitions of Allianse Informasjonssystemer AS and Novit AS in 1996. The acquisition of Allianse made Telenor Bedrift a total supplier in the local government segment. By taking over Novit, Telenor was placed in the same position vis-à-vis the banking and finance community. This made Telenor Bedrift the leading software supplier in Norway in 1996. Also the Nordic region will be an important market in the future. Already in 1997, these companies will provide Telenor Bedrift with direct revenue for software totalling NOK 700 million. Telenor Bedrift has brought its software programme engagement together under the umbrella of the First Software family. By way of strategic brand name building, this is to be one of the leading software brand names in the Nordic region.

Since the 1996 reorganisation, Telenor Bedrift has become responsible for the Telenor Group's large corporate customers for sales of complete IT systems. Telenor Bedrift is now working as a co-ordinated value-chain which meets and serves the customers in an effective and clearly set out manner. This way, the company has a chance of continuing to be competitive in a market which in the near future will experience tough international competition. Outsourcing of operations and monitoring services is a growth area, and by bringing expertise together in the IT Service Division, Telenor Bedrift will be even more effective.

Telephone costs for domestic business customers



TBK, which was the forerunner of Telenor Bedrift, was ISO-certified as early as 1993. Comma and Teamco were also certified when they merged with Telenor Bedrift. The goal is to have the whole of Telenor Bedrift certified in 1997.

Telenor Bedrift believes that the market of the future will be looking for the supplier who can deliver the right product at the right price, with the right quality at the right time. The product must be delivered according to agreement, and function in accordance with the customer's expectations. This is the basis for Telenor Bedrift's goal of being the best supplier. It is only by way of close co-operation with the customers that the company can achieve the targeted quality of its supplies.

Products and services

Telenor has a very wide range of products and services in the data and telecommunications market, and it is therefore difficult to describe the entire portfolio. Common for the products referred to below is that they all enjoyed a sharp rise in volume in 1996, growth that is expected to continue in 1997.

VIP-net is an abbreviation for Virtual Private Network, and is a concept which Telenor Bedrift will concentrate on strongly in the time to come. This concept gives companies a feeling of having their own permanent network even though communication takes place over the public telecommunications network. With VIP-net, companies can have a common internal number system for all branch offices, subsidiaries and employees' mobile phones. The main goal is to establish a common network for entire companies or organisations by increasing the efficiency of the internal and external flow of information.

Multimedia is a combination of data, voice, picture and video. For business, the use of video conferences is an effective way of bringing people together without the need to travel long distances. When this can also be connected to access to documents, the decision-making process becomes more efficient and the costs are cut. The health and education sectors quickly started to make use of the various possibilities this technology has to offer. Remote diagnostics between different hospitals and doctors is just one example. On their part, a number of schools have used the technology for distance learning. Demand for these services is expected to grow in the future.

Telenor Sufflør is a data telephony package that was introduced in 1996. The product makes it possible to get the necessary information and background on the customer immediately when the customer

calls the company. Telenor Sufflør is an open solution that can be adapted to all types of PABX facilities and applications. Telenor Bedrift is the first in the world to supply such a package solution.

In many ways, the Internet has become the meeting place of all technologies, and few doubt that we are facing a paradigmatic change in the IT industry through the Internet technology. For companies, the Internet offers unique opportunities of accessing information, image-building, and communication with the surrounding world. Telenor Bedrift supplies complete solutions which make it easy, secure and profitable to link the company to the Internet.

In simple terms, Intranet is a company's internal Internet, and is today conceived as a solution for structuring and making information available internally in the company. The Intranet of the future will cover the company's total communications and information systems. By supplying solutions which integrate traditional voice and data solutions in an Intranet, Telenor Bedrift offers a product which will be in great demand in the years to come.

InterLAN is a concept which links two or more local networks (LAN) together into one network. For the customer, this provides customised solutions and a guarantee of accessibility and uptime, since Telenor Bedrift operates and monitors the networks.

Consultancy services, advisory services, operations, and training and service that often cross the borders between telecommunications and data. At the beginning of 1997, the company launched a new, uniform service concept for IT – Telenor Holos. Telenor Holos contains a systematically constructed and uniform service which assists the customer from the day the telecommunications and data systems are purchased to the day they are phased out. Telenor Bedrift can offer its customers this expertise by fully or partly transferring the operational tasks. This will result in rationalisation, more effective implementation, and better strategic utilisation of the company's own IT resources. Telenor Bedrift will particularly concentrate on the public sector, and the banking, finance and insurance segments, as well as the oil and gas sector.

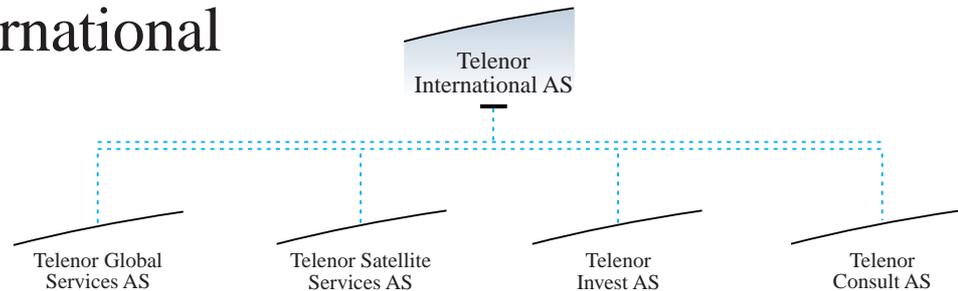


Customers are looking for solutions rather than for products.

Aker Olje- og Gassteknologi selected Telenor as its partner. The three-year contract, being signed in the photo below, is worth approximately NOK 20 million a year.



Telenor International



Managing Director:
Arve Johansen

Activities:
International communications systems and networks, satellite communication, consultancy, value-added services and investments in mobile and satellite communication outside Norway

Turnover:
NOK 2,995 million, of which NOK 1,485 million comes from within the Group

Share of the Group's turnover:
6.8 per cent

Profit before taxes:
NOK 476 million

Number of man-years:
543, of which 145 man-years with subsidiaries abroad

Telenor International shall contribute to Norwegian companies gaining a competitive advantage by ensuring that it has the effective international infrastructure and communications solutions that the customer is asking for. Telenor's expertise in the fields of mobile communication, satellite communication, and value-added services is to the fore internationally. This competence forms the basis for Telenor International's establishments abroad.

In 1997, Telenor Global AS and Telenor Carrier Services merged to form Telenor Global Services AS.

Finances and staff

In 1996, Telenor International recorded a profit before taxes of NOK 476 million, which is a significant improvement on the 1995 figure of NOK 332 million. This improvement in the result was mainly due to changes in internal settlement procedures. Revenue totalled NOK 2,995 million, which is on a par with 1995, but nevertheless represents an increase of roughly 12 per cent because responsibility for, and revenue from the largest Norwegian companies was transferred to Telenor Bedrift at the turn of the year 1995/96. About two thirds of the revenue came from the sale of international communications solutions, while one third referred to satellite-related operations. Investments totalled NOK 1,224 million in 1996, of which half referred to satellite-based projects.

At the end of the 1996, Telenor International had 549 employees. Of these, 145 were employed by subsidiaries abroad. In addition, 150 Telenor employees were stationed abroad in 18 different countries in the course of 1996. In order to ensure access to professional expertise, Telenor International draws on personnel from other business areas.

The market

Market development is characterised by increased competition and pressure on prices for both terres-

trial and satellite-based international telephony. International players are entering into alliances and positioning themselves for 1998, with a deregulated market. The development of new products and customer segments will be more important from a competition point of view.

Telenor regards the Nordic region as its home market. Its goal is, together with its partners, to achieve a 40 per cent market share in core segments. Sweden alone represents 40 per cent of this market. It is essential, therefore, to be successful in Sweden, if we are to reach our goal.

Alone, or together with partners, Telenor has established a number of companies in Sweden for supplying services in the fields of telecommunications, IT, financial/administrative software, new media/Internet, and TV rights/satellite. In 1996, these companies had a total turnover of roughly SEK 850 million. This provides a good basis for further expansion.

There are three main trends in the development in the international telecommunications market: The most dominant is the liberalisation of the telecommunications market. This is pushed along by the development in technologies, and a general globalisation of business and economies. This development was confirmed in February 1997, when more than 120 member nations of the World Trade Organisation (WTO) reached accord on an international free trade agreement for telecommunications. All-in-all, the agreement may well strengthen Telenor's opportunities abroad.

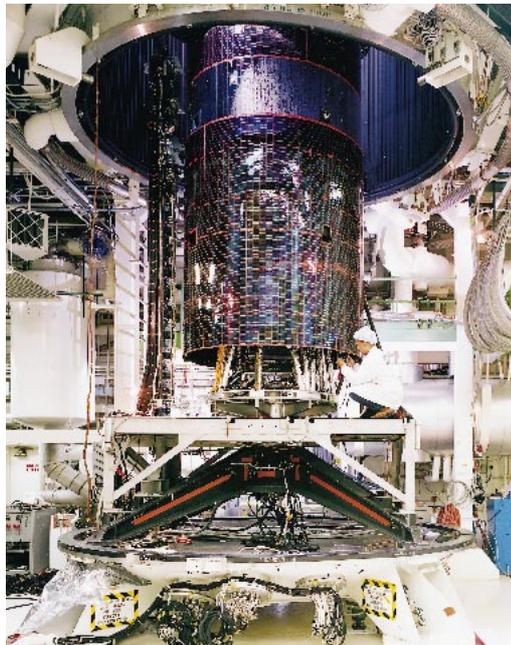
The second development trend is that the importance of mobile telecommunications is growing. Many countries are experiencing an explosive growth in mobile communication, forced through because of inadequate fixed networks and competition between several players. With its longstanding experience

the high standard of its mobile networks, and one of the world's highest mobile penetrations (about 30 per cent), Telenor has the expertise that is in demand for international development projects. It is expected that the solutions for fixed network and mobile networks will merge, and at the same time that global satellite-based mobile solutions will become available.

The third development trend is represented by the possibilities presented by a merging of information technology and telecommunications. This refers to value-added network functionality. Customers are making increasingly heavy demands on functionality and solutions, and customer-ownership of development and applications is becoming increasingly important in order to achieve satisfactory profitability. It is expected that a growing number of users will make use of solutions based on the Internet and multimedia.

Strategy

Telenor International has composed a vision which encompasses ambitions, directions and values: "Everything we do, every project we undertake, investment we make, should increase our client's competitiveness as well as our own". By living up to this vision, we will ensure that Telenor's international activities abroad will at least compensate for the loss of market shares in the home market. A decisive goal is that Telenor's relative share of the growing European market shall be maintained, at the very least.



The Thor-II satellite under construction by Hughes Space and Communications Company in California.

Telenor International concentrates on three areas of expertise: mobile communication, satellite communication, and value-added network services. The strategy is rooted in a Nordic home market, a European presence, and opportunity driven projects in the rest of the world. The non-European market is primarily to be found in the USA and South East Asia. Entrance into new markets is made through joint ventures or direct through our own projects, if they support Telenor's core activities. Alliances with partners such as BT, TeleDanmark, and NetHold (Canal+) play a major part in achieving the strategic goals.

Telenor International will continually develop its organisation in order to ensure that the overriding goals can be reached. The growth that Telenor International is experiencing calls for an increase in expertise and increased resources. International expertise, product management, consultancy sales, international investment expertise, distribution management, and the steering of alliances are specialised areas



Telenor's engagements in Russia include developing infrastructure, and ensure that there is a dialling tone.



Sheikh Hazani Wazed, the Prime Minister of Bangladesh, officially opened the Grameen Phones GSM network.

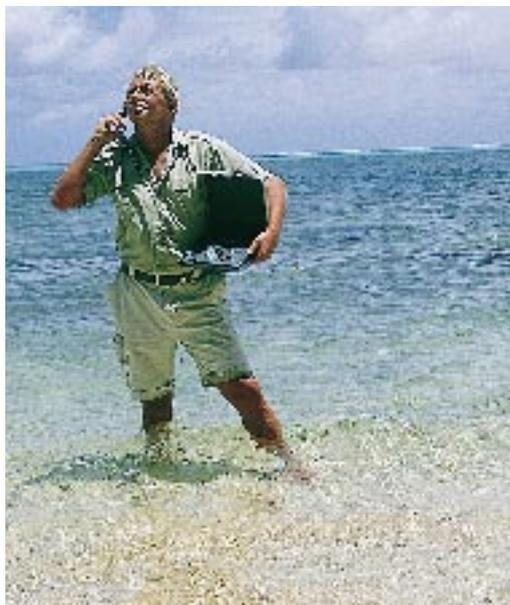
that are to be further developed. If we are to be successful internationally, it is important that we focus on customer satisfaction. A global customer service concept is therefore being prepared, and this is to be in place some time in 1997.

