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# Key Figures

Amounts in NOK million (if not otherwise stated) **1999** 1998 1997 1996 1995

## Amounts in accordance with Norwegian GAAP

### Profit and loss account

Turnover	<b>33,468</b>	28,910	25,869	22,382	19,983
Operating expenses excl. depreciation and write-downs	<b>24,419</b>	20,652	19,164	15,882	13,847
Depreciation and write-downs	<b>5,047</b>	4,461	4,048	3,903	3,569
Operating profit	<b>4,002</b>	3,797	2,657	2,597	2,567
Associated companies	<b>(1,239)</b>	(1,097)	(534)	(175)	(57)
Profit before taxes and minority interests	<b>3,314</b>	2,908	2,054	2,247	2,130
Taxes	<b>(1,323)</b>	(1,242)	(729)	(460)	(627)
Profit for the year	<b>2,035</b>	1,710	1,389	1,784	1,484

### Balance sheet data

Fixed assets	<b>37,617</b>	31,783	26,631	23,017	21,586
Current assets	<b>10,409</b>	8,967	7,533	6,537	5,973
Shareholders equity	<b>20,033</b>	18,515	15,478	14,647	11,824
Minority interests	<b>1,232</b>	239	242	95	69
Interest bearing liabilities	<b>15,069</b>	11,453	9,224	5,860	6,906
Non-interest bearing liabilities	<b>11,692</b>	10,543	9,219	8,952	8,760

### Other financial data

Net cash flow from operating activities	<b>7,370</b>	7,205	5,496	4,827	6,284
Investments <sup>1)</sup>	<b>13,170</b>	9,428	8,970	5,612	4,646
Profit margin in % <sup>2)</sup>	<b>9.9</b>	10.1	7.9	10.0	10.7
Return on capital employed in % <sup>3)</sup>	<b>12.1</b>	12.2	10.7	12.9	14.8
Return on equity in % <sup>4)</sup>	<b>9.6</b>	9.7	8.7	13.4	13.1
No. of employees	<b>23,470</b>	21,452	20,848	19,221	18,480
No. of man years	<b>21,968</b>	20,226	19,598	18,113	17,406
Dividend	<b>500</b>	700	570	950	550
Earnings per share (in NOK. Basic and diluted) <sup>5)</sup>	<b>2,423</b>	2,155	1,929	2,703	2,473
Weighted average shares outstanding <sup>5)</sup>	<b>840,000</b>	793,300	720,000	660,000	600,000

## Amounts in accordance with US GAAP

### Profit and loss account

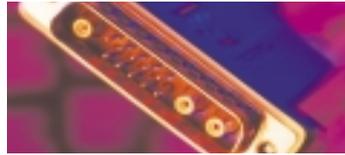
Turnover	<b>32,685</b>	28,662	-	-	-
Operating expenses excl. depreciation and write downs	<b>24,135</b>	20,895	-	-	-
Deprecations and write downs	<b>5,047</b>	4,461	-	-	-
Operating profit	<b>3,503</b>	3,306	-	-	-
Associated companies	<b>(1,283)</b>	(1,085)	-	-	-
Profit before taxes and minority interests	<b>3,559</b>	2,725	-	-	-
Taxes	<b>(1,389)</b>	(1,191)	-	-	-
Profit for the year	<b>2,206</b>	1,578	-	-	-
Earning per share (In NOK. Basic and diluted) <sup>5)</sup>	<b>2,626</b>	1,989	-	-	-

### Balance sheet data

Fixed assets	<b>42,245</b>	33,587	-	-	-
Current assets	<b>10,409</b>	8,967	-	-	-
Shareholder's equity	<b>21,053</b>	19,512	-	-	-
Interest bearing liabilities	<b>19,666</b>	13,086	-	-	-
Non-interest bearing liabilities	<b>10,563</b>	9,001	-	-	-

#### Definitions:

- 1) Investments in fixed assets, long-term investments in shares, and capital contributions to satellite organisations.
- 2) Profit before taxes/Total turnover.
- 3) (Profit before taxes + interest expenses)/Average (total assets – non-interest bearing debt).
- 4) (Profit after taxes + minority interests)/Average (shareholders equity + minority interests).
- 5) Adjusted for increase in equity in 1998 and 1996.



## Important events in 1999

- **Agreement to merge with Telia AB and the voluntary dissolution of the merged company**

The merger agreement was signed on 19 October 1999. On 16 December 1999 the two owners agreed, on the basis of an overall evaluation, to dissolve the merged company voluntarily.

- **Record high turnover, operating profit and profit before taxes**

The total growth in turnover was 15.8%. Telenor's profit before tax was NOK 3,314 million, the best result in the group's history to date. The figures confirm the fact that Telenor maintained high pressure on the market throughout the year. The figure for net profits on disposals of over NOK 1 billion is the highest ever.

- **Investments increased to just over NOK 13 billion**

Telenor's investments continued to grow, not least abroad where total investments increased from NOK 3.6 billion in 1998 to NOK 6.2 billion in 1999. In Norway investments rose from NOK 5.7 billion in 1998 to NOK 7.0 billion in 1999.

- **Strategically important agreement with BT concerning Esat Telecom in Ireland**

The agreement with BT concerning Esat Telecom gives Telenor a stronger position for further activities in Ireland, or a profit to Telenor of approximately NOK 9 billion.

- **Strong growth in value of associated companies**

Based on the valuations by external bankers, the associated companies showed significant growth in value in 1999.

- **Strong growth in mobile subscriptions in Norway and overseas**

During the course of the year, the mobile penetration in Norway increased from 47% to 61%. Telenor had in total 2 million subscriptions in Norway at the end of 1999, of which 216,000 were NMT. This represented a market share of 70% for GSM. The total number of mobile subscriptions in companies owned by Telenor outside Norway was 4.3 million at the end of 1999, a growth of 3 million on the previous year.

- **Internet activity in eight European countries**

By the end of 1999 the internet company Nextra had established companies in Sweden, Italy, Hungary, Germany, the Czech Republic, Slovakia and Austria, in addition to Norway.

- **World's highest ISDN density**

Telenor had at year end 1999 over 528,000 private and business subscribers connected to ISDN, a growth of 70% on the previous year.

- **Transition to single rate zone in Norway from 1 July (Norgespris)**

Telenor introduced a single price zone for telephony - Norgespris - for the whole country. The previous long distance rate was removed and all calls in Norway are now priced at the local rate.



# About Telenor

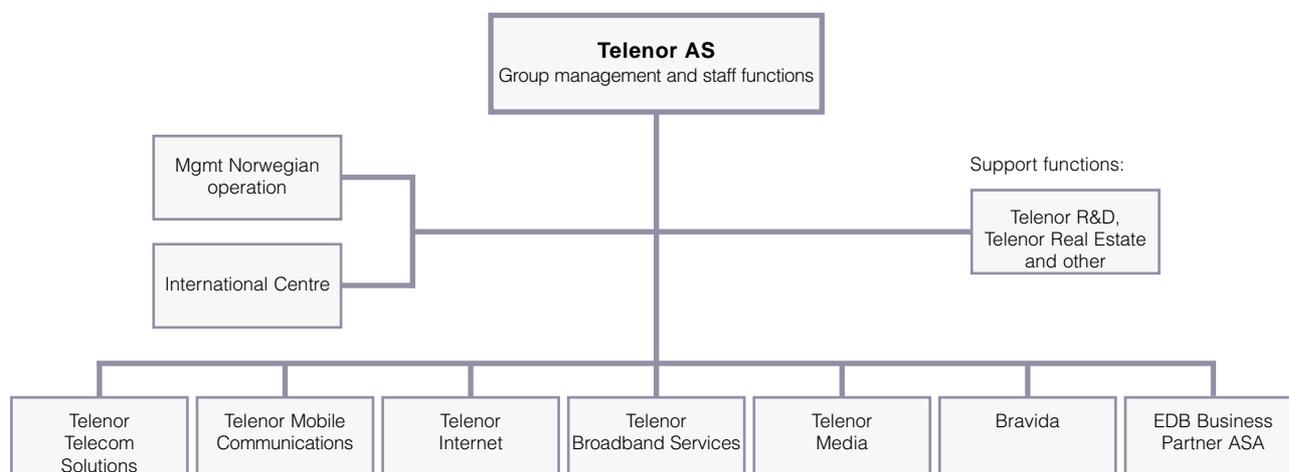
Telenor's core business is voice services, information, knowledge and entertainment to end users through a broad spectrum of modern communication services. These services employ a combination of wireless communication platforms, such as mobile telephony, satellite and broadcasting networks, and fixed platforms, such as conventional telephony, IP and cable networks. The group's business portfolio combines established areas of business with new initiatives. The main portfolio comprises:

- Fixed line communication
- Mobile communication
- Standardised IP services for the private and business markets
- System integration and integrated packages for the business market
- Services based on distribution to end users' homes via TV

Of the above, mobile and IP-based services are targeted at an international market, while TV distribution is aimed at households first and foremost in Norway and the rest of the Nordic region. The remainder of the portfolio is primarily aimed at the domestic market in Norway.

Telenor's future operations in Norway will be centred around the supply of advanced telephony services nationwide. The company will actively adapt to the operating conditions as they unfold, for instance by opening up its internal value chains and distinguishing between service-related activities and network-related activities. The consequences of this will be increased competition, leading to sharper focus on rationalisation and competitiveness in all parts of the business, but also helping create a well-functioning market with balanced players.

Telenor is particularly well placed for international expansion in the areas of mobile telephony (primarily for the mass markets) and internet services (for small and medium-sized businesses – the SMB market). Telenor currently owns shareholdings in 13 mobile operations abroad, mostly minority shareholdings in European countries. With this as its basis, the company's strategy will be to establish a position as a leading supplier of mobile services in the Nordic region, and to strengthen its positions in Eastern and Central Europe, and in Southeast Asia, either independently or in partnership with others.



*Torstein Moland*  
SVP  
(Chief Financial Officer)



*Arve Johansen*  
EVP  
(Mobile Communications)



*Jon Fredrik Baksaas*  
EVP  
(Operations in Norway)



*Terje Thon*  
EVP  
(International Operations)



*Ole Petter Håkonsen*  
EVP  
(Chief technical officer)



*Jan Edvard Thygesen*  
SVP  
(Telecom Solutions)



*Stig Eide Sivertsen*  
SVP  
(Telenor Broadband Services)



*Jan Kåre Pedersen*  
SVP  
(Bravida)



*Gun Bente Johansen*  
SVP  
(Communication, HR and framework)



*Peter Darpö*  
SVP  
(Telenor Media)



*Morten Lundal*  
SVP  
(Internet)

**image**

**image**

# Leading, full of potential and

Telenor is the leading telecom player in Norway.

The challenge will be to maintain the group's strong position in a fiercely competitive market.

However, an increasing proportion of turnover is derived from new areas of business which have been open to full competition right from day one.

At the same time as Telenor has gained leading positions in the domestic market, its level of activity abroad has increased substantially.

Through a clear focus on customers, technological development, creativity and a proactive approach, Telenor has established itself as Norway's leading communications company.



ambition for continued growth



# Report of the Board of Directors



Arnfinn Hofstad  
(Chairman)

## 1. A SPECIAL YEAR FOR TELENOR

### Financial review

Telenor's profit before tax and minority interest for 1999 was NOK 3,314 million, which is an increase of NOK 406 million compared to 1998. The board is pleased to be able to present the best figures in Telenor's history so far, which reflect Telenor's persistently high pressure on the market. By and large, the group followed the strategic guidelines set at the start of the year for operations in Norway and abroad. The group's strategy includes continual evaluation of the company's portfolio, for which Telenor can report net gains on disposals in 1999 of NOK 1,116 million.

Stiffer competition in the domestic market  
In the course of 1999, Telenor experienced stiffer competition as a result of the deregulation of the Norwegian telecom market from 1 January 1998. The introduction of carrier pre-selection and number portability on 1 July 1999 was a key factor in this respect. Competitors have become increasingly adept at marketing their services and offering creative customer solutions. Telenor's market share is being encroached upon, combined with the fact that price competition in the majority of network-based services generated poorer margins and weaker growth in income during the year. Nevertheless, the marked growth in traffic, particularly from internet and other data traffic, resulted in higher overall operating income than the previous year. For adequate margins to be maintained in the Norwegian operations, the board believes that it is necessary to intensify the focus on cost cutting and other efficiency-improving measures. Cash flow from the Norwegian operations must be increased to a level similar to that achieved by other operators in their domestic markets.

In the domestic market in the future Telenor will develop and market new services and service concepts for which there is customer demand, and supply

these at competitive prices and quality levels. Part of this challenge is the ability to roll out broadband capacity swiftly for customers with this requirement. Modern customer support systems are necessary for customers to be able to have proactive dialogue with Telenor in the arenas where they meet, in order to nurture and develop customer relationships.

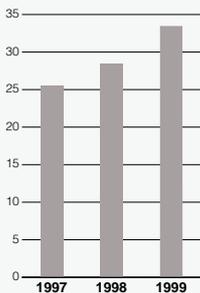
### Continued internationalisation

Telenor's international operations increased considerably in 1999. Subsidiaries outside Norway increased their turnover by 50%, while the comparable growth in Telenor's share in associated companies was 120%. The total number of Telenor employees working abroad was 3,379 at the end of 1999, compared to 2,731 at the end of the previous year.

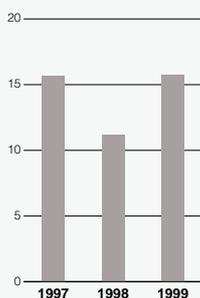
Telenor is involved in several large-scale operations outside Norway, primarily in the area of mobile communications, which are at an early operational stage. So far these operations are still generating accounting losses, but there was a strong growth in the number of mobile subscriptions in 1999, giving grounds for expecting better results in future. Some of the more mature mobile operations, such as Pannon GSM in Hungary and Cosmote in Greece, recorded operating profits in 1999. There was significant increase in the values in associated companies in 1999. The agreement entered into with British Telecom in January 2000 concerning Esat Telecom and Esat Digifone is a clear illustration of this.

In the Internet (ISP) and Broadband Services business areas, Telenor experienced strong growth outside of Norway in 1999. Telenor is now represented in eight European countries in the Internet area and aims to be the leading supplier of IP communication for small and medium-sized companies in the European business market. Media has operations in eight European countries and has established a strong position in the

Turnover  
Telenor Group  
(NOK 000 mill.)



Growth in turnover  
Telenor Group  
(per cent)





Eivind Reiten  
(Deputy Chairman)



Kari Broberg



Siri Teigum

European directory market. In the satellite area, Telenor owns three satellites and rents capacity from the international satellite organisations. Telenor's satellite position 'one degree west' has become the market leader in the Nordic TV market. Telenor has also established a position as one of the world's largest suppliers of mobile communication services via satellite.

**The Telenor/Telia merger**

The Telenor/Telia merger influenced the work of the board and everyday activities in the company throughout the whole of 1999. The issue was on the agenda of 20 of the 23 board meetings held in 1999. Throughout the entire period the board had a close working relationship with key personnel at the Ministry of Transport and Communication. Given the time-consuming nature of this issue and the protracted media attention it received, the board has decided to include a brief summary of the main events in this issue.

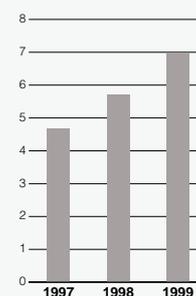
**2. SUMMARY OF THE TELENOR/TELIA MERGER**

In the directors' report for 1998, the board reported on the joint Declaration of Intent that the owners of Telenor AS and Telia AB signed on 20 January 1999 concerning the planned merger between the two companies and subsequent listing of the new company on the stock exchange. The declaration was based upon the principle of parity and equilibrium between the owners, which was to be fully reflected in the final merger agreement, the concluding negotiations for which were to be completed no later than eight weeks after the agreement was signed. In the directors' report for 1998, the board stated that the merger would make the new company stronger and more robust in competition with the large market players. The Norwegian and Swedish states were to own a joint majority shareholding in the new company.

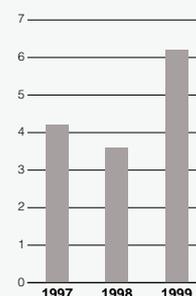
The merger negotiations were led by the owners, with the chairman of the board and the company's executive management team participating in the negotiating process as advisors. The board was kept informed about developments on an ongoing basis, and provided input on various topics and problems as they arose. The board and the Ministry of Transport and Communication were of the same opinion regarding matters of importance which had to be established before a merger agreement with a Swedish owner could be entered into. On the initiative of the Norwegians, the final shareholder agreement contained special voting rules for board decisions relating to the company's business plan, the group budget, the location and restructuring of subsidiaries and the appointment and dismissal of the President and CEO, and other matters. The board felt at this point that the legal aspects of the agreement were in place and at a board meeting on 25 March 1999 passed a unanimous recommendation that the owner should sign the draft contract.

On entering into the agreement on 30 March 1999 Telenor and Telia were prevented from carrying out independently what is referred to in the agreement as 'strategic transactions', including the acquisition and disposal of operations, reorganisation and major joint ventures with third parties, until the merger was completed. The companies were permitted to develop new strategic initiatives jointly, but were required to exercise caution pending approval of the merger by the EU Commission. Both companies were encouraged to carry on their day-to-day operations as usual and to continue acting as ordinary competitors in the Norwegian and Swedish markets. The board was kept informed on the formal progress of the merger agreement in the parliaments and in the EU, and were informed of the status and progress of the integration measures, which were given top priority during this period. In June 1999, the EU Commission announced

**Investments in Norway**  
Telenor Group  
(NOK 000 mill.)



**Investments outside Norway**  
Telenor Group  
(NOK 000 mill.)





Synnøve Lohne-Knudsen  
(elected by the employees)



Svein Eivind Solheim  
(elected by the employees)



Anne Sørli  
(elected by the employees)



Tormod Hermansen  
(President and C.E.O.)

that its evaluation as to whether to approve the merger would take four more months. In the period leading up to the point at which the agreement could be signed, the integration work had to be carried out without any formal management which could make binding decisions on behalf of the merged company. Candidates for the new company's board elected by shareholders had already been selected in both countries in June 1999, but they could not make binding resolutions at the meetings that were held in the summer and autumn of 1999.

The EU Commission's approval of the merger was announced on 13 October 1999 and the owners agreed that the shareholders' agreement would be signed on 18 October 1999 in Stockholm. In the days leading up to the signing of the agreement, a new round of negotiations came from the Swedish side that was liable to undermine the fundamental condition of parity and equilibrium. The board considered the Swedish demands at a meeting on 18 October 1999 and concluded with the resolution that the board could only recommend the signing of the agreement if satisfactory solutions could be found to the following unresolved questions:

- The objective of the enterprise is to develop a long-term industrial growth company with an international focus. This primary objective is to have priority over short-term considerations of financial value.
- The employees' representation on the board is to be such that on a permanent basis there are to be two representatives from Sweden and two from Norway.
- The objective of the company as stated in the Memorandum and Articles of Association is not to be subject to any geographical limitations.
- The role and terms of employment of the chairman of the board are to be defined in such a way that in practice these do not represent those of a working

chairman and in such a way that a normal relationship can be established between the chairman and the company management.

- The contribution in kind is to be such that the company's value is as large as possible within the limits accepted by the auditor.

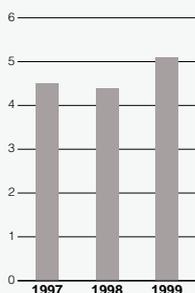
The board resolution also expressed that a decisive factor was that assurances must be given by the Swedish owner and the Swedish chairman of the board that all efforts would be made to conduct the work in a way such that the fundamental principles on parity and equilibrium in the agreement would be respected and adhered to.

After intense negotiations in Stockholm, agreement was reached on the morning of 19 October 1999. The agreement was signed without any amendments being made to or any objections being raised concerning the special voting rules or their areas of application. Following this, Newtel AB could be established and the new company's board and management immediately became operational.

At Newtel's board meeting on 8 December 1999, the President and CEO's proposal for the location of the business areas' head offices was under consideration. The chairman of the board made it clear that he would use his casting vote to ensure that the Swedish proposal to locate the mobile operations in Sweden was adopted. The Norwegian members of the board, referring to the voting rules in the shareholders' agreement, gave clear warning of their opposition to this course of action. However, this was rejected by the Swedish board members. The Norwegian board members immediately had an official entry recorded in the minutes stating that the decision had been made in contravention of the voting rules in the shareholders' agreement.

**Absenteeism  
Telenor**

Absenteeism as a percentage of possible person days



In a statement to the Norwegian parliament on 21 December 1999 on the reasons for terminating the Telenor AS/Telia AB merger, the Norwegian prime minister, Mr Bondevik, stated that he and the Swedish prime minister, Mr Persson, had agreed on a voluntary dissolution of the company (Newtel AB) in a telephone conference on 16 December 1999. This decision was based on an overall evaluation made by the government. In his statement Mr Bondevik announced that the four Norwegian board members selected by the shareholders also agreed with this conclusion. The board refers the reader to the prime minister's statement to the parliament.

The board would like to state that despite the fact that the term of the agreement and the lengthy EU approval process limited Telenor's business freedom in 1999, Telenor's ongoing operations in Norway and overseas developed satisfactorily throughout the year, all conditions taken into consideration.

### 3. KEY DEVELOPMENT TRENDS

#### Introduction

Competition for customers is become increasingly tougher. A growing number of players are competing to develop new services and customer service concepts. Customers are also becoming more demanding, as the new technology gets more user-friendly and becomes available to more and more people. Demand is increasingly being directed towards customised communication solutions where the customer decides which supplier he wants to use on the basis of which package meets his needs best. Customers' evaluations are largely influenced by the combination of services offered, as well as price and quality of service. It is becoming less significant to customers whether the services are delivered via the fixed telecom network or via other access channels such as cable TV or radio-based networks.

However, Telenor has extensive experience of adaptation processes of this kind and will continually evaluate the necessity of adapting the group's market and customer strategy. Organisational development and adaptations will be a normal and an integrated part of this process.

In the following section a short summary is given of the development trends and important events in each business area.

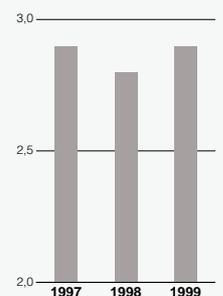
#### Telecom Solutions

This business area includes the fixed telephony network in Norway and the service suppliers Telenor Bedrift and Telenor Privat. The area also has responsibility for a joint customer service unit. The fixed network services business area has overall responsibility for the basic products PSTN, ISDN, ADSL, leased connections from production to sales and invoicing. Privat and Bedrift – which exist as individual units – sell and invoice customers in the end user market.

Telenor Nett AS develops and supplies communication solutions which integrate technology and connection forms in the fixed telephony network in Norway. To meet the increasing competition and the rapid technological innovation, the rate of expansion and modernisation of the fixed network has been intensified, focusing particularly on broadband services, Internet and IP technology.

In Norway, the total capacity connected to telephone exchanges is four million numbers. There was 1.94 million PSTN subscribers at the end of 1999. Telenor has over 528,000 private and business subscribers connected to ISDN, up approximately 70% on the previous year. Norway has the greatest ISDN density per capita in the world. It is expected that the introduction of Broadband Services will be stimulated by the customers use of ISDN.

**Industrial accidents in Telenor**  
H-value  
(frequency of accident)



In 1999, the main routes in the network were modernised with fibreoptic channel equipment (WDM) which increases the capacity between the largest cities in Norway many times over. Great emphasis is also placed on making the network fault-resistant. The network is being prepared for broadband IP traffic transmission directly over the transmission system's SDH or WDM channels. In the access network, new technologies such as ADSL have been introduced, allowing significantly higher speeds than are possible using ISDN. In combination with control systems, the new technology allows ever more efficient operation of the network.

Telenor Bedrift AS has primary responsibility for the sale of basic communications services to businesses and the public sector. The organisation has a strong starting point, with a well established market position in Norway, good customer relationships, solid expertise and a broad portfolio. However, increased competition and falling prices in traditional network services will result in an increasing proportion of turnover coming from areas within IP-based services, electronic commerce, system integration, and network-based and program-based operational services. Offering customer equipment as a part of integrated solutions to cover the customers' needs is important and contributes to maintaining profitability in the group's total product portfolio.

In the course of the last year, Telenor has implemented efficiency improvements in operations and has improved earnings in traditional telecom services. These measures include the systematic following up and reinforcing of customer relations, as well as establishing integrated package solutions.

Telenor Privat AS experienced an increase in traffic minutes of approximately 12% in 1999. This growth is derived primarily from new areas of application such as Internet traffic and increased use of home PCs and home office solutions, as well as growth in traffic from the fixed network to mobile networks. A large number of ISDN subscriptions were sold during the year, and by the end of 1999 Telenor had over 337,000 ISDN subscribers in the residential market. This represents a doubling of volume from 1998. ISDN allows customers to use two telephone lines at the same time for voice and/or data services, or to use both lines together to achieve faster data transmission when using the Internet or working from a home office.

The general growth in traffic minutes and increasing competition in recent years has resulted in large reductions in prices for telephony, simplification of the price structure and the development of loyalty programs for various customer groups. The prices for inland telephony, international telephony and traffic from the fixed network to mobile networks were significantly reduced in 1999. Telenor introduced a single price zone for fixed telephony – Norgespris – at a local rate level for the whole country from 1 July 1999, with the long-distance rate being reduced to the local rate level. New loyalty programs such as Family and Friends Internet were also launched in the course of the year.

Around 197,000 subscribers have opted for carrier preselection with competing companies since this possibility was made available on 1 June 1999. In addition, there are approximately 62,000 prefix users without carrier preselection. By December, Telenor had lost 13% of traffic minutes in the private market to competitors. The equivalent figure for December 1998 was approximately 3%. This is a good illustration of the fact that competition in the Norwegian market has become effective in a very short space of time.

### **Mobile Communications**

Telenor has maintained a dominant position in Norway and is one of the world's most advanced mobile operators. Mobile communication was an area of strong growth in 1999 and Telenor Mobil AS maintained a leading market position throughout the year. The penetration of mobile phones in Norway increased during the year from 47% to 61%, and Norway has one of the highest rates of mobile phones per capita in the world. At the end of the year, the company had 2 million mobile phone subscriptions. If shareholdings in mobile companies overseas are included, Telenor is amongst the ten largest mobile operators in Europe. The total number of mobile subscriptions in the companies in which Telenor has a shareholding was 6.3 million at the end of 1999.

Traffic income increased significantly in 1999, mainly as a result of the increased number of mobile subscriptions. Telenor's GSM network had a strong increase in the use of text messages (SMS) in 1999. Young people with prepaid subscriptions account for the traffic volume. There was also a sharp increase in the use of GSM data services such as information services and payment services.