Mobile communication

Telenor Invest is responsible for all mobile telephony licence acquisitions abroad. Based on Telenor's competence in telecommunications, mobile communications, and pager service, Telenor Invest is engaged in joint ventures in Ireland, Austria, Russia, Hungary, Lithuania, Kaliningrad, Montenegro, and Bangladesh.

An important aspect of Telenor International's investment strategy is linked to participation in mobile telephony projects. In 1996, the GSM network in Montenegro was completed and opened. In 1996, Telenor was awarded a licence to develop a mobile network in Bangladesh. On Bangladesh's Independence Day, 26 March 1997, this network was opened in the capital, Dhaka. Telenor's mobile companies in St. Petersburg, North West GSM with 250,000 subscribers, and Pannon GSM in Hungary with 150,000 subscribers, have experienced solid growth and are to some extent leaders in their markets. Telenor has a 40 cent interest and is very active in Esat Digifone, which is developing the second mobile network in Ireland. This network was opened on 21 March 1997.

Based on experience from the DCS 1800 test network in Norway and Austria, Telenor will apply for licences to develop DCS 1800, primarily in Europe, but also in the United States and South East Asia.



With the Mobiq satellite telephone, any part of the world can be contacted from anywhere in the world.

Paging services were brought together in the company Comet Telecon, which is based in Budapest, Hungary.

Satellite communication

Telenor Satellite Services has the commercial and technical responsibility for Telenor's satellite services. In the broadcasting field, the orbital position 1 degree west has been established as the leading position for distribution of TV channels to the Nordic market. Through the establishment of satellite-based networks (VSAT) in the Czech Republic, Slovakia, Poland, and the Netherlands, Telenor has shown itself to be one of the leaders in this field. For more than 20 years, Telenor has supplied maritime satellite communication, and through the Eik Earth Station, it is the operator of the Inmarsat system that has the highest volume of traffic.

A contract was signed in July 1996 with the Dutch company DAF for a pan-European VSAT network. For the satellite operation, this was a break through in Western Europe. Over the last 12 months, new customers have been found in the Czech Republic, Slovakia, and Poland, in addition to the Netherlands. New mobile satellite solutions were also launched in 1996. In association with BT, Telenor launched the new personal satellite telephone Mobiq at the end of the year.

During 1996, many satellite TV channels transferred to 1 degree west. Telenor now has 29 TV channels that are distributed in the Nordic area from this orbital position. 1 degree west will be further strengthened when Thor II, Telenor's new communication satellite is in orbit sometime in the first half of 1997. In the United States, Norcom has developed a new satellite-based communication system which links vehicles to their home bases. This network will be opened in the summer of 1997.

This development has brought satellite communication into the mass market, today in the form of dish antennae (DTH) for receiving TV programmes in private homes. In the future, Telenor expects an expanding mass market, where mobile services based on hand-held terminals and broadband multimedia services will be the most important.

Value-added network services

Telenor Global Services AS is responsible for developing and operating value-added network services. Based on Telenor's expertise of communications, and our partners expertise in their own fields, three



Telenor has a 40 per cent interest in the Irish company Esat Digifone, which opened its GSM network in March 1997.

important value-added network services were launched on the international market in 1996.

Nordicom Services, a Nordic ATM-based broadband network was launched in association with TeleDanmark and Telenordia. Marlink, an information and broker network for the shipping market, has been tested since August 1996. It was put into commercial operation in early 1997. The tele-pathology system PathSight was developed jointly with the Norwegian Radium Hospital, and will be commercially available in the first quarter of 1997.

Telenor's goal is to be a global supplier of value-added services in areas where Norwegian industry is amongst the world's leaders.

International traffic

Telenor Global Services AS is Telenor's international network operators, handling contracts entered into with other operators. The company is responsible for the product portfolio that is part of Telenor's strategic alliance with BT. Telenor Global Services is also responsible for the sale and administration of transit traffic and international capacity over its own lines to other operators and to customers in and outside Norway.

Through agreements with Telenor, Norwegian companies such as Statoil and Det norske Veritas have access to the Concert global communications network. In 1996, Concert product turnover doubled compared to 1995. At the end of the year, BT announced that it

was going to buy MCI and establish Concert plc. If this purchase is completed it will strengthen Telenor's international communications service.

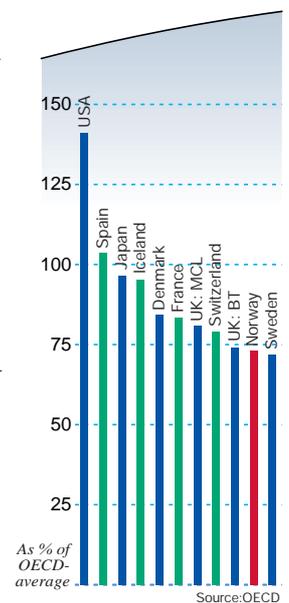
Outgoing international traffic rose by 4.4 per cent in 1996. The international Internet traffic rose sharply, and resulted in Telenor, together with Telenordia and TeleDanmark, purchasing further capacity for Internet traffic to and from the United States. Telenor has also decided to buy capacity on a new fibre-optic cable being laid between South East Asia, the Middle East, and Europe.

Consultancy services

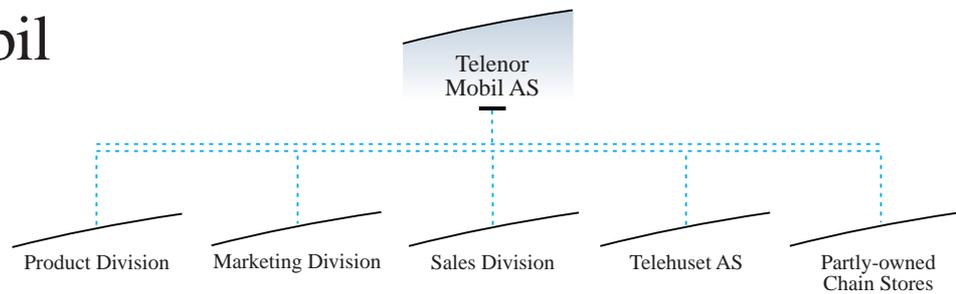
Telenor Consult offers international consultancy services, covering technical planning, development assessment, transfer of competence, and management training. The company is also responsible for recruitment to Telenor's international projects.

Telecommunications networks around the world are being updated. Telenor's expertise is of interest to many telecommunications operators. In 1996, consultancy assignments were carried out in Bosnia, Mongolia, Archangel, Lithuania, Poland, Eritrea, Albania and elsewhere. In Mongolia, a complete business plan was prepared for the authorities, while in Bosnia Telenor participated in an assignment in connection with the rehabilitation and development of both the telecommunications network and the broadcasting network. It is expected that demand for consultancy services will intensify in the years to come.

Telephone costs for business customers Abroad



Telenor Mobil



Managing Director:
Stig Herbern

Activities:
Mobile telephony, paging,
and mobile data

Turnover:
NOK 3,968 million

**Share of the Group's
turnover:** 13 per cent

Profit before taxes:
NOK 12 million

Number of man-years:
1,014

In addition to Telenor Mobil AS, Telehuset AS, MobilData kjeden AS, and Com-gruppen AS are part of the Telenor Mobil Group.

In 1996, Telenor Mobil AS consolidated its position as the nation's leading supplier of mobile telecommunications services. By way of its extensive marketing, a forward-looking pricing policy, good penetration through the network of dealers, much improved customer service, improvements in the quality of the mobile networks, and not least with the help of our skilful and able staff, Telenor Mobil in 1996 is a company with a good basis for further development.

Organisation

As an initial step in the reorganisation of Telenor Mobil AS, responsibility for the company's network operation was brought together in a network division from 1 September 1996. In the spring of 1997, Telenor Mobilnett will be spun off as a separate joint-stock company, but for accounting purposes from 1 January 1997.

The relationship between the two companies will be regulated through a separate commercial and operational agreement. Telenor Mobil will "process" and "package" the basic services from Telenor Mobilnett so that they are as attractive as possible to the end-users. Telenor Mobil will develop and supply value-added services (data services, reporting, and content services).

With this model, Telenor Mobil AS, the service provider, will be responsible for all customer contact. Functions such as sales, marketing, customer service, product management, and product development will be gathered in this company. Telenor Mobilnett AS, the network operator, will be responsible for the operation of our technical networks.

At the end of 1996, the Telenor Mobil Group had a staff of 1,067, of whom 220 were with the subsidiaries. Telenor Mobil's head office is located in Oslo, and there are 20 regional offices around the country.

Finances

In 1996, the Telenor Mobil Group recorded revenue of NOK 3,968 million. The operating profit was NOK 75 million, representing an operating margin of 2 per cent. Profit before taxes amounted to NOK 12 million. Seen in the light of the dominant market position the company achieved in 1996, with commission costs of more than NOK 800 million, the profit for the year is satisfactory.

Investments totalled NOK 1,090 million, mainly in expansions and improvement of the GSM network. Measures were also introduced to improve the quality of the NMT and paging networks.

The market

Competition on the mobile telephone market became fiercer in 1996, and Telenor Mobil is now clearly the largest supplier of GSM services in Norway. At the end of the year, the company had 978,130 mobile telephone subscribers, of whom 533,516 were GSM subscribers, 183,460 were NMT 450, and 261,154 were NMT 900. The number of mobile telephone subscribers rose by 230,076 during 1996, and at the year-end the company's GSM market share was 65 per cent. Much of this growth is a result of market-related investments in the form of commissions, together with tighter control and more influence on the distribution.

The paging systems recorded an improvement in earnings and profits. At the end of the year, there were 132,856 subscribers to the paging service.

In order to ensure the customers' maximum access to the products, it is essential to have an effective

sales organisation. Competition in the mobile telephone area has made it necessary to have better control of the dealer network. In 1996, therefore, Telenor Mobil acquired an ownership interest in the four dealer chains Mobildata, Telering, Commit, and Nordialog. In addition, Telenor's own chain of stores, Telehuset, was taken over from Telenor Bedrift. Telehuset was merged with Datavarehuset on 1 January 1997, and Telenor owns 70 per cent of the merged company.

In order to strengthen the company's image as a reputable mobile operator, Telenor launched a nationwide "mobile manners" campaign in 1996, where the company encouraged its customers to switch off their mobile phones when they were at meetings etc., and to use the mobile answering system instead. It also encouraged careful use of the mobile phone while driving.

Telenor Mobil's customer service has undergone a thorough reorganisation. The various units are now able to answer all types of questions from customers. The large dealers are linked direct to the dealers' service centre at Bardu by means of an Intranet solution, so that they can access and amend subscription details. In this way, Telenor Mobil has been able to maintain a high level of service, even during periods when the number of new subscribers was very high. While it took a week to process a new mobile phone subscription during the best sales period in 1995, it took less than two hours to process a new subscription in the summer of 1996. During the campaign months, June and July, Customer Service answered 400,000 enquiries, with an average waiting time for the customers of only 27 seconds.

Products and services

At the end of the 1996, Telenor had signed agreements with 67 foreign operators. This makes it possible for customers to use GSM mobile phones in almost every country in Europe, and in 15 countries outside Europe as well.

Telenor Mobil implemented substantial tariff reductions in 1996, for traffic from the mobile network and from the fixed network. The average cut was 20 per cent. Further reductions were introduced on 1 January 1997. With these reductions, the company wants to shift competition on the mobile telephone market away from subsidising the telephone set to the cost of calls. The company expects tariffs to be halved over the next four years.

In the autumn of 1996, Telenor Mobil reduced the price of linking up to the Internet from a mobile phone.



In 1996, Telenor became one of the main sponsors of the Norwegian boat that entered Whitbread Round the World Race – the toughest and best known in the world.

This is primarily meant to benefit the increasing number of mobile office users. It is also a natural extension of the Telenor Group's strategy of establishing itself as the leading supplier of Internet services.

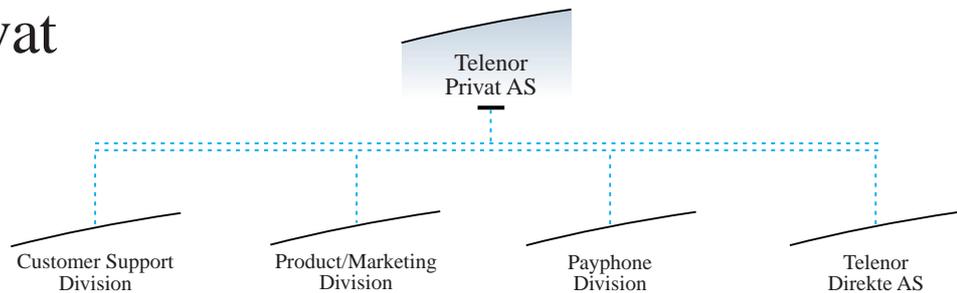
Strategy

It is expected that GSM 1800 licences will be issued to one or more new cellular operators in 1997. The new operators will make the competition even fiercer, and tariffs will fall.