Telenor was one of the first mobile operators in the world to launch WAP, which gives customers access to the Internet directly from mobile phones. This is a standard that links GSM and the Internet together. The service provides access to information and services from the Internet, for example share trading, banking services, news and entertainment.

On the basis of the test licence allocated for UMTS, Telenor is developing strategies for the next generation mobile system, in order to be able to set up networks and new broadband services as soon as possible if and when the company is granted a licence. Telenor considers it important to be in the forefront of UMTS developments in order to maintain a leading position in the mobile sector also in the future.

Telenor is an active shareholder in 13 mobile companies abroad, contributing commercial and technical expertise and experience from Telenor's various mobile operations both in Norway and internationally. Among the major mobile investments in 1999, the board would draw particular attention to the acquisition of a 31.7% shareholding in Vimpel Communication (VimpelCom) in Moscow early in 1999, which has secured Telenor a strong strategic position in the Russian mobile market. The purchase of a 30% shareholding in DiGi Swisscom (now DiGi.com bhd) in Malaysia in the autumn of 1999 also gave the company a solid foothold in Southeast Asia.

In December 1999 Telenor and Telia made a joint bid to take over all the shares in the Irish company Esat Telecom (Ireland), which together with Telenor owns 99% of the shares in the mobile company Esat Digifone (Ireland). After the dissolution of the merger with Telia, Telenor took over the bid alone, but was outbid by British Telecom. In January 2000 an agreement was entered into with British Telecom whereby Telenor has the right, but no obligation, to exchange its 49.5% shareholding in Esat Digifone for a 33% shareholding in Esat Telecom (Ireland). The agreement also gives Telenor the right, but no obligation, to acquire up to 16.99% of the shares in Esat Telecom. The purchase option may be exercised up to six months after approval by the EU, which was given at 27. March 2000. Alternatively, Telenor can sell its shareholding in Esat Digifone to British Telecom at a price that will give Telenor a gain of approximately NOK 9 billion.

## Internet

Nextra AS represents the group's centre of expertise in the Internet, in Norway and internationally. This business area represents the majority of Telenor's operations and ambitions in product development and innovation based on Internet technology (IP).

The business area maintained its strong market position in all its focus areas in Norway, as well as establishing a strong foundation for further growth in Europe.

Telenor was the first company in Norway to introduce a subscription-free Internet service, FriSurf. The subscription product Telenor Internet also achieved steady growth throughout the whole of 1999.

During 1999 the business area established a position as one of the largest operators of portals in Norway. Aside from its shareholdings in SOL, which in the course of spring 2000 will be included in a listed SOL, Telenor assumed control of ABC Start siden which in a short space of time has become Norway's second most visited portal. Furthermore, the customer portals online.no and frisurf.no have given the business area a further two of the most popular portals in Norway.

At year end, Nextra was operational in nine European countries. Switzerland, Italy, the Czech Republic and Slovakia launched Nextra in the autumn of 1999. In Slovakia, the company went from an anonymous position as being one of numerous small local ISPs (Internet Service Providers) to become the market leader both in the private and the business market. In Switzerland, Nextra has established itself as a new player integrated in voice, data and Internet services. By May 2000, the business area's other companies in Norway, Sweden, Germany, Austria and Hungary will also have established themselves as Nextra companies.

## Broadband Services (previously TV Distribution and Satellite)

Broadband Services is the largest distributor of analogue and digital pay-TV services in the Nordic countries. Today, 1.6 million subscribers in Sweden, Norway, Denmark and Finland receive their pay-TV service via their own private satellite dish, cable TV or SMATV network. This represents over 15% of the total TV distribution market in the Nordic countries. A complete distribution solution to the Nordic mar-

kets is offered to program companies and suppliers of TV services through the different operations. This includes nation-wide solutions and distribution to selected customer groups or households.

The operation's infrastructure includes three satellites and the terrestrial stations at Eik and Nittedal, as well as capacity leased through participation in the satellite organisations Intelsat and Eutelsat, and through ownership in Inmarsat which has just been incorporated as a limited company. In addition, the business area owns and operates the fixed network for broadcasting in Norway, which covers some 98% of all Norwegian households (approximately 1.8 million households).

Telenor's satellite position 'one degree west' has become the leading satellite position in the Nordic market. Broadband Services is also one of the world's leading suppliers of mobile communications via satellite.

#### **Bravida (previously IT Service and Installasjon)**

Bravida is Norway's largest company in the integrated supply of installation, maintenance and operating services. The operational personnel are spread over the whole country. The business area also has significant market shares in the business market and public sector in Sweden.

1999 saw continued growth in the installation of ISDN solutions for private and corporate customers in Norway. The quality and accuracy of the deliveries was maintained, while at the same time volume increased. Preparations for turn of the millennium meant that customer follow-up and quality assurance of services and products were important activities throughout the year. Highly-qualified technical personnel are the company's main asset, which makes recruitment a major issue. One of the goals in this area is to have 500 trainees undergoing training at any time. In 1999 some 200 trainees were employed in a wide spread of technical areas and across the entire country.

#### **Media**

Telenor Media is responsible for the development, production and distribution of the Norwegian Phone Book, the Norwegian Yellow Pages, the local Ditt Distrikt directories and the Bedriftskatalogen business

pages. With the exception of the Norwegian Phone Book's White Pages (private subscriptions), all these directories can also be found on the Internet. Telenor Media operates the Internet portal Gule Sider Internett (Yellow pages).

Telenor Media already has a strong foothold in the European directory market, with subsidiaries in eight countries in Europe – Poland, Spain, the Baltic states, Russia, the Czech Republic and France. In 1999 Telenor Media's shares in the Swedish companies Lokaldelen and Telenor Foretagsinfo were sold. The sale and the price achieved confirmed the value creation in Telenor Media's international operations.

#### **EDB Business Partner ASA**

EDB Business Partner ASA is a result of the merger between the listed company EDB ASA and the wholly-owned subsidiary Telenor Programvare AS. The merger was approved by the companies' general meetings on 6 May 1999. The company is listed on the Oslo Stock Exchange and Telenor is its largest shareholder.

EDB Business Partner ASA is Norway's largest IT consulting and solutions company as well as having Norway's largest commercial operations control centre. The company is a leading solutions provider for telecom, banking and finance, and the public sector, including the health sector. Since the merger, the company's share price has shown very strong growth.

In 2000 EDB Business Partner acquired Fellesdata AS for NOK 2.5 billion.

#### **4. FINANCIAL PERFORMANCE**

The Telenor group's profit before taxes and minority interest was NOK 3,314 million in 1999, an increase of NOK 406 million compared to 1998.

Turnover was NOK 33,468 million in 1999, an increase of NOK 4,558 million compared to 1998, of which NOK 2,526 million relates to network-based products and NOK 1,497 million to non-network-based products. Net gains rose by NOK 535 million to NOK 783 million in 1999, of which NOK 683 million related to the disposal of the directory operation in Sweden. The subsidiaries EDB ASA, Norkring AS and Relab AB were acquired in 1999, and contributed around NOK 1,050 million to turnover, of which network-based products accounted for NOK 250 million.

Of the increased turnover in network-based products, NOK 1,042 million came from PSTN/ISDN and NOK 997 million from mobile telephony. Other growth is primarily from satellite and from subscription incomes from Internet. Just under NOK 500 million of the increased turnover from PSTN/ISDN relates to activity outside Norway.

The number of ISDN lines increased by 471,000 in 1999, while the number of PSTN subscriptions (lines) fell by 260,000. Increased turnover from fixed telephony in Norway came primarily from subscriptions, increased traffic to the mobile networks, Internet-related traffic and interconnection. Turnover from international traffic and other traffic generated in the fixed network in Norway decreased due to price reductions.

The number of traffic minutes increased by 20% in 1999 (16% in 1998), of which 13% was generated in Telenor's business areas (14% in 1998). The share of traffic minutes generated in the fixed network via other operators was estimated at around 13% at the end of 1999 (just over 3% at the end of 1998).

The increase in turnover from mobile telephony is closely related to the increased number of subscriptions. The number of GSM subscriptions in Norway at the end of 1999 was 1,784,000, a net increase of 524,000 in 1999. The number of new prepaid registrations for the year was 465,000. The total number of NMT subscriptions fell in 1999 by 95,000 to 216,000. The total number of Internet customers in the private market was 400,000 at the end of 1999, an increase of 140,000 during the year. FriSurf accounted for 45,000 of the increase.

Turnover from subsidiaries outside Norway (excluding gains on sales of subsidiaries) was NOK 3,050 million in 1999 (NOK 1,968 million in 1998). Telenor's share of turnover in associated companies outside Norway, non-consolidated, was NOK 5,100 million in 1999 (NOK 2,300 million in 1998). The cost of materials and traffic costs were NOK 9,016 million in 1999, an increase of NOK 1,681 million compared to 1998. The increase can be attributed to new companies, increased sales of customer equipment, increased traffic terminating with other operators and higher level of internal investment.

Salary and personnel costs were NOK 8,961 million in 1999, an increase of NOK 1,081 million compared to 1998. The number of man-years was 21,968 at the end of 1999, of which 3,150 were outside Norway. The increase in the number of man-years in 1999 was 1,742.

Other operating costs in 1999 (including losses on disposals) amounted to NOK 8,215 million, an increase of NOK 1,579 million compared to 1998. Losses related to the disposal of operations increased by NOK 293 million to NOK 302 million in 1999, which primarily relates to the winding up of the involvement in the subsidiary Clarion Inc. in the US. Parts of Clarion's operations were transferred to Storm Telecommunications Ltd. In February 2000 an agreement was entered into for the sale of Storm which will result in a gain of approximately NOK 310 million in the first quarter of 2000.

The external costs related to the terminated merger preparations with Telia amounted to NOK 250 million. This does not include costs relating to the group's own staff involved in the merger preparation. The remaining increase relates to increased activity including new companies, internal investment work, invoicable consultancy and increased market costs.

Depreciation and write-downs amounted to NOK 5,047 million in 1999, an increase of NOK 586 million compared to 1998. The increase relates to new companies and increased investments, including equipment with short depreciation periods.

#### **Associated companies**

In 1999 associated companies recorded an accounting loss after tax of NOK 1,239 million (loss after tax of NOK 1,097 million in 1998). This reflects the fact that Telenor now has a greater number of larger overseas operations, primarily within mobile telephony, which are at an early operational stage. At the same time, more mature operations are now showing positive development. Pannon GSM in Hungary and Cosmote in Greece recorded operating profits in 1999. The figure for results from associated companies includes gains on disposals of underlying companies of NOK 150 million in 1999, of which the disposal of Internordia accounted for NOK 70 million. Based on valuations made by external bankers, the associated companies showed a significant growth in

value in 1999. The agreement with British Telecom concerning Esat confirms these assessments.

#### **Financial items**

Net financial items in 1999 were NOK 551 million, which is an increase of NOK 343 million compared to 1998. The net gain from financial investments were included in financial income in 1999 with NOK 635 million (NOK 220 million in 1998). Gains from disposals relate to the sale of shares in Elkjøp and the net realised profits in the Venture operation. Net currency gains were NOK 104 million (compared to currency losses of NOK 73 million in 1998).

Increased interest-bearing liabilities in 1999 resulted in higher interest costs than in 1998. The capitalisation of interest on assets under construction reduced interest costs in 1999 by NOK 114 million (NOK 131 million in 1998).

#### **Taxation**

Tax costs in 1999 are calculated at 39.9% (42.7% for 1998). The high effective tax rate is primarily related to losses in associated companies and subsidiaries abroad.

#### **Cash flow and financing**

The group's net cash flow from operations was NOK 7,370 million in 1999 (NOK 7,205 million in 1998). The profit before taxes, corrected for depreciation and write-downs, including profits from disposals and results from associated companies was 8,484 million. Tax paid was NOK 1,107 million.

The group's capital expenditure in 1999 on fixed assets, long-term shares and satellite organisations was NOK 13,170 million, which is an increase of NOK 3,742 million compared to 1998. Investments in the expansion/ upgrading of the Norwegian telecommunications network was NOK 3.6 billion. Other domestic capital expenditure amounted to NOK 3.4 billion. Capital expenditure outside Norway was NOK 6.2 billion and related primarily to DiGi.com, VimpelCom, Viag Interkom and Esat Digifone. The net cash flow from investment activities was minus NOK 9,205 million in 1999 (minus NOK 10,182 million in 1998). Payments for the acquisition of VimpelCom (NOK 1,215 million) in 1998 was reported as investment in 1999. The acquisition EDB ASA (NOK 547 million) was financed by the issue

of shares in EDB Business Partner (formerly Telenor Programvare). Disposals of operations, shareholdings and other net investments (short-term and long-term) contributed to a positive cash flow of NOK 2,100 million.

The net cash flow from financing activities was NOK 2,914 million (NOK 3,628 million in 1998). As a result of the high level of investment, the group increased its long-term interest-bearing debt by NOK 3,642 million in 1999. Dividends of NOK 700 million for the 1998 accounting year were paid in June 1999.

#### **New Norwegian Accounting Act**

In accordance with paragraph 4-5 of the new Norwegian Accounting Act, the annual accounts have been prepared on the going concern presumption.

The new Norwegian Accounting Act came into effect 1 January 1999. Following the change in accounting principles, the shareholders equity at 31 December 1998 increased by NOK 889 million. Of this, NOK 652 million relates to deferred tax benefits and NOK 238 million relates to the net effect of the capitalisation of interest on assets under construction.

The comparative figures for the profit and loss account and balance sheet have also been restated, except the capitalisation for internal costs relating to administrative support systems, which reduced operating costs by NOK 100 million in 1999. The profit before taxes for 1998 increased by NOK 401 million. The capitalisation of interest accounts for NOK 104 million of this, and deferred tax benefits in associated companies account for NOK 286 million. We refer to the description of the accounting principles in the annual accounts for further details.

#### **US GAAP**

Telenor discloses comparative figures for the results and shareholder's equity in accordance with Generally Accepted Accounting Principles in the United States (US GAAP) and the group's accounting principles for 1998 and 1999 (note 28). Differences to US GAAP have been significantly reduced as a result of the changes in accounting principles made by Telenor in 1999.

## 5. REGULATORY MATTERS

Telenor still has a leading market position in Norway, but is now facing increasing competition in the areas in which the company previously held exclusive rights. This corresponds with the political goals for the telecom market following its deregulation in 1998. The board's opinion is that the regulatory parameters should be developed to stimulate players in the market to invest and be innovative. The current regulatory framework focuses on cost orientation. This type of regulation is concerning and does not provide any incentives for cost-effective production, and the potential for realising the political goals for the telecom markets is also limited by this. The board therefore notes with interest that a reference group – under the direction of the Foundation for Research in Economics and Business Administration (SNF) and with participation from both the government and the market – will in the course of 2000 discuss future regulation of end user prices from the perspectives of socio- and business economics.

The board also notes that the current regulatory framework involves what is called asymmetric regulation. As a telecom operator with a significant market power, Telenor is obliged, through licence conditions and other regulations, to supply basic telephone services within a system of maximum prices. Furthermore, Telenor is required to make its network and services available to others on open and non-discriminatory conditions and to give competing players access to Telenor's fixed network subscribers. As a result, competitors can take over the entire customer relationship, including the subscription, without bearing any of the investment risk linked to infrastructure and can use Telenor's services in their own offers to customers on the same terms as Telenor's own service providers. These kinds of measures to promote competition give competitors a significant advantage over Telenor and make it difficult for Telenor to offer lower prices to the end user for important telecom services.

It is the opinion of the board that powerful international expansion will give the best basis for maintaining and developing Telenor's position in Norway, when viewed in terms of the ability to offer a wide range of advanced products, low prices and nationwide services. The board endorses the international drive for greater harmonisation between national regulatory systems and recommends that the Norwegian

authorities work for rational sector-specific regulations within the EU/EEA area. Once competition in the telecom sector has been normalised, the EU and the national authorities should reduce the sector-specific regulations and concentrate instead on stimulating market driven development based on general competition rules.

## 6. YEAR 2000

Work on preparing Telenor's products and services for the transition to the new millennium was given high priority, starting as far back as early in 1997. In total 750 IT systems were renovated, tested and put back into production. All of the company's most critical business processes were analysed and tested in continuous value chains at a dedicated test centre. A large proportion of the technical equipment in the company's networks and internal systems is replaced. In addition, technical equipment in around 5,000 buildings was checked and made Y2K-proof.

Thanks to the thorough preparations, the transition to the year 2000 took place without any significant problems arising. To ensure that faults did not create difficulties for service performance or to customers, Telenor had a higher level of staff on stand-by than normal on New Year's Eve 1999. Around 1,000 people were on stand-by, either at work or at home.

Telenor paid particular attention to functions that are important to society at large, such as services that were important for maintaining life or health, emergency services and other public services such as the electricity grid, payment systems and air transport.

The problem-free transition to the new millennium proved that Telenor can be trusted to master big challenges, and that the customers can have confidence in Telenor as a supplier of telecommunications also in the future.

The costs associated with securing Telenor's services against the year 2000 problem are estimated to have been approximately NOK 1 billion. This work had positive repercussions in the form of improved quality, a better overview of internal business processes and associated IT systems, and increased competence in a number of areas. Telenor's emergency and crisis management was updated and practised. Through systematic evaluation and follow-up of year 2000 prepa-

rations, Telenor has ensured that the positive effects of this work are incorporated in the group's day-to-day operations.

## 7. ORGANISATION AND PERSONNEL

The Telenor group had 23,470 employees at the end of 1999. Of these, 20,091 worked in Norway and 3,379 worked outside Norway. At the end of 1998 the total number of employees was 21,452. Of the 23,470 employees, 934 worked in the parent company and 22,536 in the subsidiaries. The growth in the number of employees over the past year was mainly a result of the merger between Telenor Programvare and EDB ASA. In addition, Telenor's Internet operations underwent a significant increase in the number of employees both in Norway and internationally. There were only minor changes in the other business areas and in the parent company.

In 1999 Telenor also carried out changes in staffing level necessitated by technological development and market changes. The cooperation between the management and the employees' organisations is governed by the Basic Agreement between NAVO (the Norwegian Association of Publicly Owned Companies) and the main unions. The cooperation is also formalised through forums such as the group committee, the joint consultative committee and regular management forums.

Telenor is committed to developing skills throughout the group. The ability to recruit, develop and retain expertise needed by the group is essential if the group is to attain its objectives. The group wishes to be perceived as an attractive employer, and to have a positive relationship to the educational system, and to this end has already developed relationships and cooperative schemes with educational institutions in the subject areas on which Telenor is most dependent. This applies to upper secondary schools and trainees as well as universities and colleges offering technical and commercial subjects.

Within the group internal skills development is organised per business area, through various training programmes provided by internal or external resources. The main internal suppliers of training are Telenor Kompetanse and Telenor Corporate University. Telenor places great emphasis on promoting an atmosphere geared towards learning and shar-

ing of knowledge, and has developed systems to encourage this. There is also a strong focus on how the group can retain the human capital which is so strategically important and difficult for the group to replace.

The board would like to thank all the employees for their hard work in 1999. The employees also deserve recognition for their positive attitude and active involvement in the preparations for the Telenor/Telia merger and the other restructuring work that is in progress in the group.

## 8. INTERNAL AND EXTERNAL ENVIRONMENT

### Internal environment

1999 was, as other years, characterised by systematic and continuous improvement of the working environment. It is generally recognised that a good working environment – represented by well-defined management responsibilities and widespread employee participation, good cooperative relations, job satisfaction and flexibility – to a large degree contributes to the company's good result. Good inter-personal relationships are crucial to the development of a good working environment. Therefore, the main focus of all quality assurance work (health, safety and environment systems) that is carried out in the various units is on the prevention and follow-up by the management of sickness absence and intoxicant abuse, injury prevention measures/injury analysis and reporting, fire prevention work and comprehensive programmes for ensuring good ergonomics and a healthy indoor climate. A key focus area is health and environment conditions for employees who work abroad.

In 1999 the company also carried out comprehensive working environment training, and 4,559 managers and employees participated in the internal training program under the direction of Telenor DOH.

Sickness absence in the group as a whole in 1999 was in 5.1%, an increase on the previous year of 0.6 per cent. The 5.1% sickness absence consists of 3% long-term absence and 2.1% short-term absence. The total gross costs associated with sickness absence for 1999 are calculated to be NOK 525 million, based on the method recommended by the Confederation of Norwegian Business and Industry (NHO) for calculating the total costs of sickness absence. The incidence

of injury-related absence remained approximately unchanged in relation to other years, with an H value (the total number of injury-related absences per million hours worked) of 2.9 in 1999.

### External environment

In Telenor's vision for the environment, the company states that Telenor is to contribute actively to sustainable development in society. In Telenor's environmental plan, Telenor Agenda 21 – Environmental Action Plan, 1999–2001, the concept of sustainable development is translated into practical measures. Telenor has set ambitious goals in relation to the group's impact on the external environment.

The company complies with the international environmental standard ISO-14001 and keeps comprehensive environmental accounts that make it possible to monitor Telenor's environmental impact through recorded data for energy, refuse, transport, travel, etc. Work on certifying units in line with ISO-14001 is underway. Telenor has noted increased interest from customers and the market in the group's environmental profile. Furthermore, there is a steadily rising demand for greater knowledge about the environmental effects of the company's products. The authorities are expected to set environmental limits reducing permitted levels of emission of greenhouse gases. Telenor is prepared for such regulations. Any increased demand from customers in regard to environmental issues will also be met in a constructive and positive way.

Telenor's energy consumption in 1999 was 631 GWh. Of this 77% was electricity, 95% of which came from renewable hydroelectric power. 44% of Telenor's energy consumption is used in the running of buildings, while 34% of the energy is used to run the networks and 13% is used by the vehicle fleet. The rest of the energy consumption is attributable to the group's travel activities.

In 1999 work was carried out on the group's procedures for environmentally sound purchasing, as well as its procedures for refuse management and recycling, with particular emphasis on waste reduction and waste sorting/recycling.

A separate environmental report for 1999 is to be published. The complete report will, in line with Telenor's environmental profile, be published on the

Internet and an abbreviated paper version will available in printed version.

### 9. BASIC VALUES AND ETHICS

Telenor has prepared and communicated a set of basic values that all employees should be able to identify with and must comply with in their working situation, with customers, colleagues and the general public. These values state that Telenor's hallmark is to offer good service and high quality in all situations. Telenor's employees are dependent upon each other if they are to meet the market's and their customers' expectations. The corporate culture is to be centred around common values and goals, based on the fundamental values of involvement, responsibility and reliability.

High rates of change and increased internationalisation mean that the company continuously faces new ethical challenges. In 1999 an Ethical Council was therefore established, led by the President and CEO. The council's mandate is to discuss, form opinions on and communicate positions on different ethical dilemmas. Telenor wants to stimulate awareness and openness regarding ethical questions, in order to prevent difficult situations from arising in the first place. Telenor has also prepared guidelines for employees trading on their own behalf in securities.

The board considers that questions relating to basic values and ethics are very important, and aims to be actively involved in such matters, not least in connection with the forthcoming listing of the company on the stock exchange.

### 10. ALLOCATION OF THE PROFIT FOR THE YEAR

The parent company, Telenor AS, which consists of administrative units, real estate operations, research and development and group finance, recorded a profit after tax of NOK 1,075 million. After group contribution received of NOK 3,039 million (net after tax), the figure for allocation is NOK 4,114 million.

The board proposes that the general meeting decides to pay a dividend for 1999 of NOK 500 million, which is in accordance with the Norwegian parliament's resolution in connection with the final Budget for 2000. The board proposes that the profit for the year be allocated as follows (figures in NOK million):

Dividends	500
Other equity	3,614
<b>Total</b>	<b>4,114</b>

After these allocations the parent company's distributable reserves as at 31 December 1999 will equal NOK 4,333 million.

## 11. RISK FACTORS

The current telecom regulations are sector-specific market regulations through which players with significant market power (that is more than a 25% market share in relevant markets in conventional telecommunications) are actively regulated. The EU has signalled through its 99 Review process that where active competition develops in the different telecom markets, the sector-specific regulations should be replaced by more general competition rules. Nevertheless, it is likely that in the medium term Telenor will continue to be subject to sector-specific regulation in the factor inputs market. It will be a challenge for the telecom authorities to keep market regulation abreast with the enormous innovation and current rate of change. There is a real danger that Telenor could be regulated unreasonably harshly solely because of its origin in the telecom sector. If this proves to be the case, it will undermine Telenor's competitive ability in relation to players from other industries, which are not subject to similar regulation.

The development of IP/web technology presents the traditional telecom operators with completely new challenges which demand faster adjustment than was the norm just a few years ago. The level of investment is increasing to cover the higher volumes of transport and the new technological solutions that are needed to satisfy the new customers' demands for functionality and services. New players that come from other industries will be able, by means of new and competing transmission technology, to take positions in the traditional and new markets in electronic communication that would not have been possible without the new technological developments. In sev-

eral of Telenor's business areas, the company will meet competition from players that can be very competitive, including niche suppliers that operate with a different cost base than Telenor, which is a normal risk in all competitive based economic activity. Telenor is aware of these factors and is continually engaged in formulating change strategies to aid adjustment to the new competitive situation, not least through being cost-effective and innovative.

Telenor is potentially vulnerable to fluctuations in currency and interest rates. Financial instruments are used to reduce the level of risk. Please refer to the notes to the accounts for further details of these financial instruments.

Telenor has invested significant amounts in projects outside Norway. Investments in other countries often have a different risk profile than investments in Norway, even though the total risk scenario does not necessarily deviate significantly from investments made in Norway. Typical areas that must be evaluated carefully are risk linked to currency rate changes and whether there are any special political conditions and developments Telenor should be aware of in a specific country. There can also be risk linked to partners. Telenor is very conscious of the risks linked to international investments and takes this into consideration through higher yield requirements for investments abroad than for similar investments in Norway.

## 12. PROSPECTS

The Norwegian and international economies experienced solid growth in 1999. Rising oil prices in 1999 gave Norway a solid surplus in the balance of trade figures and the reduction in interest rates from 1998 helped stimulate increased demand at home. The transition to the year 2000 was made without any problems. For the telecom and IT industries this was good PR, showing that these industries master challenges of this magnitude.

Both the national and international telecom and IT markets are still growing strongly, with mobile communication and Internet and other data traffic being the most important driving forces. The industries are undergoing major restructuring, with the large players positioning themselves for global competition through mergers and alliances. Building an international brand is increasingly important. In the case of Europe, the

largest structural change in this round is about to be concluded with the merger of Vodafone and Mannesmann.