Traditional mobile telephony will be exposed to competition, not only mobile high-capacity systems such as GSM 1800, but also from cordless communication (DECT) in the fixed telecommunications network, and alternative radio systems (TETRA). Furthermore, in the future we will see a gradual development where services and functions, which are today realised in the different networks, will be brought together both technically and administratively in a common system.

With an increase in the number of mobile operators, the market will gradually change its character. Telenor Mobil is adjusting its organisation and adapting its technology toward a future market, which will focus on innovation and market-related competition. Attention will shift from coverage and development to solution and customer-orientation. The development of brand names aimed at special segments will be part of this development.

Telenor Privat



Managing Director:
Stein Gustavsen

Activities:
Providing telecommunication services to the residential and small business market over the fixed telephone network

Turnover:
NOK 7,134million, of which NOK 1,005 million comes from within the Group

Share of the Group's turnover: 27.7 per cent

Profit before taxes:
NOK 437 million

Number of man-years:
4,113

At the turn of the year 1996/97, Telenor Privat AS is a pure service provider to the mass market, with responsibility for 1.8 million residential customers and 130,000 small businesses. From 1 January 1997, Telenor Direkte AS, the dialogue marketing company, was transferred from Telenor Bedrift to Telenor Privat in order to achieve a more uniform handling of the mass market. At the same time, the installation activity, which in 1996 was organised in Technical Service., was spun off into a separate company, Telenor Installasjon AS.

Finances

The Telenor Privat business area recorded revenue of NOK 7,134 million in 1996, and profit before taxes of NOK 437 million. Revenue rose by four per cent.

Revenue from residential customers amounted to NOK 5,826 million, and revenue from payphones totalled NOK 233 million. The rest of the revenue was mainly generated within the Group.

The market

There was a positive development in 1996 in both subscriptions and traffic. The company registered 25,000 new subscribers for ordinary telephony and ISDN combined. Traffic volume increased by 11 per cent, the largest growth being seen in traffic from fixed network customers to mobile customers. There was also a growth in domestic traffic, while international traffic was on a par with the year before.

Telenor's distribution channel strategy has been under development in 1996. In relation to the mass market, main emphasis was placed on external distribution, dialogue marketing, and customer service.

Customer Service is the most important tool Telenor Privat can use to be conceived as a professional service organisation. Efficient customer service is an important means of defending market shares.

Customer Service is being developed into a sales channel so that it will be easy for the customers to purchase services over the phone.

External dealers are now selling a wide range of fixed network products. In addition, dialogue marketing has been developed into a new service focusing on telephone sales and addressed advertising. This selective use of the customer base has been well received by the customers.

The small business market is a growing and important market. Small businesses are very interested in having a contact at Telenor, advice on solutions to their problems, the right prices and own accessibility.

Telenor Direkte AS sells telecommunications and data systems primarily through dialogue and direct marketing. The objective is to help strengthen the small business's profitability, accessibility, and efficiency. Telenor Direkte sells expertise and dialogue marketing implementation capacity to the private market on behalf of Telenor Privat and other associated parties, primarily within the Telenor Group.

Change of tariff structure

In the autumn of 1996, a new domestic tariff structure was in preparation. This was to reduce the number of tariff groups, and thus simplify the tariff structure. By merging the municipality tariff with the local tariff on 1 January 1997, the local traffic area was considerably expanded. However, for certain groups with unusual calling patterns, this may have resulted in higher telephone bills.

At the same time, calls from subscribers who are linked to modern, digital exchanges started to be charged by the second, in other words real time tariffs, rather than by the number of steps registered by the counter.



With F&F Abroad, calling family and friends abroad is cheaper.

This change, together with a further cut in the cost of long-distance calls, resulted in an overall reduction in the cost of domestic telephone traffic, and positioned Telenor for competition. A reduction in local traffic subsidies is a common trend in tariff setting throughout Europe, where most countries have experienced an increase in prices.

Strategy

1997 is the last year of telephone monopolies. The most important challenge in the years to come will be to defend market shares in a telecommunications market that is open to competition, and at the same time launch new products and services that contribute to the company's growth.

The technological development is resulting in the merger of data, TV and telecommunications. The customer will experience this through new products and services which combine several technologies. Telenor Privat is going to meet this market development by being a total supplier, with a wide range of competitive communication products.

Telenor Privat has great possibilities, especially in such areas as tele-commuting, tele-shopping, bank services and education. The number of small businesses and home-based activities will probably increase, thus increasing the need for telecommunications solutions.

Products and services

In 1996, private customers were offered a much wider range of products and services. With a range of different types of subscriptions and more types of discounts being available, the customer has a wider choice for satisfying different needs.

Family & Friends is a discount scheme that is now available in three versions: F&F Local, F&F Trunk call, and F&F Abroad. This service is aimed at customers who call more than the average in the respective tariff zones. They account for approximately 30 per cent of the market. At the end of 1996, 200,000 subscribers had made use of the offer. Surveys show that F&F has the highest sales potential of all the services offered to the residential market. It is expected to increase substantially in the future.

ISDN Basis was launched in October, and has received a great deal of attention. This subscription was selected as the "Data Product of the Year" by the trade magazine PC-World. ISDN is first and foremost intended for people with a home office, and for the Internet, where there is a need for two telephone lines. Data is transmitted at much higher speeds with ISDN than with an ordinary subscription.

Internet really took off in 1996. Telenor Internett established itself as the market's leading Internet access in the mass market, with Telenor Privat being responsible for sales, marketing, customer service, and distribution. The market almost exploded, from 12,00 customers at the beginning of 1996 to 112,000 at year-end, partly due to taking over Schibsted Nett's customer base.

PersonSvar (PersonalAnswer) had its breakthrough in the market in the spring of 1996. During the course of the year, more than 100,000 customers have bought this telecommunications network "answering machine". In May 1996, the service was transferred to a new platform which will allow for considerable expansion. At the same time, the first of a series of product improvements was carried out. PersonSvar is an extremely important product in Telenor Privat's endeavours to build up a network of dealers.

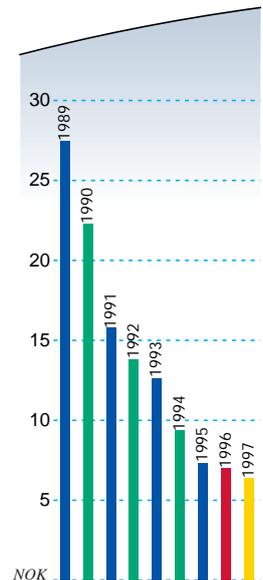
With regard to pay phones, the tendency is a shift from coin-operated to card-operated phones. In the course of 1997, almost 80 per cent of the pay phones will become card-phones. Telekort (Phone-Card) is now being sold by more than 5,000 dealers. In 1996, more than 3 million cards were sold, and the growth is expected to continue in 1997.

A new product, "Telekort Mini", was launched as a special card for hospital patients. Since the phone box is installed next to the patient's bed, it is easy to communicate with family and friends. Telekort is used as a method of payment.

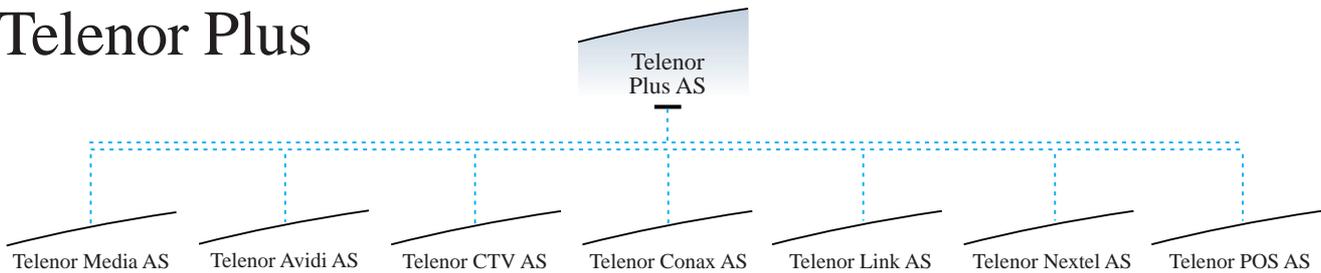


Phonecards are sold through more than 5,000 dealers.

Example of prices 10 minutes call Oslo - Hammerfest



Telenor Plus



Managing Director:
Peter Pay

Activities:
Value-added services with emphasis on the electronic marketplace, Internet, TV distribution, and media/directories

Turnover:
NOK 2,340 million, of which NOK 242 million comes from within the Group

Share of the Group's turnover: 9.5 per cent

Profit before taxes:
NOK 166 million

Number of man-years:
2,200, of which 250 man-years with subsidiaries abroad

Telenor's value-added services are for the most part gathered in Telenor Plus. This business area is organised as a holding company for the respective subsidiaries, and Telenor Plus AS has no business operations of its own.

The Telenor Plus Group's business concept is to be the leading associate in electronic distribution of products and services for Nordic content suppliers. This implies giving the content suppliers access to large customer bases and well-developed electronic marketplaces. Activities are concentrated on four main areas: the electronic market, Internet, TV distribution, and media/directories.

1996 was characterised by increased internationalisation, a sharp growth in the Internet market, and strategic alliances. The media/directory activity entered into new markets such as Spain and Poland, the number of Internet subscribers rose from 12,000 to 112,000 and new co-operation agreements were signed with Schibsted in connection with Internet, and NetHold/Canal+ in the field of digital TV distribution.

Finances

The Telenor Plus Group's turnover in 1996 amounted to NOK 2,340 million, or 20 per cent more than in 1995. This is due to the sharp rise in the number of Internet and CTV subscribers, and higher advertising sales. The group's profits also developed positively. Profit before taxes amounted to NOK 166 million in 1996, up NOK 16 million on 1995. The year was characterised by solid expansion and the development of new business areas. Against this backdrop, the result is regarded as satisfactory.

The market

The market for value-added services linked to telephony and IT is subject to fierce competition, increased internationalisation, new technological oppor-

tunities, and a high speed of ever-changing alliances. Compared to the current volume, the volume of transactions in tomorrow's electronic marketplace will increase many-fold. More and more goods will be ordered and paid for electronically. The volume of purchases of information, knowledge and experiences will exceed the volume of physical goods. Tomorrow's marketplace will be electronic and global.

Strategy

The electronic marketplace opens up new opportunities for Telenor Plus. Being responsible for value-added services, the Group stresses its role as coordinator between consumer and supplier, in respect of technology, transactions, and the flow of information. In the media and directory field, product innovation in Norway and market expansion in Europe are to the fore. In TV distribution, the ambition is to consolidate the Group's position as the leading distributor of satellite TV in the Nordic region. This calls for a major involvement in digital TV distribution based on open, standardised technology. With regard to the Internet, the challenge is to create increased capacity and higher quality, and at the same time to develop systems for the corporate market. By a number of different involvements on the electronic market, Telenor Plus intends to channel traffic and develop major "shopping centres" for electronic trading in Norway.

Media/directory activity

The media and directory activities are gathered in Telenor Media AS and its subsidiaries. 1996 was a very positive year for the company, with the successful introduction of new products, international expansion, and a growth in the sale of the basic products.

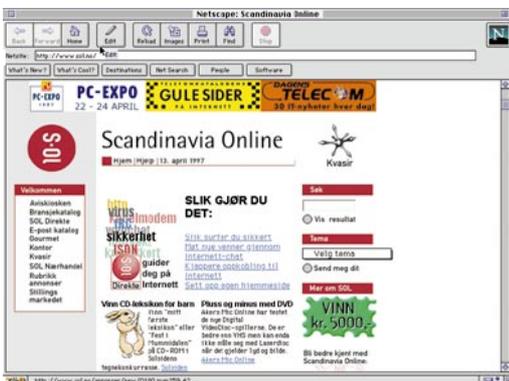
The main foundation for the activity is a data base with postal numbers (ZIP codes) and addresses which is processed and offered to the market through various distribution channels in the form of different

products and services. The main products include the telephone directories White and Pink Pages, the Yellow Pages, Ditt Distrikt (Your District), Bedriftskatalogen (Business Directory), the telephone directory on CD-ROM, the telephone directory Online, Yellow Pages on Internet, Directory Enquiries, Telephone Conference, Wake-up calls, Reversed Charges, and Receptionist Service.

In Norway, the directory market is about to reach the level of the most developed directory markets in the world. Nevertheless, advertising continued to grow in 1996, with a 21 per cent rise in such sales for the Pink and Yellow Pages. According to Norsk Reklame Statistikk (Norwegian Advertising Statistics), Telenor Media's advertisement-financed products accounted for 9 per cent of the total advertising market in Norway in 1996.

For the first time, the telephone directories had "non-repeating" surnames and Pink Pages. Since the surname is listed only once, considerable environmental benefits have been achieved. For the Oslo directory alone the reduction amounted to 40 million pages, which represents 54 tons of paper. And the telephone directory became available on CD-ROM for the first time. In 1996, the company was also engaged in developing the Online directory, a network solution that is made accessible via the Internet.

The Yellow Pages, which thanks to sponsoring weather reports on TV2 achieved a 91 per cent recognition ratio, also expanded their product range in 1996. Sound advertisements are now being sold in connection with the Yellow Pages, and the Yellow Pages were also introduced as a new product on the Internet.



Telenor and Schibsted jointly own Scandinavia Online AS, the leading marketplace for Internet-users in Norway.

With a market share of 90 per cent of the Norwegian directory market, further expansion will be abroad. Telenor Media has already gained a good footing in Sweden through Bonnier Telenor Företagsinfo AB (66 per cent ownership) and Lokaldelen i Sverige AB (93 per cent owned after further shares were bought in 1997). In 1996, the company entered the Spanish market, which has a great potential on the directory side. The Spanish activities are run through two wholly-owned subsidiaries, Tu Distrito and Telenor Media España, respectively. Telenor Media also entered the Polish directory market in 1996. International expansion will continue. The goal is to achieve revenues of NOK 500 million from the international activities by the year 2000.

TV distribution

In 1996, Telenor consolidated its position in TV distribution, and it is now the market leader in satellite-based broadcasting in the Nordic region. At the same time. Telenor's concentration on recognised proprietary names such as CNN, Discovery Channel, BBC, MTV, and Eurosport has contributed to a sharp rise in the sale of CTV cards, the number of subscribers rising from 135,000 to 223,000 in the course of 1996.

The work put into TV distribution is in the hands of Telenor Avidi, Telenor CTV, and Telenor Conax. Telenor Avidi is a nation-wide company of broadband cable TV networks. These are operated and serviced by 17 regional and branch offices. With 230,000 households, Telenor Avidi is Norway's second largest cable TV company. Telenor CTV is responsible for marketing and selling pay-TV channels from Telenor's orbital position 1 degree west. This is done by selling smart cards which provide access to the programmes on offer. This technology is backed up by Telenor Conax, which adapts and develops smart cards and smart card systems. Access control systems for satellite-distributed TV programmes has been the big market in the last few years. Telenor Conax is expecting a considerable growth in systems for electronic shopping in the next few years.

In the future, the development will be in the direction of the viewers choosing TV programmes according to their preferences. This increases their willingness to pay. To prepare for this development, several measures were introduced in 1996 with a view to offering digital-TV distribution, which will increase the number of TV programmes.



Telenor has 90 per cent of the Norwegian directory market, and has ambitions for heavy involvement internationally.



In 1996, all the Norwegian telephone directories were available for the first time on CD-ROM.

With the launching of the new satellite Thor II in 1997, there will be room for 75 digital TV channels in the Nordic region. In order to maintain its strong position in connection with the transition to digital technology, Telenor has entered into a strategic alliance with NetHold/Canal+, which includes the establishment of a new joint venture for digital distribution of satellite TV channels and service to households in the Nordic region.

At the end of 1996, almost 1.2 million Nordic households had DTH antennae. This number is expected to rise to more than 2 million by the year 2002. It is in this segment of the satellite TV market that Telenor will primarily endeavour to contribute to efficient distribution of programmes, and to the flow of payments between content suppliers and consumers.

Important regulatory conditions for the cable TV market were changed in 1996. The EU directive, which allows for the use of cable networks for the transmission of other telecommunications services, started to apply in Norway as well. From 1 November 1996, the cable networks could be used for data transmission, for example. Telenor Avidi immediately began to introduce new services over its network, e.g. electronic programme line-ups, data communication solutions, and the Internet. The first test was carried out at Homlia, on the outskirts of Oslo.

Internet

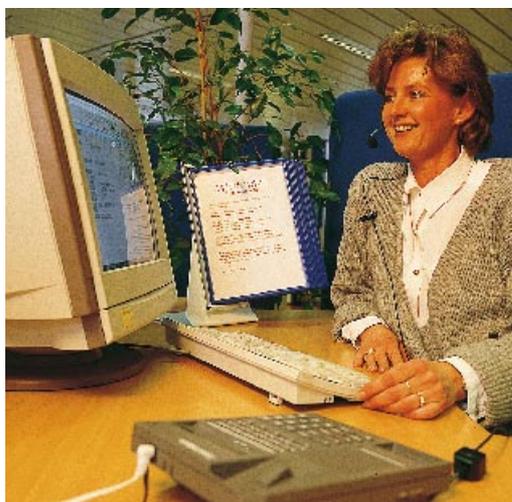
In 1996, Internet technology had its real breakthrough, and is increasingly forming the foundation of internal corporate systems and external communications systems. At the same time, the mass market practically exploded, with several hundred new subscribers being registered daily. At the end of

1996, 1 million Norwegians had access to the Internet either at home, at work, or at school. At the beginning of 1996, Telenor had 12,000 Internet subscribers, at the end of the year it had 112,000.

Telenor's Internet strategy in 1996 was to let "the many flowers bloom". With a market that is moving forward by leaps and bounds, it was important to test different business models in respect of content production, WEB services, gateways, and access sales. Several Telenor Plus Group companies were engaged in this activity, the most important being Telenor Online and Telenor Media. The need for coordination increased in step with the development. And the expansion on the content side also called for weighty media associates.

To further strengthen the position on the Internet market, and to be better able to service the customers, Telenor Plus entered into a strategic alliance with Schibsted in the autumn of 1996. This resulted in a division of work on the Internet market. Each of the two partners decided to concentrate on their own core products, i.e. communication services and content services respectively. Jointly, the partners established Scandinavia Online AS with the intention of creating a leading market place for Internet users in Norway and the other Nordic countries. At the same time, the editorial work linked to Telenor Media's Origo involvement was spun off and transferred to the employees.

As part of the agreement with Schibsted, Telenor Plus took over all former Schibsted Nett customers. As a result, Telenor had almost 112,000 Internet customers at the beginning of 1997, representing a market share of more than 75 per cent.



Directory enquiries (180) received 55 million enquiries in 1996 – 5 per cent more than in the preceding year.

Telenor's Internet activities are now concentrated in Telenor Nextel, formerly Telenor Online. The company's task is to ensure that the network's quality and capacity are adequate, and to create solutions for the corporate market. By establishing the brand name Nextra, information systems will be built on Internet technology, designed specifically for a company or specifically for an industry or trade. Responsibility for marketing, sales and customer follow-up in the mass market have been transferred to Telenor Privat, while the base network operation is supplied by Telenor Nett. The objective is to supply the best Internet product in Norway. To realise this ambition, work started in the autumn of 1996 on building a new, high capacity infrastructure for the Internet in



Digital TV distribution is going to increase the number of TV channels, and allow for greater choice.

Norway. The investment, which amounts to more than NOK 100 million will provide a network with a capacity for more than 400,000 users.

The electronic market

Telenor Plus is aiming at becoming the Norwegian market's preferred supplier with regard to preparing information, contributing to the creation of brand names, channelling traffic, and developing "shopping centres" for electronic trading.

The administration of electronic payments, a field in which Telenor POS has cutting edge expertise, will be an important area. Telenor POS is the nation's leading company in respect of payment solutions over the telephone network. The company supplies i.a. POS terminals and software for the retail trade based on the banks' security systems, an area where the company is clearly the market leader.

Telenor Link is another subsidiary of Telenor Plus that is involved in electronic services. The company's objective is to arrange services for the telephone network. Through a set of products, suppliers and providers of information, goods and services are linked to the consumers. Emphasis is on creating a means of trading that is simple and secure.

Since it was established as a separate company in 1995, Telenor Link has focused on the development of a technical infrastructure with related support systems. This foundation provides obvious advan-

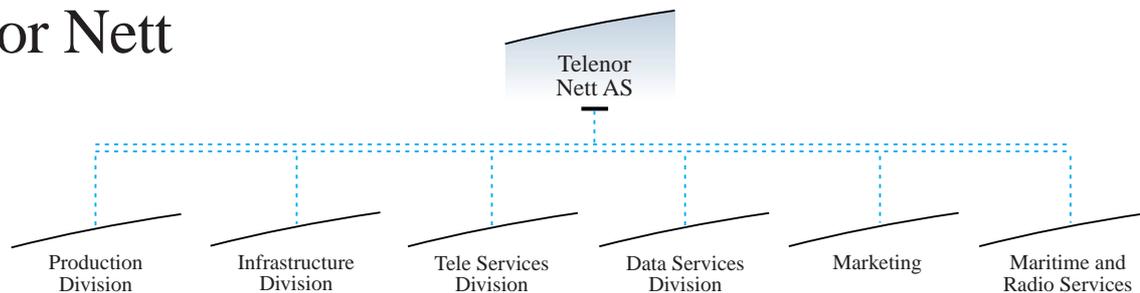
tages and allows Telenor Link to establish itself as a complete supplier in the electronic market.

Telenor Link handles a range of value-added products linked to telephony, including the Telemarket, Infonumber, games/lotteries and entertainment, free "green" numbers, and tele-voting. Tele-voting has become a popular product in combination with TV. In some debating programmes in the autumn of 1996, up to 30 per cent of the viewers took part in tele-voting.

Common for all the telephone services is that they make use of advanced intelligent network (IN) and that they have numbers that begin with 800,810, 815, 820, or 829. In 1996, use of the traditional Telemarket stagnated, whilst the corporate market increased its use of InfoNumbers. This was particularly the case with Norwegian banks, which have registered a steady increase in the use of tele-giro services. Telenor Link will in addition to strengthen existing services, base further growth on new products arising from an integration of telephone and data services.

Telenor Plus is also engaged in a number of other ways in the electronic market. To consolidate its position to be better able to influence the development in the tele-market field, Telenor Plus has taken an active financial interest in some service bureaux, as well as establishing a wholly-owned subsidiary Telenor Marktech.

Telenor Nett



Managing Director:
Thor A. Halvorsen

Activities:
Production of services and operation of the telecommunications network

Turnover:
NOK 8,692 million, of which NOK 7,908 million comes from within the Group

Share of the Group's turnover: 3.5 per cent

Profit before taxes:
NOK 1,076 million

Number of man-years 1997: 3,002

Telenor Nett AS is part of Telenor's network operations. The company is responsible for the fixed network and supplies network services to service providers and network operators, who then put together the products, thus arriving at solutions that are sold to the end-users. Telenor Nett AS is also responsible for the commercial management of interconnection with cellular operators in Norway. Telenor Nett AS's most important tasks are to ensure optimal quality, security, and access in the network, and to develop the network and products so that they are at all time adapted to the development in technology and the needs of the customers.

With effect from 1 July 1996, the company's broadcasting activities were spun off into Norkring AS, a new company established together with NRK (the Norwegian Broadcasting Corporation).

On 1 January 1997, the former Telenor Nett and Telenor RNT (Regulated Network Services) were merged into one company, Telenor Nett AS. Responsibility for the regulated services is in the hands of the new company.

Finances

The consolidated accounts for Telenor Nett and RNT show total revenue of NOK 8,692 million, and a profit before taxes of NOK 1,076 million. Telenor is experiencing more competition on the network side. Telenor Nett intends to meet this competition by operating the network efficiently, by focusing on the customers' needs, and by being best at developing network-based solutions.

Products and services

Leased lines

For the leased lines product area, 1996 was an eventful year. Parliamentary Bill no. 70 considerably liberalised the market for infrastructure for non regu-

lated services from 1 November 1996. Currently, Telenor is offering a wide range of lines and speeds, and intends to continually develop and improve the range. In order to meet increasing demand, Telenor introduced 34 Mbit/s as a new speed class for the digital services from 1 June 1996. From 1 January 1997, Telenor is also offering 140 Mbit/s and 155 Mbit/s (SDH – Synchronous Digital Hierarchy) broadband lines.

Growth in the cellular market has generated a considerable increase in turnover, since the cellular operators use leased lines to build up their networks. The general positive economic trend in business has increased the need for leased lines and broadband service.

By aggressively using new technology and considerably improving efficiency, Telenor has been able to cut prices substantially. The average price level for digital communication at the beginning of 1997 was approximately 40 per cent of the 1992-level. From 1 June, Telenor introduced a new tariff structure for digital communication, combined with an average reduction of 17 per cent. The biggest reduction was high speed, long distance communication, where in some cases tariffs were more than halved. These changes in prices were well received by the market, and the demand for leased lines with high speeds has grown sharply.

In connection with Telenor's programme for cost-effectiveness, the prices for digital leased lines were reduced by an average 21 per cent from 1 January 1997. Together with the reductions from 1 June 1996, the price of digital leased lines has fallen by an average 28 per cent from 1996 to 1997. The main features of these price changes were a "re-balancing" of subscription prices, and a revision of the discount system.

Telephony

There was a steady growth in wireline traffic in 1996, primarily as the result of more traffic to mobile telephone subscribers. The growth in the cellular network has an impact on the growth in fixed network traffic, but there has been a positive development in the number of subscribers nevertheless. Market developments signal a steeply rising need of capacity for transmitting data. In the second half of 1996, there was a marked increase in ISDN connections, and sharp growth is expected in the future.