Since the break with Telia, Telenor has reviewed its strategy with the aim of creating a new platform for the company's further growth and development both in Norway and internationally. The board is optimistic with regard to Telenor's opportunities for continuing and reinforcing the international growth the company has attained in recent years, based on a strong position in the domestic market. Telenor's domestic market is in a favourable position to develop and launch new customer service models and to test out new technology. The knowledge and expertise acquired through this process will benefit Norwegian customers, at the same time as providing a foundation for international application. The potential for growth

abroad is linked first and foremost to the main focus areas of Mobile Communications, Internet (ISP) and Broadband Services, where Telenor with its cutting-edge competence and special competitive advantages has the potential to achieve interesting positions in current and new operations with good profitability.

The Norwegian government has already given notice that it intends to present a proposal to parliament regarding the stock market listing of Telenor. Listing on the stock exchange will be an important factor in building Telenor into an international growth company. Through listing, Telenor should be able to achieve the necessary flexibility and financial freedom to implement its strategy for international growth and be able to compete within the same parameters as other listed companies. This will provide the foundation for a new and exciting era in Telenor's development.

Oslo, 3. april 1999



Arnfinn Hofstad  
(Chairman)



Eivind Reitan  
(Deputy Chairman)



Kari Broberg



Siri Teigum



Synnøve Lohne-Knudsen  
(elected by the employees)



Svein Eivind Solheim  
(elected by the employees)



Anne Sørhe  
(elected by the employees)



Tormod Hermansen  
(President and C.E.O.)

# Profit and loss account

The Telenor Group 1 January – 31 December

<i>Amounts in NOK million</i>	<b>Note</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
<b>Turnover</b>		<b>32,685</b>	<b>28,662</b>	<b>25,692</b>
Gains on sale of fixed assets and operations		<b>783</b>	248	177
<b>Total turnover</b>	2	<b>33,468</b>	<b>28,910</b>	<b>25,869</b>
<b>Operating expenses</b>				
Cost of materials and traffic charges	4	<b>9,016</b>	7,355	6,581
Own work capitalised	5	<b>(1,773)</b>	(1,219)	(791)
Salaries and personnel costs	6, 7	<b>8,961</b>	7,880	7,130
Other operating expenses	8, 9	<b>7,913</b>	6,627	6,204
Loss on sale of fixed assets and operations		<b>302</b>	9	40
Depreciation and write-downs	14, 15	<b>5,047</b>	4,461	4,048
<b>Total operating expenses</b>		<b>29,466</b>	<b>25,113</b>	<b>23,212</b>
<b>Operating profit</b>		<b>4,002</b>	<b>3,797</b>	<b>2,657</b>
<b>Associated companies</b>	16	<b>(1,239)</b>	<b>(1,097)</b>	<b>(534)</b>
<b>Financial income and expenses</b>				
Financial income		<b>677</b>	553	338
Financial expenses		<b>(761)</b>	(565)	(407)
Net gain financial items		<b>635</b>	220	-
<b>Net financial items</b>	12	<b>551</b>	<b>208</b>	<b>(69)</b>
<b>Profit before taxes and minority interests</b>		<b>3,314</b>	<b>2,908</b>	<b>2,054</b>
Taxes	13	<b>(1,323)</b>	(1,242)	(729)
<b>Profit before minority interests</b>		<b>1,991</b>	<b>1,666</b>	<b>1,325</b>
Minority interests		<b>44</b>	44	64
<b>Profit for the year</b>		<b>2,035</b>	<b>1,710</b>	<b>1,389</b>
Earnings per share in NOK		<b>2,423</b>	2,155	1,929

# Balance sheet

The Telenor Group as of 31 December

Amounts in NOK million	Note	1999	1998
<b>Assets</b>			
Intangible assets	14	1,950	1,285
Tangible assets	15	25,868	23,277
Financial assets	16	9,799	7,221
<b>Total fixed assets</b>		<b>37,617</b>	<b>31,783</b>
Inventories		680	748
Current receivables	17	7,202	6,579
Short term investments	18	403	597
Cash and cash equivalents	27	2,124	1,043
<b>Total current assets</b>		<b>10,409</b>	<b>8,967</b>
<b>Total assets</b>		<b>48,026</b>	<b>40,750</b>
<b>Equity and liabilities</b>			
Shareholders equity		20,033	18,515
Minority interests		1,232	239
<b>Total equity</b>		<b>21,265</b>	<b>18,754</b>
<b>Liabilities</b>			
Provisions	19	629	842
Long-term interest bearing liabilities	20	14,942	11,300
Long-term non-interest bearing liabilities	22	391	146
<b>Total long-term liabilities</b>		<b>15,333</b>	<b>11,446</b>
Short-term interest bearing liabilities	20	127	153
Short-term non-interest bearing liabilities	22	10,672	9,555
<b>Total short-term liabilities</b>		<b>10,799</b>	<b>9,708</b>
<b>Total equity and liabilities</b>		<b>48,026</b>	<b>40,750</b>
Mortgages	23	1,747	1,857
Guarantees	23	3,107	2,830

  
 Arnfinn Hofstad  
 (Chairman)

  
 Eivind Reitan  
 (Deputy Chairman)

  
 Kari Broberg

  
 Siri Teigum

  
 Synnøve Lohne-Knudsen  
 (elected by the employees)

  
 Svein Eivind Solheim  
 (elected by the employees)

  
 Anne Sørli  
 (elected by the employees)

  
 Tormod Hermansen  
 (President and C.E.O.)

# Cash flow statement

The Telenor Group 1 January – 31 December

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Proceeds from sale of goods and services	<b>37,544</b>	33,168	29,448
Payments to suppliers of goods and services	<b>(9,627)</b>	(7,154)	(7,265)
Payments to employees, pensions, social security tax, tax deductions	<b>(8,104)</b>	(7,495)	(7,257)
Payment of other operating expenses	<b>(7,148)</b>	(6,750)	(5,926)
Interest etc, received	<b>619</b>	504	327
Interest etc. paid	<b>(892)</b>	(643)	(420)
Other proceeds and payments related to operating activities	<b>(137)</b>	74	119
Payment of taxes and public duties	<b>(4,885)</b>	(4,499)	(3,530)
<b>Net Cash flow from operating activities <sup>1)</sup></b>	<b>7,370</b>	<b>7,205</b>	<b>5,496</b>
Proceeds from sale of tangible and intangible assets	<b>204</b>	470	476
Purchase of tangible and intangible assets	<b>(6,761)</b>	(6,555)	(6,120)
Net cash receipts on sale of shares and operations	<b>2,003</b>	446	210
Net cash payments on purchase of shares and operations	<b>(4,759)</b>	(3,099)	(2,833)
Proceeds from sale of other investments	<b>409</b>	1,541	981
Purchase of other investments	<b>(301)</b>	(2,985)	(956)
<b>Net cash flow from investment activities</b>	<b>(9,205)</b>	<b>(10,182)</b>	<b>(8,242)</b>
Proceeds from long-term liabilities	<b>7,844</b>	9,624	10,366
Proceeds from short-term liabilities	<b>5,636</b>	10,975	10,298
Payments of long-term liabilities	<b>(4,251)</b>	(7,458)	(6,858)
Payments of short-term liabilities	<b>(5,689)</b>	(11,011)	(10,449)
Paid in equity from minority	<b>74</b>	68	163
Paid in equity from majority	-	2,000	-
Payment of dividend	<b>(700)</b>	(570)	(950)
<b>Net cash flow from financing activities</b>	<b>2,914</b>	<b>3,628</b>	<b>2,570</b>
<b>Effect on cash and cash equivalents of changes in foreign exchange rates</b>	<b>2</b>	<b>7</b>	<b>4</b>
<b>Net change in cash and cash equivalents</b>	<b>1,081</b>	<b>658</b>	<b>(172)</b>
Cash and cash equivalents at 1 January	<b>1,043</b>	385	557
<b>Cash and cash equivalents at 31 December</b>	<b>2,124</b>	<b>1,043</b>	<b>385</b>
<b><sup>1) Reconciliation:</sup></b>			
Profit before taxes	<b>3,314</b>	2,908	2,054
Taxes paid	<b>(1,107)</b>	(898)	(574)
Net gain/loss	<b>(1,116)</b>	(459)	(137)
Depreciation and write-downs and associated companies	<b>6,286</b>	5,558	4,582
Changes in inventories	<b>77</b>	(85)	(56)
Changes in accounts receivable and pre-payments from customers	<b>(646)</b>	(674)	(526)
Changes in accounts payable and prepaid expenses	<b>536</b>	181	539
Diff. between expensed and paid pensions and other provisions	<b>(129)</b>	(244)	(435)
Change in other accruals	<b>(163)</b>	703	(154)
Net VAT and investment tax unrelated to operating activities	<b>318</b>	215	203
<b>Net cash flow from operating activities</b>	<b>7,370</b>	<b>7,205</b>	<b>5,496</b>

# Consolidated statements of shareholder's equity

## The Telenor Group

	Number of shares	Nom amount (NOK)	Share capital (NOK mill.)	Other paid capital (NOK mill.)	Other equity (NOK mill.)	Cumulative translation adjustments (NOK mill.)	Total (NOK mill.)
<b>Balance as of</b>							
<b>31 December 1996</b>	<b>720,000</b>	<b>10,000</b>	<b>7,200</b>	<b>4,800</b>	<b>2,657</b>	<b>(10)</b>	<b>14,647</b>
Profit for the year 1997					1,389		1,389
Dividends					(570)		(570)
Translation adjustments						12	12
<b>Balance as of</b>							
<b>31 December 1997</b>	<b>720,000</b>	<b>10,000</b>	<b>7,200</b>	<b>4,800</b>	<b>3,476</b>	<b>2</b>	<b>15,478</b>
Profit for the year 1998					1,710		1,710
Dividends					(700)		(700)
Translation adjustments						27	27
Issuance of common shares	120,000	10,000	1,200	800			2,000
<b>Balance as of</b>							
<b>31 December 1998</b>	<b>840,000</b>	<b>10,000</b>	<b>8,400</b>	<b>5,600</b>	<b>4,486</b>	<b>29</b>	<b>18,515</b>
Profit for the year 1999					2,035		2,035
Dividends					(500)		(500)
Translation adjustments						(17)	(17)
<b>Balance as of</b>							
<b>31 December 1999</b>	<b>840,000</b>	<b>10,000</b>	<b>8,400</b>	<b>5,600</b>	<b>6,021</b>	<b>12</b>	<b>20,033</b>

At year end 1999 the Telenor shares were formally owned by Newtel AB. The transfer of the Telenor AS shares to Newtel AB was rescinded in March 2000 with retroactive effect.

There were no dilutive securities outstanding during the periods presented.

### MINORITY INTERESTS

<i>Amounts in NOK million</i>	Minority share in % 31.12.99	Minority part of result -97	Minority part of result -98	Minority part of result -99	Minority- interests 31.12.98	Minority- interests 31.12.99
Telenor Venture AS	32.00	-	33	23	106	137
Norcom Network Communication Inc	8.38	(5)	(8)	(9)	3	5
Grameen Phone Ltd	54.00	(34)	(50)	(52)	89	76
Storm Telecommunication Ltd	28.40	(3)	(22)	(23)	23	-
Clarion Inc	-	-	(11)	(5)	5	-
Lokaldelen AB	-	2	4	2	11	-
EDB Business Partner ASA	40.20	-	-	16	-	724
Telenor B-invest AS	26.67	-	-	3	-	233
Nextra SPA	30.00	-	-	(3)	-	42
Other	-	(24)	10	4	2	15
<b>Total</b>		<b>(64)</b>	<b>(44)</b>	<b>(44)</b>	<b>239</b>	<b>1,232</b>

# Summary of Significant Accounting Principles

## The Telenor Group

### General

When Telenor was established as a public company on 31 October 1994, assets and liabilities were mainly transferred at the carrying values as recorded in the final records of the preceding Norwegian State Administration.

The consolidated financial statements for Telenor AS and its subsidiaries are prepared in accordance with Norwegian generally accepted accounting principles. The Group's accounting principles differ, in certain respects, from United States generally accepted accounting principles (US GAAP). The differences and the approximate related effects on the Group's net income and shareholder's equity are set forth in note 28.

### Consolidation principles

The Group consolidated accounts include Telenor AS and subsidiaries in which Telenor AS has effective control, which generally exist where Telenor AS has more than 50 per cent ownership.

All significant intercompany transactions and balances have been eliminated.

Investments in joint ventures and entities in which Telenor has an equity ownership interest of 20 to 50 per cent and exercises significant influence are accounted for using the equity method.

Investments considered to be of a temporary nature are accounted for at cost.

Increase in minority interest from a subsidiary's equity transactions and sale of shares in a subsidiary is recorded at fair value as minority interest. The difference between the minority interest measured at fair value and the recorded equity in the subsidiary is amortised through allocating results to minority.

### Goodwill and license costs

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations accounted for under the purchase method. Goodwill is amortised on a straight-line basis over the estimated useful economic life, based on an individual assessment.

License cost and goodwill relating to a license is amortised over the term of the license.

### Turnover

Turnover is generally recognised when services are rendered or products delivered to customers. Subscription fees are recognised as turnover over the subscription period.

Turnover from directory advertising is recognised when the directories are published.

### Pensions

Defined benefit plans are valued at the present value of accrued future pension benefits at the balance sheet date. Pension plan assets are valued at their fair value. Changes in the pension obligations due to changes in pension plans are recognised over the estimated average remaining service period. When the accumulated effect of changes in estimates, changes in assumptions and deviations from actuarial assumptions exceed 10 percent of the higher of pension benefit obligations and pension plan assets, the excess amount is recognised over the estimated average remaining service period. The net pension cost for the period is classified as salaries and personnel costs.