Interconnection

In 1996, Telenor negotiated five new interconnection agreements with the cellular operators Telenor Mobil AS and Netcom GSM ASA. Also here a new and more future-orientated tariff structure was introduced. For traffic, the new agreements imply lower interconnection charges i.a. from the fixed network to the mobile networks. The reduction in interconnection charges has formed the basis for reducing the end-user price for fixed network customers.

ISDN

The sale of ISDN rose sharply in 1996, and was more than three times as high as in 1995. Together with its ISDN partners, Telenor Privat and Telenor Bedrift, Telenor Nett will focus strongly on the sale of ISDN by offering the subscribers attractive packages.

In 1996, the quality of the ISDN was thoroughly analysed and improved, especially with regard to ISDNpak. This work will form the basis for further intensive work on ISDNpak in 1997. ISDN is expected to continue growing sharply in the future.

Strategy

The role of leading network operator in Norway calls for a Nordic perspective, and the company's ambition is in fact to be a leading Nordic network operator. Telenor Nett shall increase the customers' value-added and innovative ability by offering market-orientated information and communication systems. The main products are leased lines, telephony, ISDN, interconnection traffic, and data services. They shall be characterised by high quality and good service. In order to develop the company's competitiveness, focus has been on improving supplier-relations and procurement processes, improving the efficiency of working processes, as well as relations with cus-



Secure and reliable telecommunications call for good maintenance of measuring instruments

tomers. Telenor Nett will exploit the market growth and achieve profitability through high volumes and maximum exploitation of the infrastructure, and by means of more differentiated prices as one of many tools. Telenor Nett will concentrate on improving the staff's expertise and skills in the future.

The telecommunications network

Digitalisation has been forced

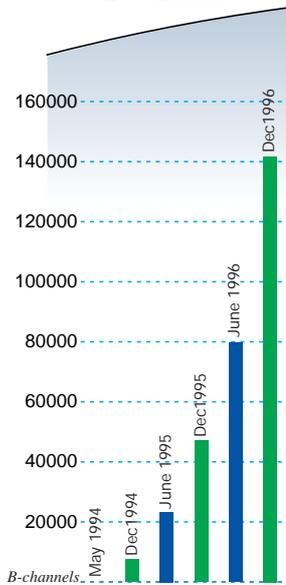
In January 1996, the Telenor Board of Directors approved a plan to force the speed at which the telecommunications network in Norway was being digitalised. By 1 November 1997, the entire network in Norway shall be digitalised.

At the end of 1996, a total of 3.1 million numbers were in use, including ISDN. Of these, 2.8 million number were on digital exchanges, representing a 91 per cent digitalisation ratio. ISDN accounted for approximately 10 per cent of the numbers. 96 per cent of the municipalities had a minimum ISDN coverage in the municipal centre.

Operational regularity of the telecommunications network

The telecommunications network is very reliable and of good quality. Ability to get through on the network was 99.1 per cent. This is an improvement on 1995, and implies that less than one call per hundred were rejected because of "barring" or faults in the network. The number of customer-reported faults per 100 connections fell from 14.0 in 1995 to 12.6 in 1996.

Sale of ISDN B-channels



Increase in capacity

In 1996, more fibreoptic cables were introduced in the network, with special emphasis on new connections that strengthen the network. The expansion of the land-based network with 2.5 Gbit/s facilities is now being carried out with SDH equipment. The international network in particular will be strengthened, because of the urgent need for more capacity. One main reason is new operators who demand a high capacity network. The considerable interest shown in Internet is also a contributing factor. Priority has been given to establishing 2.5 Gbit/s systems for new cross connections, to increase the network's capacity and to make it less susceptible to faults.

Internet

Telenor Nett has started to build a new nationwide IP network for Internet traffic. Telenor Nett's expertise in the field of design and operations of major

networks will ensure Telenor a network that will be able to tackle successfully the explosive Internet growth in a better manner.

Security

Telenor has focused strongly on preventing telecommunication fraud. In 1996, Telenor reported to the police occurrences of network break-in and suspected fraud in connection with tele-market services.

In 1996, a great deal of work was done in making the subscriber network secure. In the course of 1996, Telenor Nett sealed all subscriber-BF units that were accessible. Subscriber-BF is a unit which expands the capacity in the subscriber network so that two subscribers can use the same physical line. There are 55.000 such units in use. Furthermore a large number of distributors were secured in 1996.

Norkring

Norkring AS was established on 1 July 1996. The company's two shareholders are NRK AS (the Norwegian Broadcasting Corporation) and Telenor AS, with 60 per cent and 40 per cent respectively. It has been agreed that Telenor AS will increase its share to 90.1 per cent in 1999.

The company's object is related to the broadcasting of programmes and other related activities. The largest customers are NRK, TV2, P4 "Radio hele Norge", and Telenor Nett. The main product is terrestrial radio and TV broadcasting for these customers. Norkring owns several virtually nationwide broadcasting networks for FM and TV, and also a number of AM transmitter for broadcasting NRK's special programmes aimed at Norwegians abroad.

In 1996, Norkring signed agreements with 12 local TV licence-holders. Ten networks have been put into operation. Negotiations on building networks are under way with 6 licence-holders. The company has assumed responsibility for the local radio networks previously owned by Telenor. In 1996, Norkring's revenue amounted to NOK 166.4 million, and profit before taxes was NOK 18.9 million. Its staff represented 131 man-years.

Norkring will play a central role in developing new broadcasting networks, and it will not limit itself to being an operating company for established networks. In 1997, the company will start to develop a digital broadcasting network for radio, and start digital TV test transmissions.



From the Tryvann Tower, radio and TV signals are beamed to all over the country.

Telenor Mobilnett

As an initial step in the reorganisation of Telenor Mobil AS, responsibility for all network operations for the cellular network were gathered into one network division from 1 September 1996. Telenor Mobilnett will be spun off from Telenor Mobil as a separate company on 1 June 1997, but for accounting purposes with effect from 1 January 1997.

In 1996, Telenor Mobil continued to develop the GSM network, and at the same time, the capacity of all networks was adjusted to traffic and to demand. The requirement by the Ministry of Transport and Communications regarding the development of GSM in outlying districts was met by 1 July 1996. On 17 October 1996, Telenor Mobil opened the first base station on Svalbard. It has become much easier to get through on the mobile network, and the number of calls that were cut off was reduced.

Paging services in the north of Norway were improved, since it is now possible to transfer text over the most developed pager network, which initially was designed for digits. The area covered by text services has therefore been considerably enlarged.

In accordance with a bill passed by the Storting (Parliament), cellular operators may develop their own infrastructure and link cellular networks together with effect from 1 November 1996. In 1996, Telenor Mobil carried out a test project with radio lines which showed that it is possible to achieve considerable savings in cellular network communication costs.

Products and services

Telenor Mobilnett supplies basic transmission of voice, text, and data, as well as various additional products and services. During the next few years, product development will be concentrated on functionality, and new types of services in the GSM network. In 1996, Telenor Mobil started to test GSM 1800 in the Oslo region. This will provide valuable experience for developing a permanent network. First and foremost, this network will relieve the GSM 900 network in densely populated areas.

The first base stations for ERMES, the new standardised European pager system was put into test operations in Trondheim. ERMES is a new paging

service where very long messages (up to several thousand characters) can be transmitted. Telenor Mobilnett will build base stations in the largest cities and towns, and commercial opening is planned for the summer of 1997.

Strategy

Telenor Mobilnett will continue to operate, build and develop platforms for mobile communication. This will ensure that Telenor Mobilnett's own service supplier, Telenor Mobil, can supply competitive and innovative products of high quality. At the same time, Telenor Mobilnett will endeavour to become the preferred network operators for any new service providers in Norway.

The requirement in connection with the development of GSM in outlying districts were met by 1 July 1996.



Telenor Installasjon



Managing Director:
Jan Kåre Pedersen

Activities:

Installing telecommunications, data, electrical contracting, planning, developing and operating cable network facilities, and installing security and alarm systems

Budgeted turnover in 1997: NOK 1,600 million, of which NOK 1,200 million from within the Group

Number of man-years at 1 January 1997: 3,400

Telenor Installasjon AS is a new company in the Telenor Group. It started to operate on 1 January 1997. Most of the Group's installation work that was formerly organised in Telenor Privat, Telenor Nett, and Telenor Bedrift has now been gathered in one company.

Telenor Installasjon AS is a nationwide company with strong local focus. The company is organised with a flat structure with a small central unit, and with its activities spread among 17 market areas and 154 operational areas. Each market area and operational area is a separate profit centre. Customer follow-up has been placed with the final link.

Already from establishment, Telenor Installasjon is Norway's largest company in the field of telecommunication and data installation. The company's ambition is to be the leading electrical contractor as well. The company will therefore be a total supplier of installation services. It intends to achieve this position in open competition with other companies in the same line of business. Such a transition, from purely internal focus to full competition on all assignments, calls for an ability and a will to change.

The market

This year, Telenor Group internal customers will account for most of the assignments, but in the long term the goal is to increase the number of external assignments. Telenor Installasjon will accept assignments spanning from major development projects



Telenor Installasjon repairs faults on old telephone lines, but also offers ...

to very small jobs in offices and homes. The company's ambition is to offer its services both offshore and abroad. Telenor Installasjon is involved in installation projects in Bangladesh, the Netherlands, Poland, Montenegro, Lithuania, and Russia. These activities are mainly linked to development projects.

Strategy

The market for installation of telecommunications and data is growing rapidly. The same is true of security and alarm services. However, new technology is causing the internal installation market to shrink a great deal over the next few years. Growth must therefore be generated in the external market, which also covers heavy current. The low voltage

Basic products

- Structured cabling
- Fibre cables
- Earthing
- Mast facilities
- Electrical contracting
- Coaxial cables
- Installation of terminals/equipment
- Documentation
- Paired cables
- Cable TV



... top expertise in laying and splicing fibre cables anywhere in the country.



Telenor Installasjon has been active in recruiting apprentices.

and heavy current markets are merging together and there is a clear trend toward the complete installation being carried out by one and the same contractor. Heavy current expertise must be acquired. This will be arranged through alliances and through acquiring electrical contractors, training of our own staff, and by using a large number of apprentices.

As a supplier of services to other units of the Group, Telenor Installasjon is expected to operate efficiently and competitively. The installation market is operating with small margins, but by combining efficiency, competitive adaptability, and an offensive penetration of a large market, the goal is to have Telenor Installasjon return a profit already in 1997.

Telenor Geomatikk

Telenor Geomatikk AS, formerly Telenor Inka AS, is engaged in processing and managing geographical data, technical data, and document archives. It was organised as a separate joint-stock company on 1 January 1996, with a project for the conversion of network documentation as its forerunner. The objective of the establishment of this company was to have it develop into a leading supplier of services in the field of processing and managing geographical data in Norway and abroad, and to ensure that the conversion of data for Telenor Nett is carried out more efficiently.

The company's market engagement is aimed at line-system owners, local authorities, and that part of the business world that has large document archives. Through alliances and co-operation with software and hardware suppliers, and other companies that complement the company's expertise, it will offer total systems and develop new products in the field of collecting data, and the management and distribution of geographical data. In 1996, Telenor Geomatikk represented 282 man-years, and recorded revenue of NOK 91 million. The company expects future development to be positive.

Products and services:

- Scanning and electronic archives
- Surveying
- Conversion of wiring documentation
- Processing and management of mapping data
- Documentation of internal networks
- Consultancy

Telenor Forskning og Utvikling (R&D)



Managing Director:
Oddvar Hesjedal

Activities: Network solutions, service development, IT development, and consultancy services

R&D is to contribute to the development of platforms, products, and services for the Telenor companies – and at the same time be responsible for long-term research in the entire field of activities.

Turnover:
NOK 640 million, of which NOK 600 million comes from within the Group

Profit before taxes:
NOK 1 million

Number of man-years:
732

Telenor Forskning og Utvikling (Research and Development) is the Group's central competence centre in applied research and development of network and IT solutions. Based on its own research, and national and international contacts, results are created in close co-operation with the various business units in the Group. R&D is primarily a supplier to Telenor's internal market. Simultaneously, development of new telecommunications and IT services is carried out in association with external organisations.

R&D is organised in 4 fields of activity: Network systems, service development, IT development, and consultancy.

Network systems

In the telecommunications network of the future, services and products will be offered transparently (openly) over several types of network. R&D is therefore especially engaged in developing networks for fixed /mobile convergence, satellite and fixed net (asynchronous communication with a combination of broadband and narrow-band communication).

Digitalisation of broadcasting also creates new opportunities, especially in connection with the telephony network. Interactive systems, from games to shopping, and payment services, are some examples.

Mobile communication has had an explosive growth throughout Europe. Mobility opportunities will be increased with multimedia terminals, where the fixed, cellular and satellite networks can be accessed from the same hand terminal. DECT, GSM, DCS solutions

are being worked on, in addition to low-orbit satellite systems.

New information services, video conferences, distance learning, and other multimedia applications create a need for broadband transmissions over the telecommunications networks. ATM technology is therefore an important area for R&D. At the same time, experiments are being carried out to exploit the existing copper network in a multimedia context through xDSL technology.

R&D has a great deal of expertise in video compression and voice technology. The latter is necessary to produce Norwegian, voice-based applications in the telecommunications network. Voice recognition and generation, as well as tele-VR (virtual reality) are examples of future user interfaces. The user interface area will be important for Telenor with a view to product quality and product differentiation.

Service development

In a historical perspective, today's telecommunications solutions are to a great degree developed with focus on the infrastructure. The competitive situation that is now developing implies more focus on services that are built on this infrastructure. The ability to be innovative, faster product development, differentiated service functionality, and cost-efficient solutions will be decisive, if we are to assert ourselves in this competition.

R&D is therefore especially active in the areas "Future users" and "Industrial solutions", where the potential in the mass market and the corporate markets res-

Internet

We have seen an explosive growth in both suppliers and users of information on the Internet over the last two years. Internet may revolutionise the entire telecommunications industry. R&D is therefore working with the Internet from a number of angles:

- As an information/service network over the traditional physical networks
- As a carrier of multimedia applications

- As a possible common platform for traditional telecommunications services, such as telephony
- As a user interface through the browser and the world-wide-web technology
- As a component in a number of new products
- As a tool for the distribution of information and for IT applications internally within Telenor (Intranet)

<http://www.fou.telenor.no/>

pectively are assessed on a three-year to a ten-year perspective. This work is carried out in close co-operation with possible suppliers and with pilot customers.

Today's solutions are also characterised by the fact that many partial solutions have been developed by independent research circles, internationally and nationally. The telecommunications network of the future will be built up on a common architecture, most probably based on all or some of the recommendations from the TINA consortium. Here, a common platform is established where services can be established (IN – intelligent network), managed (TMN – management systems), and be processed (IT systems). R&D is working on both the individual components and on the total concept for the service platform of the future.

With the increasing use of information services and payment services, security on the communications networks is becoming more essential than previously. R&D is therefore working in this field in general, participating in the development of security systems, and is responsible for assessing the security of products, services, support systems, and the central infrastructure.

R&D's laboratories allow for detailed tests to be carried out before equipment is put into operation. This also acts as an aid in research activities.

IT development

IT systems are playing an increasingly important role for telecommunications operators in all parts of the world. Information systems provide details of the telecommunications networks' physical and logistical design, and thus ensure effective and correct treatment of new installations and changes to old facilities.

The customer, the product systems and the invoicing systems make possible differentiated products in both the mass market and in the corporate and public sector markets. The organisation's and the system's ability to rapidly establish new products is an important competition parameter. And such systems are also the nucleus of Telenor's customer service function. A first version of a major system for such customer service started to operate in the corporate market in 1996.

Consultancy

R&D's expertise in the fundamental telecommunications/IT, platform and service and IT development

make it natural to act as consultants to the other Telenor business units. This consultancy activity exploits competence across the whole of R&D, and includes advice of both a commercial and technical nature. One major area is building scenarios on which strategic decisions are made at business area and Group level.

National co-operation

Telenor R&D is an important associate for the rest of the Norwegian IT/telecommunications industry. Based on Telenor's research and development needs, and proposals from other players, R&D co-operates with research institutions such as NTNU in Trondheim, the Universities of Oslo, Bergen, and Tromsø, SNF, UNIK, Norsk Regnesentral, and SINTEF. In 1996, R&D started a more formalised co-operation with some of the institutions, and will extend this to include others in 1997. This also applies to industrial co-operation with both small and large companies in the telecommunications/IT sector, where Ericsson, Alcatel, Siemens, IBM, Hewlett Packard, SUN etc. are important to future research.

R&D also supports and co-operates with smaller companies in the development of new products. In this respect, we also want our own employees to be given an opportunity to establish new companies. In 1996, two companies were founded, one in multimedia and one in products linked to the integration of PCs and telephones.

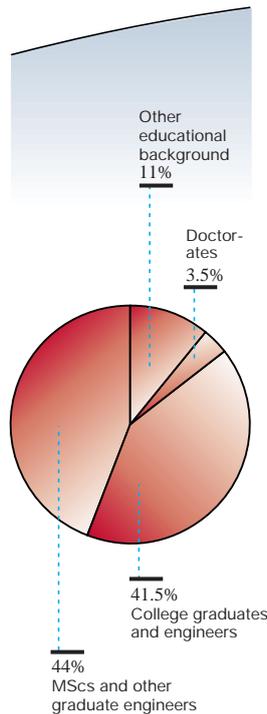
International co-operation

R&D participates in a number of international research and development projects. This is particularly so within the European research organisation Eurescom (20 projects in 1996), and the EU programme ACTS (17 projects in 1996). R&D is also participating in two major programmes organised by MIT in the US, related to Internet-telephony and The Future Organisation respectively. Such participation is important, not only because of the results that are achieved, but also because of the network that is established in the international R&D circles. Over the last two years, co-operation with Telenor's alliance partners, BT and TeleDanmark has been strengthened, also in respect of R&D.

Standardisation is the basis for telecommunications services being available, globally and regionally. Telenor is therefore active in many standardisation forums and this work is co-ordinated by R&D.



Distribution of competence at R&D



Telenor Capital and Finance



Vice President and
Group Treasurer:
Torstein Moland

Area of operation: Capital,
finance and properties

No. of man-years: 216

Telenor's activities in the field of real estate, capital and finance are gathered into a separate business area called Telenor Capital and Finance. This is part of the secondary business system at Telenor, which first and foremost provides Telenor's primary business system with services which are expediently produced and delivered from central Group units. The area is made up of the units Corporate Finance, Telenor Eiendom (real estate), and the subsidiaries Telenor Finans AS and Telenor Inkasso AS (collections), as well as the investment and business development company Telenor Venture AS.

Among other things, **Group Treasury** is responsible for planning and arranging the Group's external funding, providing internal funding to the business areas, and for investor relations, including the credit rating process. Group Treasury also manages the funds in the Telenor Pension Fund (Telenor Pensjonskasse).

Telenor Eiendom's main task is to ensure that the Telenor Group has at its disposal premises which allow the commercial activities to be carried out in an efficient manner, at a minimum cost, and with the least amount of tied-up capital.

At the end of 1996, Telenor Eiendom had at its disposal 1.2 million square metres of floor space in approximately 4,600 buildings, with a book value of NOK 4.8 billion. Telenor's total need for floor space is falling, especially on the technical side. In 1995 and 1996, 150,000 square metres of floor space has been sold or returned to the lessors. In 1996, it was decided to start preparing for the building of new offices at Fornebu (Oslo), in Trondheim, and in Bergen.

In 1996, **Telenor Finans AS** assumed all the rights in the leasing portfolio which represented the main activity of Telenor Leie AS. At the same time, all shares in the company were transferred to the parent company, Telenor AS.

This restructuring is part of the Telenor Group's strategy to become the leading total supplier of IT services, where delivery, financing, and administration are all part of an integral solution. The company is now Telenor's competence centre for financing and administration of the Group's sales of systems to private companies. The development of the financial services take place in close co-operation with the operative companies in the Telenor Group, and their customers. Great demands are made on professionalism and dependability in all parts of the company's activities.

Telenor Finans AS offers the Group's customers and internal company's everything from simple, standardised rental and leasing services, to project financing for more complex telecommunications and data systems. The goal is to provide customers with sufficient flexibility to be able to invest in IT systems within limitation which the development in technology at any time sets. In 1996, many of the company's services made it possible to implement both small technological improvements and major investments of importance to society in general.

At the end of 1996, the company had a staff of seven. Demand for the company's services is heavy, and the business volume is expected to grow sharply in 1997. Telenor Finans AS's goal is to be a leading player in the Norwegian market for financing telecommunication and data systems.

Telenor Inkasso AS offers collection services, credit reports, training courses and consultancy. The company will expand its capacity in order to take on most of the collection-related activities of the Group. The company is growing rapidly, and at the end of the year it had a staff of 32. These were located at the head office in Skien, and at the branch offices in Molde and Leknes.

Telenor Venture

Telenor Venture's objective is to be a locomotive in the development of new and profitable business concepts in IT and telecommunications. This is done by creating links between industrial environments and entrepreneurs in the industry. The company's business concept is to increase values through active ownership in profitable projects and companies, by providing venture capital and network, as well as technical and commercial expertise. The venture company exploits the opportunities of commercialising and industrialising ideas for products, and research arising in Telenor's activities.

The Telenor Group owns 70 per cent of the shares in Telenor Venture AS. The other owners are the insurance companies Storebrand (14.1 per cent), Vital (10.8 per cent), and Gjen-sidige (5.1 per cent). The company's book equity amounted to NOK 244 million at 31 December 1996.

Telenor Venture AS has considerable access to entrepreneurs with interesting projects. After three and a half years of operation, the company has assessed more than 250 businesses and commercial concepts.

The company's investments at 31 December 1996 were:

Cetronic AB (30.7 per cent): leading supplier of elevator telephones and emergency telephones

Eltak AS (9.1 per cent): security systems, power electronics, and telecommunications products

Gran-Jansen AS (22.2 per cent): production of advanced integrated analogue and digital radio circuits

Incatel AS (42.9 per cent): development and marketing of data base and system solutions

Infocall 123 as (34.0 per cent): information brokers in the professional and private markets

Internett Kanal 1 AS (39.4 per cent): editorial products, primarily for publishing in the electronic media, such as the Internet

Intra Media AS (22.5 per cent): development, operation and marketing of software and services for the media market

Linkom AS (29.7 per cent): sale of advanced data logging/processing/communications products

Linné Data Management AB (22.8 per cent): system development in the client/server environment with multimedia and communication

Maritech Systems AS (20.0 per cent): development and sale of IT systems for the fishing industry

MaXware AS (31.5 per cent): communications software which packages and address "electronic envelopes".

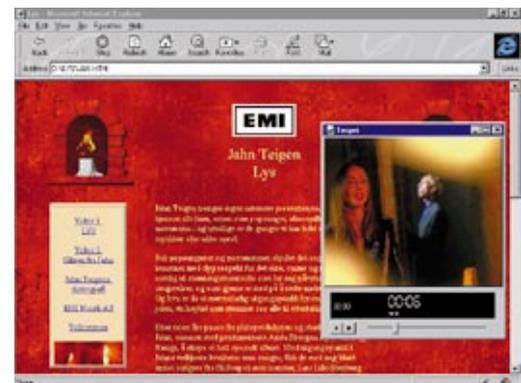
Micro Design (13.4 per cent): development and sale of information and payment systems

MobileDisplay AS (45.9 per cent): development and supply of fleet management systems

MRT micro ASA (17.1 per cent): development, production, sale and marketing of specialised data products

Multi Media Studio AS (100 per cent): development of interactive video products, surveillance of local and global IT networks

Nätcentralen NFM AB (40.0 per cent): surveillance of local and global IT networks



Norsk Tekst AS (24.5 per cent): sub-titling of TV and video programmes

Open World Distribution AS (22.6 per cent): "The Channel", data base which connects IT suppliers to all who will distribute IT products to end-users

PolyDisplay ASA (10.1 per cent): user-friendly and cost-effective electronic flat screens

Seatex Garex ASA (20.2 per cent): positioning, communication and geographic information systems

Scandinavian Group AS (49.9 per cent): sale of PC games, software on CD-ROM, and multi-participant games for the Internet

Sysdeco DIKAS AS (28.0 per cent): administration and distribution of geographic data

Multi Media Studio produces interactive video for CD and Internet, and in association with EMI has developed a new concept for the distribution of information and software on music CDs.

Trade AS (45.0 per cent): electronic solutions for gathering, standardising, storing, and distributing product information

TSAT AS (4.3 per cent)/ TSAT Holding AS (37.9 per cent): satellite solutions for small, closed networks for data transmissions at low speeds

Ucom AS (18.0 per cent): supplier of modems, ISDN adapters etc.

Telenor Venture has an option to purchase 24.5 per cent of the shares in the Dutch music-on-demand company Mode International B.V. Mode is currently establishing a European service for online distribution of musical information.

Telenor Resource Pool (TNM)

Telenor Resource Pool (TNM) was dismantled from its original form on 1 February 1997. During the four years that it has been in existence, roughly 4,700 employees have found new assignments within or outside the Telenor Group. As a result of many motivated employees and an increasingly effective administrative organisation, the time the employees have spent with TNM has been constantly falling. The ability to change that has been built up in TNM will be transferred to the new unit, Telenor Omstilling (Telenor Restructuring Unit). This unit will provide assistance and advice to the business areas in matters relating to reorganisation and staff reductions.

The total results for TNM show that approximately 450 opted for early retirement. Of the others, about half (2,050) found jobs within the Telenor Group, while the other half (2,200) left Telenor. The latter group includes 327 who are entitled to draw salaries pending new assignments/retirement age.

At the end of 1996, TNM still had 141 people on its payroll. In 1996, 1,315 people left. About a third of those who left moved on to new jobs with Telenor, while the rest left the Group.