### Research and development costs

Research and development costs are expensed as incurred.

### Software costs

Direct development costs associated with internal-use software are capitalised, including external direct costs of material and services and payroll costs for employees devoting time to the software projects.

Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

### Leases

Capital leases, which provide the Group with substantially all the rights and obligations of ownership are capitalised as fixed assets. Liabilities are valued at the present value of minimum lease payments.

### Foreign Currency Transactions

Transactions involving foreign currencies are translated into Norwegian Kroner using exchange rates in effect at the time of the transactions. Financial instruments denominated in foreign currencies are translated using period end exchange rates. The resulting gain or loss is charged to financial items for the period, unless the financial instrument has been designated as a qualifying hedge.

### Foreign Currency Translation

The financial statements of the Company's foreign operations are maintained in the currency in which the entity primarily conducts business. When translating financial statements for foreign entities (subsidiaries, associated companies and joint ventures) from local currencies to Norwegian Kroner, assets and liabilities are translated using year end exchange rates and results are translated using the average exchange rates for the reporting period. The resulting translation adjustments, and the gains and losses on financial instruments designated as hedges of net foreign investments, are reported as a component of shareholders' equity.

For entities located in countries defined as highly-inflationary and with financial reporting in local currency, fixed assets and related depreciation are remeasured using the exchange rate at the date of acquisition. Other balance sheet items are remeasured at the year end exchange rate. Other profit and loss items are translated using the average exchange rates for the reporting period. The gain or loss resulting from these remeasurements is charged to income for the period.

### Hedging

Telenor uses various financial instruments, including derivatives (interest rate and foreign currency swaps and forwards, caps, FRAs and electricity contracts) primarily to manage its exposure to fluctuations in foreign exchange rates, interest rates and electricity.

To qualify for hedge accounting, the instruments must meet defined correlation and effectiveness criteria, and be designated as hedges and generate financial statement effects, which substantially offset those of the position being hedged.

Gains and losses on foreign exchange contracts that are designated as hedges of foreign currency liabilities, are included in the value of the hedged item. In the case of forward contracts being used, the premium or discount is amortised over the term of the contract, and classified as interest. Gains and losses on foreign exchange contracts that are designated as hedges of firm commitments are deferred and recognised in income at the same time as the related transactions.

Amounts to be paid or received under interest rate swap that are designated and effective as a hedge of an interest bearing assets are accrued as interest income or expense respectively.

Gains and losses on termination of hedge contracts are recognised in income when terminated in conjunction with the termination of the hedged position, or to the extent that such position remains outstanding, deferred and amortised to income over the original hedging period.

### Taxes

Deferred tax assets and liabilities are calculated with full allocation for all temporary differences between the

carrying amount of assets and liabilities in the financial statements and for tax purposes, including tax losses carried forward. The enacted tax rates at the balance sheet date and nominal amounts are used. Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilised.

### Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, fixed rate bonds and commercial papers with original maturity of three months or less.

### Investments

Shares classified as current assets and managed as a whole, adjustments in the book value are only made if the aggregated holdings have a lower estimated fair value than the original cost. Other current shares are valued at the lower of cost and estimated fair value.

Long-term shares and other investments, excluding shares in associated companies and joint ventures, are valued at historical cost or estimated fair value if the fall in value is not temporary.

### Inventories

Inventories are valued at the lower of cost or market price. Cost is determined using the FIFO method.

### Advertising costs, marketing and sales commissions

Advertising costs, marketing and sales commissions are expensed as incurred

### Tangible assets, intangible assets and depreciation

Tangible and intangible assets are carried at historical cost less accumulated depreciation and write-downs. Impairment of tangible and intangible assets is assessed when changes in circumstances indicate that their carrying amount may not be recoverable. The assessment is made based on estimated undiscounted future cash flows for those assets to be held and used and sales price less cost to sell for assets to be disposed of. When such amounts are less than the carrying amount of the asset, a write down to fair value or sales price less costs to sell is recorded. Interest has been capitalised on assets under construction.

Tangible assets are, for the most part, depreciated on a straight-line basis over their expected economic useful lives using the following rates:

Office machinery and equipment, software:	20 - 33%
Satellites, computer equipment, software at switches and other equipment:	10 - 20%
Transmission and equipment related to switches:	10 - 20%
Cable and power supply installations:	6 - 8%
Buildings:	3 - 4%

### Year 2000 expenses

Expenses related to modifications that have not produced improvements through increased functionality or which have not extended the expected economic useful life are expensed.

### Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of turnover and expenses during the reporting period.

Actual results could differ from those estimates.

### Changes in Accounting Principles

The following changes in accounting principles have been made:

#### 1999

The new Norwegian accounting act came into effect 1 January 1999. Telenor has made changes in accounting principles as a result of the new accounting act. Except for capitalised internal costs on software for internal use, all comparable figures in the profit and loss accounts, balance sheets and cash flow statements have been restated.

Under the old accounting act Telenor did not capitalise interest on assets under construction. Under the new accounting act interest is required to be capitalised on assets under construction. Capitalised interest was NOK 131 millions in 1998, and NOK 79 million in 1997. Depreciation of capitalised interest was NOK 36 million and NOK 25 million for 1998 and 1997, respectively.

Internal cost for software is capitalised from 1 January 1999. Capitalised costs for software was NOK 100 million in 1999.

Under the old accounting act a deferred tax asset could only be recognised to the extent it was highly probable that the tax asset could be utilised. A net deferred tax asset could not be recognised in the balance sheet. Under the new accounting act deferred tax assets are recognised when it is more likely than not that the tax asset will be utilised. Deferred tax assets amounting to NOK 652 millions for 1998 and

NOK 311 million for 1997 are recognised in the balance sheet. Profit for the year 1998 and 1997 is increased by NOK 341 million and NOK 147 million respectively. Most of the deferred tax assets are recorded in associated companies.

Under the old accounting act properties for sale were valued as a group for assessment for impairment. Under the new accounting act each property for sale are assessed for impairment on individual bases. Sales type leases where Telenor is the lessor were previously recorded as rent of assets. This is now recorded as a financial lease (sale). The effect on equity and profit is immaterial.

### Classification and other

Roaming turnover from mobile telephony is now presented gross instead of net. Turnover and related traffic costs increased with NOK 483 million and NOK 325 million for 1998 and 1997 respectively.

Own work capitalised are presented gross as a separate caption in the profit and loss statement. This mainly relates to salary for own personnel in the companies in the Group and for investment purchase between the companies in the Group.

The following table reconciles the equity as of 31 December 1998, with the restated equity after changes made in the accounting principles:

*Amounts in NOK million*

<b>Equity 31.12.98 before changes in accounting principles</b>	<b>17,626</b>
Capitalisation of interest net	
of depreciation and tax	238
Write down of properties net of tax	(16)
Leasing net of tax	15
Recognition of deferred tax assets	652
<b>Equity 31.12.98 restated</b>	<b>18,515</b>

#### 1998

No change in accounting principles

#### 1997

In 1997 the group implemented the equity method of accounting for associated companies and joint ventures.

# Notes to the consolidated financial statements

## The Telenor Group

### 1. ACQUISITIONS AND DISPOSALS

During the three years ended 31 December 1999, Telenor entered into the following significant acquisitions. Each acquisition was recorded using the purchase method of accounting. The summary does not include capital increases or other types of financing by Telenor. Disposals have been insignificant in 1998 and 1997.

#### 1999 Acquisitions

Telenor acquired the following significant subsidiaries or significant interests in associated companies and joint ventures:

<i>Amounts in NOK million</i> Company	Country	Change in interest %	Business	Purchase price	Excess value	Amortisation period
VimpelCommunication	Russia	31.7	Mobile telecommunication	1,239	756 <sup>1)</sup>	10 years
Esat Digifone	Ireland	4.5	Mobile telecommunication	444	436 <sup>1)</sup>	12 years
DiGi.com bhd	Malaysia	30.0	Mobile telecommunication	1,661	1,327 <sup>1)</sup>	15 years
Narrowband Telecomm. Research Inc	Canada	100.0	Mobile telecommunication	80	79	3 years
Nextra SPA	Italy	70,0	Internet	84	84	5 years
OMNILINK Internet Service Center GmbH	Germany	100.0	Internet	95	91	5 years
e-comp Engineering GmbH	Germany	100.0	Internet	81	78	5 years
Relab AB	Sweden	100.0	Installation and service	49	36	5 years
EDB ASA	Norway	66.0	Software	547	414	20 years
Telesciences Inc	USA	100.0	Software	105	96	20 years
Norkring AS	Norway	60.0	TV-distribution	579	-	

<sup>1)</sup> Excess value of equity investments is included in the book value of associated companies and joint ventures.

#### 1999 Disposals

In October 1999 Telenor sold its ownership in Lokadelen AB, Telenor Företagsinfo AB and Internordia AB. The total consideration was NOK 935 million. A gain of NOK 753 million was recorded.

In June 1999 Telenor reduced its ownership in Telenor programvare AS (now EDB Business Partner ASA) by issuance of share in a purchase business combination. Telenor later sold part of the shares in EDB Business Partner ASA. No gains were recorded on these transactions.

Telenor sold 26.67% of the subsidiary Telenor B-Invest AS that holds Telenor's investment in Cosmote S.A. The consideration was equivalent to the original cost price plus interest of the investments in Cosmote S.A. No gain was recorded.

Telenor disposed of its ownership in Clarion Inc. A loss of NOK 285 million was recorded.

#### 1998 Acquisitions

Telenor acquired the following significant subsidiaries or significant interests in associated companies and joint ventures:

<i>Amounts in NOK million</i> Company	Country	Change in interest %	Business	Purchase price	Excess value	Amortisation period
Kyivstar J.S.C	Ukraine	35.0	Mobile telecommunication	257	243 <sup>1)</sup>	15 years
Pannon GSM RT	Hungary	5.5	Mobile telecommunication	405	388 <sup>1)</sup>	10 years
Telehuset AS	Norway	30.0	Wholesales	109	53	5 years
Telenor Magnet GmbH	Austria	100.0	Internet	57	59	5 years
SF Vision AB	Sweden	100.0	TV distribution	85	81	10 years
Soleil Publicite S.A.	France	75.0	Directory services	44	56	5 years

<sup>1)</sup> Excess value of equity investments is included in the book value of associated companies and joint ventures.

**1997 Acquisitions**

Telenor acquired the following significant subsidiaries or significant interests in associated companies and joint ventures:

<i>Amounts in NOK million</i>						
<b>Company</b>	<b>Country</b>	<b>Change in interest %</b>	<b>Business</b>	<b>Purchase price</b>	<b>Excess value</b>	<b>Amortisation period</b>
Viag Intercom GmbH & Co.	Germany	10.0	Wired and mobile telecomm.	301	216 <sup>1)</sup>	18 years
Cosmote S.A.	Greece	30.0	Mobile telecommunication	678	267 <sup>1)</sup>	23 years
Polskie Dsiakie Telefoniczne sp.z.o.o	Poland	50.0	Directory services	61	53 <sup>1)</sup>	5 years
Canal Digital AS	Nordic countries	50.0	TV distribution	71	-	-
Lokaldelen AB	Sweden	92.6	Directory services	174	123	5 years

<sup>1)</sup> Excess value of equity investments is included in the book value of associated companies and joint ventures.

**2. TURNOVER**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
PSTN/ISDN	<b>13,360</b>	12,318	11,551
Mobile telephony	<b>5,426</b>	4,429	3,526
Leased lines	<b>810</b>	866	820
Satellite	<b>1,715</b>	1,525	1,090
TV-distribution	<b>765</b>	714	495
Other network based activities	<b>1,593</b>	1,291	1,253
Customer equipment	<b>2,638</b>	2,266	2,360
IT service and Installations	<b>3,647</b>	2,487	2,384
Advertising etc.	<b>1,588</b>	1,456	1,082
Other	<b>1,143</b>	1,310	1,131
Gain on sale of fixed assets and operations	<b>783</b>	248	177
<b>Total turnover</b>	<b>33,468</b>	<b>28,910</b>	<b>25,869</b>

**PSTN/ISDN** includes turnover from traffic, subscription, establishment/connection for PSTN and ISDN. Further, it includes turnover from incoming traffic from other telephone operators.

**Mobile telephony** includes turnover from traffic, subscription, establishment/connection for mobile telephones and paging.

**TV-distribution** includes turnover from establishment/connection and subscription of distribution of TV channels through cable and satellite, and sale of program cards.

**Satellite** includes turnover from satellite broadcasting, distribution of TV channels to the Nordic market, satellite-based network, and income from maritime satellite communication.

**Leased lines** includes turnover from establishment/connection and subscription for digital and analogue circuits.

**Other network-based activities** include leased networks, data network services, Internet subscriptions etc.

**Customer equipment** includes sale of customer equipment (telephone sets, mobile phones, computers, PABXs etc.).

**IT service and Installations** includes turnover from installations, sales and running of IT-systems, together with consultancy services and sale of software.