Greater competence

Over the last few years, concentration has been on raising the level of competence, job-seeking activities, and business development. About a third who were made redundant elected to improve their formal competence by studying. The choice of subjects studied varied considerably. The main criteria for being granted support were the individual's own wishes and future job opportunities. Many of those who opted for developing their own competence have since taken over new positions in the Telenor Group.

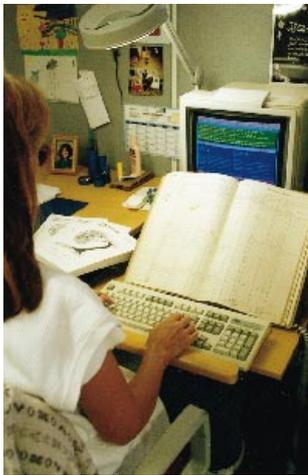
At TNM, applying for jobs has been regarded as a full-time occupation. Many were sceptical to the idea that this could fill a working day, but this scepticism quickly evaporated with resolute work during the process. Personal plans of actions, with detailed daily schedules, have been important platforms for obtaining new jobs. Going actively out in to the labour market has been just as natural as applying for jobs on the basis of jobs vacant advertisements.

An important criterion for success has always been that the individual must be favourably inclined to spend time and resources on finding new opportunities. The TNM system has been able to provide help and support, but finding a new job and assuming responsibility for the future has always been up to the individual.

Co-operation gave new jobs

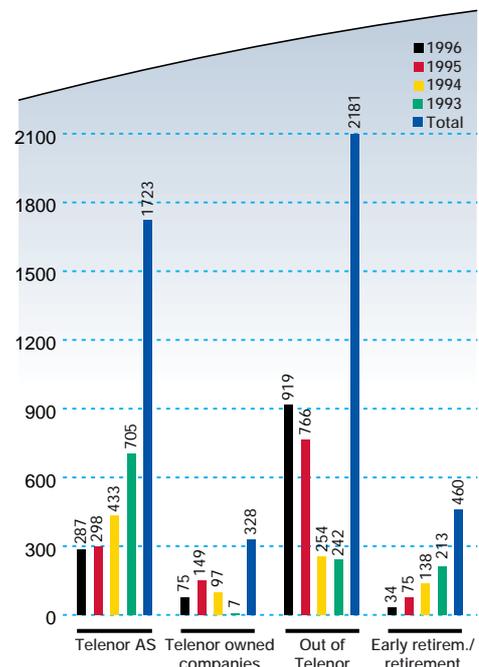
Co-operation with outside companies has helped to provide jobs that could be offered to TNM employees. Securitas and ISS have played a major role. Jobs have also been created by employees establishing their own business, alone or together with others. This activity was reduced as TNM started to near its end. In line with the assumptions on which the companies were established, TNM wound up its ownership interests as the final date came closer.

On the business development side, it has also been possible to offer professional assistance to employees who wanted to establish their own businesses, in the form of a carefully prepared process where the concept has been tested, i.e. in respect of finances and the market-related situation. For many, this resulted in new ideas being realised and new jobs being created.



Tele-genealogy at the National Library in Rana, where genealogists are helped to seek in a very comprehensive data base, is one example of jobs created under TNM's auspices.

Out of TNM – where to?



Organisation and personnel

At the end of 1996, the Telenor Group had 19,221 employees, 8,958 with the parent company, and 10,263 with subsidiaries. The number of employees rose by 741 in 1996. At the parent company, staff was reduced by 3,171, while the subsidiaries increased their staffs by 3,912. This increase was in part due to the transfer of personnel from the parent company to the subsidiaries, and in part to new recruitment because of increased activity in various business areas.

Restructuring

The market for telecommunications service will be characterised by open competition between the various service providers. Through a number of analyses and internal assessments, the various organisational and working principles needed to develop the Group under differing scenarios have been reviewed. This has resulted in a restructuring of the organisation and a division of the commercial activities into a network operating area, a service provision area, and an installation area.

Through the improvement programme Project 98, which was completed in 1996, new business opportunities have been identified and developed, and a foundation laid for more efficient and rational operations. Some measures have already been introduced, while the total improvement is not expected to be realised before the end of 1998. The value of the total improvement potential is estimated to be NOK 2,800 million.

Competence is decisive to Telenor's activity. The Group's future growth and development depends on Telenor being conceived as an attractive employer for existing and potential employees. Most business areas have carried out projects for mapping existing competence and implementing measures in areas where it is necessary to strengthen competence. This work will be continued in 1997. In order to coordinate Telenor's overall expertise and to contribute

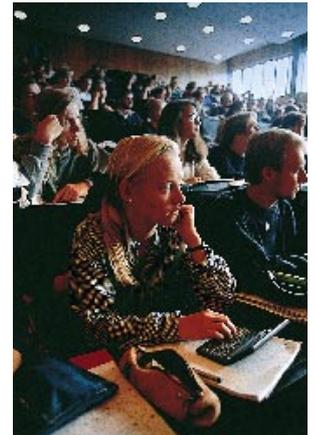
to more flexibility between the business units, a central in-house employment agency has been established. The Group's recruitment will be channelled through this unit, at the same time as it will clarify the competence needed in each unit, and the individual employee's job wishes.

"Women to management"

Telenor wants to attract highly qualified employees who represent a wide spectre of competence, experience and qualities. Even though female employees represent an increasing share of Telenor's recruitment, the ratio between men and women is far from satisfactory. This is particular the case at management level. At the beginning of 1997, one in seven managers on the three highest levels were women. As part of Telenor's efforts to develop the company, the main goal is to improve the ratio of women to men on all management levels. The goal is that one in four managers shall be women by the year 2000. The project "Women to management at Telenor", which was started in the autumn of 1996, will set in motion measures together with the business areas so that this goal can be reached.

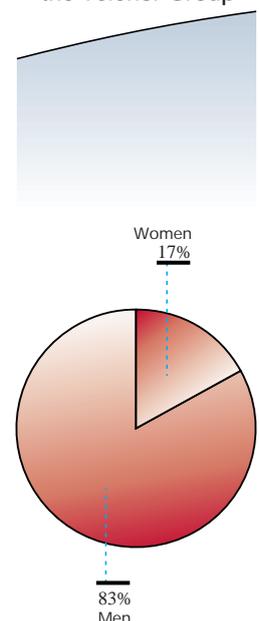
Experience gained through TNM during the process of restructuring and staff reductions will be exploited by Telenor Omstilling (Telenor Restructuring Unit). In this connection, employees have been offered early retirement at the age of 60. In 1996, 508 employees availed themselves of this offer. A total of almost 2,000 employees have taken early retirement.

Telenor Pensjonskasse (Telenor Pension Fund) is an independent foundation, covering 37 companies in the Group. At the end of 1996 Telenor Pensjonskasse had 17,719 active members and 168 pensioners. Total assets amount to approximately NOK 560 million.



Recruitment of highly qualified staff is decisive for Telenor.

Distribution men/women Senior management in the Telenor Group



The environment



200 km of old telephone lines were removed in 1996.

1996 was the first year of systematic work on the external environment. Most important was management's adoption of a new external environment policy. This has high ambitions. "Telenor Agenda 21 – Telenor's plan of action for the external environment in the period 1997–2000" is based on this policy, and is a strategic plan of action in the entire Group.

Concrete environmental issues

In addition to the strategic work, several concrete environmental measures were carried out, including:

Waste

A strategic plan of action is being prepared for waste. The matter of waste is being dealt with in close association with Telenor Miljø AS (Telenor Environment), which handles large amounts of problem waste from Telenor and from others.

Transport

With 5,500 vehicles, Telenor has one of the largest fleets in the country. In 1996, an "Environmental Plan for Transport" was drawn up, which will be a good help in limiting the negative impacts of the transport sector.

Green building and green offices

Telenor manages roughly 4,600 buildings with a total floor space of more than 1.2 million square metres. This represents a major environmental challenge. In 1996, Telenor Eiendom published a "Manual on environmental buildings", which points out a range of measures for environmentally correct buildings and operations.

Encroachment on nature/litter

Telenor is currently tidying up old lines that are no longer in use, and other "litter". In the course of 1996, Telenor Nett removed approximately 200 km of telephone lines. This work will continue in 1997. Telenor Mobil has engaged Norges Miljøforbund (The Norwegian Association for the Environment) for advice in connection with the placing of masts in the environment, and to prepare a plan for collecting mobile phone batteries.

External contact and network development

Norwegian business

Mutual information in Norwegian business in the environment field is important. Telenor has contributed

to the establishment of the Birkebeinerlaugets Miljøforum (The Birchleg Guild Environmental Forum) which is a network body for the Guilds member companies. The Environmental Forum has contributed to the Guild's executive committee selecting the environment as one of three main areas of concentration in 1997.

The public environmental authorities

Contact has been established with the Ministry of the Environment, the State Pollution Control Authorities, NORSAS, and GRIP (Green working life in practice). Telenor has signed a letter of intent with the Ministry of the Environment regarding a joint venture to present environmental data via telecommunications.

International contacts

In November 1996, ENTO, the European telecommunications organisation, arranged its first environment conference in Frankfurt, Germany. Telenor, together with 20 other telecommunications companies subscribed to an Environmental Charter. A working group will now follow up the work on the Charter. In addition, there has been considerable contact with BT, as well as the other Nordic telecommunications companies.

Conservation organisation

Telenor has co-operated with Miljøheimevernet (the Environment Home Guard) on the publication of the book "Naturligvis" (Naturally), which has been given to all of Telenor's staff. This is part of the effort to raise the level of consciousness and understanding of environmental issues within the Group. Telenor has supported the Youth Environment Parliament, and helped realise activities aimed at young people, the environment and the use of IT. Pupils at a number of schools have been given access to IT equipment for use in national and international projects.

In addition, Telenor is engaged in joint ventures with Bellona and Norges Miljøforbund, and is in contract with Worldwatch Norway, Fremtiden i våre hender (The Future in Our Hands), Norges Naturvernforbund (The Norwegian Conservation Society), and Greenpeace in a number of different matters.

For further details of Telenor's environmental work, please see the Group's Report on the Environment.



All Telenor staff received the environmental book "Naturally" in 1996.

Sponsorships



In a market where competition is becoming increasingly fierce, Telenor's reputation in the market is an important success criterion. Working with Norwegian sports organisations and cultural institutions is therefore an important part of the Telenor's communication plan. With agreements that together amount to more than NOK 30 million in 1997, Telenor is one of the largest sponsors in the country.

Concentrating resources

In 1996, Telenor prepared a new strategy for its sponsorship activities. An important element is that the sportsmen and women and activities in which Telenor is to engage must be in accordance with the Group's basic values and goals, and be able to convey these to the market.

As a consequence of the new strategy, the Group's engagements will be fewer and larger. This will make the company more visible, and makes it easier to involve and integrate our associates more into Telenor's total market communication.

Breaking barriers

Sport is the development of body and mind. With its nation-wide presence and its goal of being among the best at the international level, Telenor gives priority to working with Norwegian sport at both amateur and top professional levels. The performer's focus on quality, achievements and his/her ability to con-

stantly improve are values that Telenor is also striving for. The largest single engagement is with Norges Friidrettsforbund (The Norwegian Athletic Association), which runs through to the year 2000. The variety represented by Norwegian athletics, and its ability to break barriers and achieve international success, goes hand-in-glove with Telenor's values and goals.

Communication and customer care

Telenor's core activity is communication. The arts are a way of communicating which has a capability of bringing us together and developing us as people.

Over the last few years, Telenor has had great success in co-operating with Norwegian artists and cultural institutions. Cultural events provide very favourable surroundings in which to take care of relationships with customers. Telenor's involvement in the arts will continue in the years to come.

Co-operating with humanitarian organisations is also part of Telenor's basic values. An agreement with the Norwegian Red Cross is intended to stimulate voluntary work around the country, also by our own employees. In addition, the organisation's international engagement in the event of disasters, and its work on rebuilding, are both related to Telenor's international engagement for effective communication lines.

Norwegian athletics and Telenor both have the same ambition – to assert themselves at the top internationally. As a member of Team Telenor, Vebjørn Rodal showed that the ambition can be achieved when he won the 800 metre gold medal at the Olympic Games in Atlanta.



Telenor's Cultural Prize was awarded to a young artist, Wenche Øyen.

Telenor's sponsorship agreements:

- The Norwegian Athletics Association (1996–99)
- Whitbread Round the World Race (1996–98)
- The National Museum (1996–99)
- Kon-Tiki (1996–2000)
- The Red Cross (1997)

Articles of association for Telenor AS

of 1 January 1995 as amended at 6 December 1996



Article 1 The name of the company is Telenor AS.

Article 2 The company's registered office is in Oslo (Norway).

Article 3 The object of Telenor AS is to conduct telecommunications activities and business related thereto, including statutory assignments, and ensuring satisfactory, effective telecommunications on equal terms in all parts of the country, and special assigned administrative tasks. The activities may be conducted by the company itself, by wholly-owned subsidiaries, or through participation in or in association with other companies.