**Advertising etc.** Includes sale of advertising related to directory activities and sales of directories etc.

**Other** includes turnover from contracting, rent etc.

**3. BUSINESS AREAS**

**Telenor Telecom** operates the groups fixed network and delivers services as PSTN, ISDN, broadband and leased line to private and business customers and to other network operators. **Telenor Mobile communication** is responsible for the groups mobile communication comprising voice, data, Internet, content services and electronic commerce in the Norwegian and the international markets. **Telenor Internet** is a European supplier of Internet based services and solutions. **Telenor Broadband services** offers TV services mainly within the Nordic Region, other satellite based services and fixed network services within global niche markets. **Telenor Media** delivers directory services in Norway and abroad. **Bravida** delivers installation, maintenance and operating services to network operators and other customer. **EDB Business Partner** is a listed IT group which delivers solutions, consulting services and operating services. Other is group functions and other activities including ND Holding Ltd, Teleservice and Telenor Venture.

Significant changes in the business area structure have been implemented. Bedrift and Privat now reports together with Nett as Telecom. The previous business area Plus included Directory services, Teleservice, and TV distribution.

Directory services now reports as a separate business segment and TV distribution is included in Broadband Services. Teleservice is included in other. The activity in the former business area International consisted of Satellite, Global and Mobility. Mobility is included in Mobile communication while Global is included in Telecom Solutions. Furthermore, the internal IT operating department of Telenor has been transferred from Bedrift to Other. In addition, 4Tel is included in Programvare. Parts of customer equipment have been transferred from Bedrift to Bravida.

Proforma figure that includes the establishment of the new business areas has been prepared with relevant comparable figures.

Deliveries of network-based regulated services within the Group are priced based on cost prices in negotiations between the units. For contracts-based services, product developments etc, prices are negotiated between the parties based on market prices. All other deliveries between the business areas are to be based on market prices.

Gain and loss from Group internal transfer of business and dividend is not included in the profit and loss account for the business areas.

### Profit and loss 1999

<i>Amounts in NOK million</i>	Turnover	Of which external	Operating expenses ex depreciation and write-downs	Depreciation and write-downs	Associated companies and joint ventures	Net financial items	Profit before taxes and minority interest
Telecom	17,602	15,921	12,456	2,637	(26)	(2)	2,481
Mobile Communication	8,033	6,540	5,872	1,055	(1,071)	(150)	(115)
Internet	886	566	913	111	14	(4)	(128)
Broadband services	2,798	2,655	2,268	522	(140)	92	(40)
Media	2,368	2,277	1,283	79	(3)	42	1,045
Bravida	6,057	2,912	5,910	128	-	(22)	(3)
EDB Business Partner	3,015	1,508	2,674	214	(5)	(13)	109
Other	4,536	1,089	4,554	445	(8)	608	137
Elimination	(11,827)	-	(11,511)	(144)	-	-	(172)
<b>Total</b>	<b>33,468</b>	<b>33,468</b>	<b>24,419</b>	<b>5,047</b>	<b>(1,239)</b>	<b>551</b>	<b>3,314</b>

### Profit and loss 1998 – restated <sup>1)</sup>

<i>Amounts in NOK million</i>	Turnover	Of which external	Operating expenses ex depreciation and write-downs	Depreciation and write-downs	Associated companies and joint ventures	Net financial items	Profit before taxes and minority interest
Telecom	15,921	14,528	10,507	2,386	(17)	16	3,027
Mobile Communication	6,793	5,448	5,224	865	(820)	(231)	(347)
Internet	469	342	591	64	(51)	(4)	(241)
Broadband services	2,502	2,356	2,018	361	(122)	172	173
Media	1,584	1,495	1,247	92	(15)	2	232
Bravida	5,507	2,743	5,305	84	-	7	125
EDB Business Partner	2,097	855	1,797	190	2	(8)	104
Other	4,031	1,143	3,760	444	(74)	254	(15)
Elimination	(9,994)	-	(9,797)	(25)	-	-	(150)
<b>Total</b>	<b>28,910</b>	<b>28,910</b>	<b>20,652</b>	<b>4,461</b>	<b>(1,097)</b>	<b>208</b>	<b>2,908</b>

<sup>1)</sup> Unaudited

### Balance and investments 1999

<i>Amounts in NOK million</i>	Fixed assets	Associated companies	Current assets	Long-term liabilities incl. provisions	Short-term liabilities	Investments
Telecom	13,400	15	6,565	3,976	7,797	3,377
Mobile Communication	4,757	6,834	5,872	7,122	3,655	6,183
Internet	594	27	577	94	865	442
Broadband services	5,314	31	1,513	3,505	1,751	919
Media	250	38	958	23	574	71
Bravida	452	-	1,626	176	1,370	240
EDB Business Partner	1,288	80	1,123	569	798	1,027
Other	34,747 <sup>1)</sup>	482	5,073	13,007	8,203	911
Elimination	(30,692)	-	(12,898)	(12,510)	(14,214)	-
<b>Total</b>	<b>30,110</b>	<b>7,507</b>	<b>10,409</b>	<b>15,962</b>	<b>10,799</b>	<b>13,170</b>

**Balance and investments 1998 – restated <sup>1)</sup>**

<i>Amounts in NOK million</i>	<b>Fixed assets</b>	<b>Associated companies</b>	<b>Current assets</b>	<b>Long-term liabilities incl. provisions</b>	<b>Short-term liabilities</b>	<b>Investments</b>
Telecom	12,884	13	8,806	5,760	6,588	3,156
Mobile Communication	7,264	3,175	1,526	5,629	2,008	3,670
Internet	211	-	426	21	333	125
Broadband services	4,198	274	1,453	3,064	1,088	1,069
Media	463	40	911	637	542	31
Bravida	365	-	1,308	172	1,238	165
EDB Business Partner	732	-	817	591	534	201
Other	28,334 <sup>2)</sup>	376	653	9,288	4,418	1,011
Elimination	(26,546)	-	(6,933)	(12,874)	(7,041)	-
<b>Total</b>	<b>27,905</b>	<b>3,878</b>	<b>8,967</b>	<b>12,288</b>	<b>9,708</b>	<b>9,428</b>

<sup>1)</sup> Unaudited<sup>2)</sup> Includes shares in subsidiaries**Geographic distribution of turnover based on customer location**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Norway	<b>27,637</b>	24,727	23,013
Other Nordic	<b>2,666</b>	1,841	1,259
Western Europe	<b>1,474</b>	1,170	901
Central Europe	<b>362</b>	191	134
Eastern Europe	<b>132</b>	189	201
USA	<b>587</b>	344	128
Asia	<b>328</b>	240	152
Other countries	<b>282</b>	208	81
<b>Total turnover</b>	<b>33,468</b>	<b>28,910</b>	<b>25,869</b>

**Geographic distribution of turnover based on company location <sup>1)</sup>**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Norway	<b>29,862</b>	26,942	24,671
Other Nordic	<b>1,595</b>	763	567
Western Europe	<b>1,140</b>	803	476
Central Europe	<b>248</b>	49	97
Eastern Europe	<b>82</b>	112	18
USA	<b>336</b>	153	1
Asia	<b>205</b>	88	39
<b>Total turnover</b>	<b>33,468</b>	<b>28,910</b>	<b>25,869</b>

<sup>1)</sup> Gain on sale of foreign subsidiaries is recorded as relating to the country the subsidiary was located.**Geographic distribution of turnover based on company location including shares of turnover from associated companies and joint ventures <sup>1)</sup>**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Norway	<b>30,674</b>	27,709	25,161
Other Nordic	<b>2,379</b>	1,328	836
Western Europe	<b>2,849</b>	1,547	695
Central Europe	<b>2,206</b>	928	401
Eastern Europe	<b>729</b>	229	86
USA	<b>341</b>	153	1
Asia	<b>205</b>	88	39
<b>Total</b>	<b>39,383</b>	<b>31,982</b>	<b>27,219</b>

<sup>1)</sup> Gain on sale of foreign subsidiaries is recorded as relating to the country the subsidiary was located.

**Total assets by geographical location of the company**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>
Norway	<b>37,689</b>	34,904
Other Nordic	<b>759</b>	949
Western Europe	<b>3,696</b>	1,965
Central Europe	<b>1,698</b>	1,817
Eastern Europe	<b>1,467</b>	303
USA	<b>286</b>	381
Asia	<b>2,431</b>	431
Other countries	-	-
<b>Total assets</b>	<b>48,026</b>	<b>40,750</b>

**4 COSTS OF MATERIALS AND TRAFFIC CHARGES**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Lease of network capacity	<b>3,255</b>	2,560	1,859
Lease of satellite capacity	<b>623</b>	722	528
Energy	<b>46</b>	63	58
Cost of materials etc.	<b>5,092</b>	4,010	4,136
<b>Total costs of materials and traffic charges</b>	<b>9,016</b>	<b>7,355</b>	<b>6,581</b>

**5 OWN WORK CAPITALISED**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Cost of materials etc	<b>343</b>	146	181
Salary and personnel costs	<b>796</b>	544	328
Other operating expenses	<b>634</b>	529	282
<b>Total own work capitalised</b>	<b>1,773</b>	<b>1,219</b>	<b>791</b>

**6 PENSION OBLIGATIONS**

Telenor provides defined benefit pension plans for substantially all employees in Norway. Benefits are determined based on the employee's length of service and compensation. The cost of pension benefits plans is expensed over the period which the employee renders services and becomes eligible to receive benefits.

Up until 31 August 1995 most of Telenor's employees were covered through the Norwegian Public Service Pension Fund. In 1995 Telenor Pensjonskasse was established as a defined benefit plan. 18,625 of the Group's employees (1,347 in Telenor AS) are now covered through Telenor Pensjonskasse. In addition, the Group has a few group pension schemes with independent insurance companies, and a separate pension plan for executive employees. Plan assets consisting primarily of bonds and shares fund these pension plans. For employees abroad contribution plans are dominant.

In addition Telenor has two early retirement pensions plans. The agreement-based early retirement plan (AFP) was established in 1997. Under this scheme employees may retire on reaching the age of 62 years or later.

The other plan is an early retirement plan that was offered to the employees within established criteria until the end of 1996. Telenor AS covers the cost of early retirement. The present value of the estimated pension obligation is included in the calculation of the pension obligation presented below. The early retirement plan do not have any plan assets.

<i>Amount in NOK mill.</i>	1999	1998
<b>Change in benefit obligation</b>		
Benefit obligation at the beginning of the year	2,260	2,162
Service cost	288	278
Interest cost	160	151
Changes in schemes	-	27
Actuarial gains and losses	298	(141)
Acquisitions and sale	104	-
Benefits paid	(256)	(217)
<b>Benefit obligations at the end of the year</b>	<b>2,854</b>	<b>2,260</b>

<b>Change in plan assets</b>		
Fair value of plan assets at the beginning of the year	1,231	990
Actual return on plan assets	161	20
Acquisitions and sale	96	1
Pension premium	365	294
Benefits paid	(74)	(74)
<b>Fair value of plan assets at the end of the year</b>	<b>1,779</b>	<b>1,231</b>

	1999	1998
<b>Funded status</b>	<b>1,075</b>	<b>1,029</b>
Unrecognised net actuarial loss	(271)	(294)
Unrecognised prior service costs	(316)	(56)
Prepaid social security tax	21	29
<b>Total provision for pensions</b>	<b>509</b>	<b>708</b>

	1999	1998	1997
<b>Assumptions as of 31 December</b>			
Discount rate in %	6.5	7.0	7.0
Expected return on plan assets in %	7.5	8.0	8.0
Rate of compensation increase in %	3.5	3.5	3.5
G-adjustments in %	3.0	3.5	3.5
Annual adjustments to pensions in %	3.0	2.5	2.5

	1999	1998	1997
<b>Components of net periodic benefits cost</b>			
Service cost	288	278	246
Interest cost	160	151	138
Expected return on plan assets	(111)	(89)	(69)
Amortisation of prior service costs	24	32	21
Social security tax	43	43	36
<b>Net periodic benefit costs</b>	<b>404</b>	<b>415</b>	<b>372</b>
Contribution schemes	24	19	8
<b>Total pension costs charged to profit for the year</b>	<b>428</b>	<b>434</b>	<b>380</b>

## 7 SALARIES AND PERSONNEL COSTS

<i>Amounts in NOK million</i>	1999	1998	1997
Salaries and holiday pay	7,016	6,307	5,700
Social security tax	991	845	777
Pension costs incl. social security tax	428	434	380
Other personnel costs	526	294	273
<b>Total salaries and personnel costs</b>	<b>8,961</b>	<b>7,880</b>	<b>7,130</b>

The Chief Executive Officer for Telenor AS was Tormod Hermansen for the first four months of 1999 and Peter Pay the rest of the Year. As of 1 January 2000 Tormod Hermansen was reinstated as Chief Executive Officer for Telenor AS. The total salary for the Chief Executive Officer for 1999 was NOK 1,544,000. In addition Telenor paid pension premiums of NOK 4,787,000 and other remuneration of NOK 468,000. Remuneration for the Board of Directors and the Corporate Assembly for 1999 was NOK 1,868,000 and NOK 398,000 respectively.

The employment agreements for the Group Management is harmonised as of 1 April 2000. According to these new agreements the members of the Group Management have the right to receive salary for six months beyond the agreed period of notice if the employer terminates the employment. The head of the business area Media has the right to receive salary for fifteenth months beyond the agreed period of notice.

Further the Group Management except for the Chief Executive Officer has the bonus-schemes up to an amount corresponding to six months salary. For the time being no contract has been established with the head of the business area Internet regarding any right to receive salary beyond the agreed period of notice or regarding bonus.

The Group Management has a voluntary right to retire at the age of 60/62 years with a supplementary pension, making their pension 66 per cent of their salary at the retirement date.