Article 4 The company's share capital is NOK 7,200,000,000 divided into 720,000 shares with a nominal value of NOK 10,000 each.

The Kingdom of Norway shall own all the shares in the company,

of Act no. 45 of 24 June 1994, on the conversion of the public enterprise Televerket into a joint-stock company.

Article 5 In accordance with the resolution passed by the General Meeting, the Board shall consist of from seven to nine members.

Five, or possibly six members, including the Chairman and the Vice-Chairman, shall be elected by the General Meeting for a period of two years at a time. The General Meeting may elect 2 alternates, a first and second alternate. The first alternate attends, and has the right to speak and submit proposals at Board meetings.

Two, or possibly three Board members with alternates shall be elected direct by and from among the employees, pursuant to Section 8-17, cf Section 18-3 first paragraph of the Joint-Stock Companies Act, as well as regulations regarding the provisions in the Joint-Stock Companies Act concerning the employees' right to representation on company Boards and Corporate Assemblies etc.

The Board, or on a decision of the Board a committee made up of one or more of the members of the Board, shall

represent Telenor AS's shares at the General Meeting of Telenor Nett AS.

Article 6 The Chairman of the Board and one director, signing jointly, have the right to sign for the company.

Article 7 The Board of Directors appoints the President and Chief Executive Officer and fixes his/her salary.

Article 8 The Company shall have a Corporate Assembly consisting of 15 members. Members and alternates for these shall be elected for terms of two years at a time. 10 members and 3 alternates are to be elected by the General Meeting. 5 members and 2 observers with alternates shall be elected by and from among the employees pursuant to regulations in the provisions of the Joint-Stock Companies Act concerning the employees' right to representation on company Boards and Corporate Assemblies etc.

Article 9 The Annual General Meeting shall be held once a year before the end of June. The company's annual accounts and the Auditor's reports shall be submitted to the Annual General Meeting and the following matters

shall be dealt with and decided:

1. Adoption of the profit and loss account and balance sheet, including the allocation of the profit for the year or the covering of losses.
2. Adoption of the consolidated profit and loss account and the consolidated balance sheet.
3. Any other business that is to be dealt with by the Annual General Meeting in accordance with legislation or the Articles of Association.

Article 10 The Board of Directors shall submit to the General Meeting all matters which are considered to be of significant, fundamental, political, or social importance.

Each year, the Board of Directors shall submit to the General Meeting a plan for the activities of the company and its subsidiaries which, in addition to the matters mentioned in the first paragraph, shall cover the following:

1. The Group's main business activities for the coming years, including major reorganisations, changes in the Group's regional profile, the further development of existing operations and/or the development of new ones.

2. The Group's financial development.
3. Major investments, including the financing plans pertaining thereto.
4. Tariff trends.

The Board shall submit to the General Meeting any major modifications to plans that have previously been submitted to the General Meeting.

Matters which the Board of Directors shall submit to the General Meeting pursuant to the first, cf. the second subsections must be considered by the General Meeting before the Board adopts any final resolution on the matter.

Pursuant to this article, the General Meeting will itself decide as to whether it will hear the merits of the case on matters which are submitted to it in accordance with this article.

Matters which must be submitted to the General Meeting pursuant to this article shall, as far as possible, have been submitted first to the Corporate Assembly for comment.

Article 11 The rules and regulations of the Joint-Stock Companies Act shall apply at all times.

Elected officers and management

Corporate Assembly

Members elected

by the shareholder

Chairperson: Mona

Røkke, Tønsberg

Vice-Chairman: Gisle

Handeland, Fedje

Kjersti Graver, Bærum

Brit Seim Jahre, Oslo

Hilde Kinserdal, Bergen

Ragnar Klevaas, Bærum

Anne Cathrine Høeg

Rasmussen, Oslo

Stein Reegård, Bærum

Björg Simonsen, Rana

Kristian Zachariassen,

Arendal

Alternates elected

by the shareholder

Ove Andersen, Arendal

Erna Beate Støren,

Porsgrunn

Morten Berg,

Bærum (until 1.9.96)

Members elected

by the employees

Erik Sikkeland,

Sarpsborg

Anne Sørli, Oslo

Robert Mandal, Ørland

Irma Ruth Tystad, Trysil

Eva Storhaug, Trondheim

Grete Seip, Bærum

Helge Enger,

Kongsvinger

Alternates elected

by the employees

Ellen Sande, Oslo

Ester Sæther, Trondheim

Anne-Grethe Woie, Oslo

Liv Fønnes, Bergen

Laila Bjørum, Eidskog

Torgeir Skjellerud,

Jevnaker

Bjørn Trippestad,

Eidsberg

Arne Bjørnsen, Sauherad

Svein Renolen,

Trondheim

Grethe Henriksen, Oslo

Anne-Lise Kalle, Oslo

Rakel Pettersen, Bergen

Svein Åge Samuelson,

Trondheim

Geir Stampeløkken, Sel

Rune Nesvik, Stavanger

The Board of

Directors

Chairman: Arnfinn

Hofstad, Levanger

Vice-Chairman:

Christian Brinch, Oslo

Bodil Richardsen,

Bergen (until 1.6.96)

Terje Moe Gustavsen,

Vestby

Oddbjørn Nordset,

Verdal

Åshild Bendiktsen,

Salangen

Inger Karin Nerheim,

Lillehammer

(1.6. – 1.9.96)

Alternates elected

by the shareholder

Ada Kjeseth, Rådal

Eva Karal, Oslo

Members elected

by the employees

Synnøve Lohne-

Knudsen, Lunner

Tore Gulbrandsen, Oslo

Svein Eivind Solheim,

Askvoll

Alternates elected

by the employees

Harald Stavn, Kongsberg

Bente Reitan, Kongsvinger

Anette N. Hansen, Oslo

Helene Hertzberg Ask,

Lier

Per Gunnar

Salomonsen, Skien

Frank Hansen,

Hammerfest

Mons Erik Holtbakk,

Kongsvinger

Group management

President and Chief

Executive Officer

Tormod Hermansen,

Senior Executive Vice

President

Ole Petter Håkonsen,

Senior Executive Vice

President Terje Thon,

Executive Vice President

Jon Fredrik Baksaas,

Executive Vice President

Magnus Dokset,

Executive Vice President

Marit Døving

Subsidiaries

Telenor Bedrift AS

Managing Director

Martin Furuseth

Telenor International AS

Managing Director

Arve Johansen

Telenor Plus AS

Managing Director

Peter Pay

Telenor Mobil AS

Managing Director

Stig Herbern

Telenor Privat AS

Managing Director

Stein Gustavsen

Telenor Nett AS

Managing Director

Thor A. Halvorsen

Telenor Mobilnett AS

Managing Director

Stein Hansen

Telenor Installasjon AS

Managing Director

Jan Kåre Pedersen

Auditors

Arthur Andersen & Co.,

Oslo



Definitions of terms

ADSL: Asymmetrical Digital Subscriber Line. Mode of transmission for exploiting existing copper-cable network in case of a need for higher capacity in one direction than in the other, e.g. video-on-demand.

ATM: Asynchronous Transfer Mode. ATM is a switching and transmission mode for high speed networks based on dividing the bits stream into cells of a fixed length (a given number bits). An ATM-based network can carry voice, data and video.

Base station: A radio station in a land mobile radio network. It comprises a transmitter, a receiver and an antenna facility and connects traffic between the fixed networks and the rest of the telecommunications network.

Bit/s: Bit per second. A unit of information speed when transferring digital signals.

Centrex A PABX function in public exchange as an alternative to private exchange.

DCS-1800: European mobile telephone service (equivalent to GSM) on the 1800 Mhz frequency band. Based on ETSI standards.

DECT: Digital European Cordless Telecommunications. European standard for digital cordless connection to the telecommunications network.

ETSI: European Telecommunications Standard Institute. Members include network operators, regulatory bodies, industry, research, and user organisations.

Interface: Point of connection between two types of equipment with different functions. The term is also used to state the division between areas of responsibility, ownership etc. (e.g. between monopoly area and competition area).

Basic affiliation: ISDN basic affiliation (GT) consists of two B channels (64 kbits/s) and one D channel (16 kbits/s); (2B + D).

GSM: Global System for Mobile communications. Pan-European digital mobile telephone system.

IN: Intelligent Networks. Telecommunications network where parts of the software for the services are withdrawn from the exchanges and put into a few nodes. This makes it easier to switch services as required, and users can receive offers of tailor-

made services. New services can be introduced quickly.

INMARSAT: International Maritime Satellite Organization. An operator company establishing and operating satellite systems for maritime, land-mobile and aeronautical mobile communication.

INTELSAT: International Telecommunication Satellite Organization. The international telecommunication satellite organisation mainly operates inter-continental telecommunications via satellite.

ISDN: Integrated Services Digital Network. Digital network integrating several kinds of services: Voice, text, data and picture. The standard speed of ISDN is 65 kbits/s.

LAN: Local Area Network. Local networks for data transmission, e.g. with Ethernet/Tokenring standard.

Node: A coupling or switch point in the network.

ONP: Open Network Provision. A set of rules within the EEA which is to ensure customers get access to specific ser-

vices with defined interfaces on equal terms and at cost-based prices.

Radio access: Radio access delineates the fact that the subscriber is connected to the telecommunications network by using radio systems.

Network: Connection for transmitting signals between two specific termination points.

SDH: Synchronous Digital Hierarchy. Synchronous transmission and multiplex system for telecommunication networks. It operates at speeds of between 155 Mbits/s and (so far) 2.54 Gbits/s. SDH will be the future transmission system in the telecommunications network and will gradually replace PDH.

TMN: Telecommunications Management Network. A separate network intended for operation, maintenance and administration of the telecommunications network.

TINA-C: Consortium for enterprises working on network architecture. Established on the initiative of several major telecommunications operators and equipment manufacturers.



Transport network: Network consisting of transmission systems for the physical transmission of information and the logical functions necessary for routing of information for various services via the network.

UPT: Universal Personal Telecommunication. A service where the communication service is linked to a personal UPT number which can be used on different types of network, so that the subscriber can be called via the same number regardless of which network he/she is connected to, or regardless of where he/she is.

VPN: Virtual Private Networks. Corporate communication service where geographically dispersed units with PABX and Centrex solutions are connected in a corporate network via switched connections in the public telecommunications network.

VSAT: Very Small Aperture Terminal. Satellite terminal with small antenna mirror for corporate customers.

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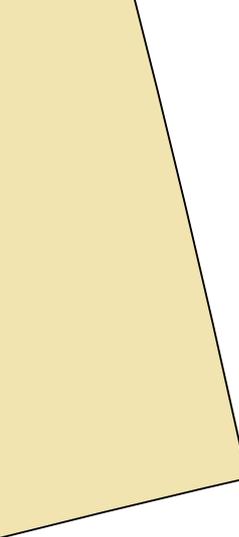
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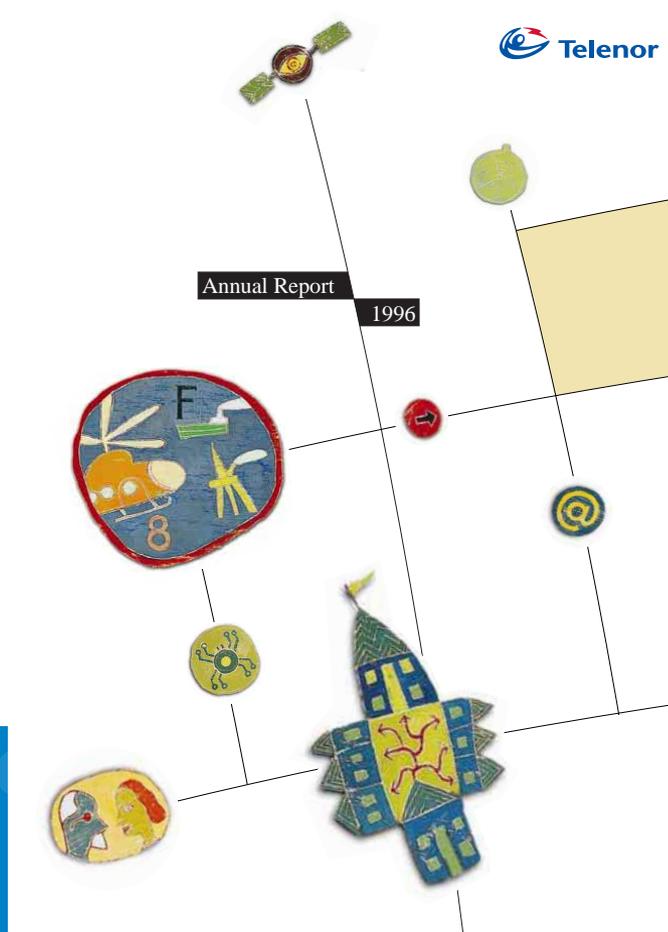
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Arsrapport CD

HUGIN

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industry

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Industry

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