Suggested audit fee for 1999 to the Auditor of the Group (Arthur Andersen & Co.) is NOK 11.2 million, of which NOK 0.9 million relates to the parent company (Telenor AS). For other services the Auditor of the Group has invoiced NOK 16.1 million, of which NOK 6.1 million relates to the parent company (Telenor AS).

Total loans to employees were NOK 45.3 million as of 31 December 1999. The loans were mainly given to finance the employees purchase of cars as an alternative to company cars. The average number of employees were 22,461 in 1999.

## 8 OTHER OPERATING EXPENSES

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Cost of premises, vehicles, office equipment etc.	<b>1,307</b>	1,076	1,005
Travel and travel allowances	<b>641</b>	607	573
Marketing and sales commission	<b>1,239</b>	945	1,030
Advertising	<b>423</b>	456	493
Bad debt	<b>351</b>	231	195
Consultancy fees and rent of personnel <sup>1) 2)</sup>	<b>2,589</b>	1,936	1,623
Other <sup>2)</sup>	<b>1,363</b>	1,376	1,285
<b>Total other operating expenses</b>	<b>7,913</b>	<b>6,627</b>	<b>6,204</b>

<sup>1)</sup> Includes fees for consultations and hired personnel which perform services that are sold to external customers or capitalised on fixed assets.

<sup>2)</sup> Includes cost (mainly consultancy fees) related to the suspended merger with Telia of NOK 250 million.

## 9 BAD DEBT

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Provisions as of 1 January	<b>371</b>	271	254
Provisions as of 31 December	<b>538</b>	371	271
Change in provisions for bad debt	<b>167</b>	100	17
Realised losses for the year	<b>230</b>	163	210
Recovered on amounts previously written off	<b>(46)</b>	(32)	(32)
<b>Total bad debt</b>	<b>351</b>	<b>231</b>	<b>195</b>

## 10 RESEARCH AND DEVELOPMENT COSTS

Research and development costs amounted to NOK 528 million, NOK 414 million and NOK 418 million for 1999, 1998 and 1997 respectively.

Research and development activities relate mainly to new technologies, new product security in the network and new usage's of the existing network.

It is expected that research and development costs will create future profitability.

## 11 BUSINESS RESTRUCTURING

In connection with the establishment of Telenor AS as a limited company in 1994 Telenor recorded a restructuring provision of NOK 1,100 million. This provision was made to cover the costs of staff reductions and eliminate other operating redundancies. The provision has been utilised during the subsequent periods and had a nil balance at 31 December 1998.

In 1996 a restructuring provision of NOK 39 million was recorded to cover certain costs to restructure the dealer network in Telehuset. The provision was utilised by NOK 32 million in 1997 and NOK 7 million in 1998.

In 1997 a restructuring provision of NOK 95 million was recorded mainly relating to workforce reductions in Bedrift and Privat, and NOK 87 million in International was recorded to withdraw from paging activities abroad. The provisions were utilised in the amount of NOK 150 million in 1998, and NOK 27 million in 1999.

In 1998 a restructuring provision of NOK 14 million was recorded relating to workforce reductions. The provision was utilised in 1999.

In 1999 provisions of NOK 69 million to exit certain activities were recorded.

The following table displays rollforward of the accruals for business restructuring from 31 December 1996:

<i>Amount in NOK million</i>	31 Dec 1996	1997 additions	1997 amounts utilised <sup>1)</sup>	31 Dec 1997	1998 additions	1998 amounts utilised <sup>1)</sup>	31 Dec 1998	1999 additions	1999 amounts utilised <sup>1)</sup>	31 Dec 1999
Redundancy provision	341	-	296	45	-	45	-	-	-	-
Restructure										
Telenor Telehuset	39	-	32	7	-	7	-	-	-	-
Workforce reduction	-	95	-	95	14	85	24	-	19	5
Withdraw paging	-	87	-	87	-	65	22	-	22	-
Exit activities	-	-	-	-	-	-	-	69	-	69
<b>Total</b>	<b>380</b>	<b>182</b>	<b>328</b>	<b>234</b>	<b>14</b>	<b>202</b>	<b>46</b>	<b>69</b>	<b>41</b>	<b>74</b>

<sup>1)</sup> Of these amounts NOK 0 million, NOK 35 million and NOK 88 million for 1999 and 1998 and 1997, respectively, are adjustments to the liability without corresponding expenses.

## 12 FINANCIAL INCOME AND EXPENSES

<i>Amounts in NOK million</i>	1999	1998	1997
Capital contributions from satellite organisations	235	253	171
Interest income	245	262	122
Other financial income <sup>1)</sup>	197	38	45
<b>Total financial income</b>	<b>677</b>	<b>553</b>	<b>338</b>
Interest expense	(812)	(594)	(462)
Other financial expenses <sup>*)</sup>	(63)	(102)	(24)
Capitalised interest	114	131	79
<b>Total financial expenses</b>	<b>(761)</b>	<b>(565)</b>	<b>(407)</b>
Gain on sale of financial assets	680	303	-
Loss and write-downs of financial assets	(45)	(83)	-
<b>Net gain on financial assets</b>	<b>635</b>	<b>220</b>	<b>-</b>
<b>Net financial items</b>	<b>551</b>	<b>208</b>	<b>(69)</b>

<sup>1)</sup> In 1999 a net currency gain of NOK 104 million was included in the other financial income. In 1998 other financial expenses included a net currency loss of NOK 73 million and in 1997 a net currency gain of NOK 26 million was included in other financial income.

The main part of net currency gains and loss relates to the situation where a portion of liabilities or other financial instruments designated as a hedge of a net investment in foreign currency exceeds the book value of the investment. Currency gain or loss related to this excess portion is recorded as financial income and expenses.

**13 TAXES****Income tax expenses:**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
<b>Profit before taxes</b>			
Norway	<b>4,720</b>	4,350	2,952
Outside Norway <sup>1)</sup>	<b>(1,406)</b>	(1,442)	(898)
<b>Total</b>	<b>3,314</b>	<b>2,908</b>	<b>2,054</b>
<b>Current taxes</b>			
Norway	<b>1,638</b>	1,129	857
Outside Norway	<b>20</b>	25	18
<b>Total current taxes</b>	<b>1,658</b>	<b>1,154</b>	<b>875</b>
<b>Deferred taxes</b>			
Norway	<b>(289)</b>	82	(146)
Outside Norway	<b>(46)</b>	6	-
<b>Total deferred taxes</b>	<b>(335)</b>	<b>88</b>	<b>(146)</b>
<b>Total tax expense</b>	<b>1,323</b>	<b>1,242</b>	<b>729</b>

<sup>1)</sup> Includes associated companies outside Norway. Gains from sale of companies are related to the country the company sold was located.

**Effective tax rate**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Expected income taxes according to Statutory tax rate (28%) <sup>1)</sup>	<b>928</b>	814	575
Net losses from associated companies and subsidiaries abroad	<b>380</b>	371	195
Non-deductible expenses/ Non-taxable income	<b>2</b>	22	11
Amortisation of goodwill	<b>58</b>	41	29
Previous not recognised deferred tax assets	<b>(24)</b>	(76)	(140)
Tax assets not recognised current year	-	-	53
Realisation of tax assets from business combinations	-	56	-
Other	<b>(21)</b>	14	6
<b>Income tax expense</b>	<b>1,323</b>	<b>1,242</b>	<b>729</b>
<b>Effective tax rate in %</b>	<b>39.9</b>	<b>42.7</b>	<b>35.5</b>

<sup>1)</sup> Norwegian nominal statutory tax rate is 28%

In 1997 rest of the previously unrecognised tax losses in acquired companies in Norway were utilised.

In 1998 tax losses carried forward in Telehuset were utilised, and goodwill relating to purchase of Telehuset was correspondingly reduced.

At year end 1999 Telenor had tax losses carried forward of NOK 1,092 million, primarily abroad. Amounts carried forward expire as follows:

**Tax losses carried forward**

<i>Amounts in NOK million</i>	
2000	71
2001	5
2002	66
2003	122
2004	147
After 2004	538
Not time-limited	143
<b>Total tax losses carried forward</b>	<b>1,092</b>

**Deferred taxes**

<i>Amounts in NOK million</i>	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>1999</b>	<b>1999</b>	<b>1998</b>	<b>1998</b>
Tangible and intangible assets	658	(884)	355	(768)
Associated companies	673	(19)	509	-
Other long-term items	195	(63)	191	(44)
<b>Total long-term assets and liabilities</b>	<b>1,526</b>	<b>(996)</b>	<b>1,055</b>	<b>(812)</b>
Current assets	186	(49)	182	(14)
Current liabilities	105	(18)	80	(28)
<b>Total current assets and liabilities</b>	<b>291</b>	<b>(67)</b>	<b>262</b>	<b>(42)</b>
<b>Tax losses carried forward:</b>	<b>384</b>	<b>-</b>	<b>269</b>	<b>-</b>
Deferred tax/tax assets	2,201	(1,033)	1,586	(854)
Valuation allowances	(965)	-	(833)	-
<b>Net deferred tax/tax assets</b>	<b>203</b>			<b>(101)</b>

Deferred taxes have not been recognised on undistributed earnings from domestic entities which can be remitted tax-free as dividends, or undistributed earnings from investments in foreign subsidiaries that are considered essentially permanent in nature.

Valuation allowances relates mainly to associated companies and subsidiaries abroad.

**14 INTANGIBLE ASSET**

<i>Amounts in NOK million</i>	<b>Accumul.</b>	<b>Additions</b>	<b>Foreign</b>	<b>Disposals</b>	<b>Acc. amort.</b>		<b>Book</b>	<b>Book</b>
	<b>cost</b>		<b>exchange</b>		<b>Amorti-</b>	<b>and write-</b>	<b>value</b>	<b>value</b>
	<b>01.01.99</b>	<b>1999</b>	<b>adjustm.</b>	<b>1999</b>	<b>sation</b>	<b>downs</b>	<b>31.12.99</b>	<b>31.12.98</b>
Goodwill	1,807	1,045	6	(445)	(290)	(865)	1,548	1,127
Other intangible assets	263	140	(1)	(78)	(37)	(125)	199	158
<b>Total <sup>1)</sup></b>	<b>2,070</b>	<b>1,185</b>	<b>5</b>	<b>(523)</b>	<b>(327)</b>	<b>(990)</b>	<b>1,747</b>	<b>1,285</b>
<b>Deferred tax asset</b>							<b>203</b>	<b>-</b>
<b>Total intangible assets</b>							<b>1,950</b>	<b>1,285</b>

<sup>1)</sup> Amortisation of intangible assets was NOK 283 million in 1998 and NOK 242 million in 1997.

**Goodwill relates to the following subsidiaries:**

<b>Company</b>	<b>Book value</b>	<b>Amortisation</b>	<b>Year of</b>
	<b>31.12.99</b>	<b>period</b>	<b>purchase</b>
Telescience Inc	95	20 years	1999
Narrowband Telecomm. Research Inc	57	3 years	1999
OMNILINK Internet Service center GmbH	91	5 years	1999
e-comp Engineering GmbH	81	5 years	1999
Telenor IT-service och Installasjon AB	29	5 years	1999
Nextra SPA	78	5 years	1999
EDB Business Partner ASA	404	20 years	1999
Telehuset AS	37	5 years	1995/1998
Soleil Publicite S.A.	34	5 years	1998
Telenor Vision AB	64	10 years	1998
Telenor Magnet GmbH	47	5 years	1998
EDB Novit AS	225	10 years	1997
Norcom Network Communication Inc	23	5 years	1996
Other	283	5-10 years	
<b>Total</b>	<b>1,548</b>		

**15 TANGIBLE ASSETS**

<i>Amounts in NOK million</i>	Accumul.	Additions	Foreign	Disposals	Depre-	Acc. depr.	Book	Book
	cost		exchange			ciation		
	1.1.99	1999	adjustm.	1999	1999	31.12.99	31.12.99	31.12.98
Local, regional & trunk networks	26,315	2,668	1	(27)	(1,419)	(21,036)	7,921	6,709
Mobile telephone network and switches	5,043	1,032	2	(36)	(668)	(3,151)	2,890	2,538
Subscriber equipment	1,261	19	(2)	(7)	(47)	(1,167)	104	134
Switches equipment	12,744	1,037	-	(688)	(1,012)	(8,849)	4,244	4,228
Radio installations	1,589	1	2	-	(5)	(608)	984	987
Cable TV equipment	630	92	-	-	(46)	(355)	367	321
Land	631	91	-	(8)	-	-	714	612
Buildings	6,722	384	-	(182)	(282)	(3,590)	3,334	3,336
Adm. support systems	4,125	1,719	-	(488)	(1,079)	(3,784)	1,572	910
Satellites	2,140	23	-	-	(162)	(575)	1,588	1,727
<b>Total <sup>1)</sup></b>	<b>61,200</b>	<b>7,066</b>	<b>3</b>	<b>(1,436)</b>	<b>(4,720)</b>	<b>(43,115)</b>	<b>23,718</b>	<b>21,502</b>
Work in progress <sup>2)</sup>	1,775	375	-	-	-	-	2,150	1,775
<b>Total</b>	<b>62,975</b>	<b>7,441</b>	<b>3</b>	<b>(1,436)</b>	<b>(4,720)</b>	<b>(43,115)</b>	<b>25,868</b>	<b>23,277</b>

<sup>1)</sup> Includes NOK 3,800 million in capital leases as of 31 December 99, mainly switches, GSM Mobile telephone network and satellites.

<sup>2)</sup> Net additions.

Accumulated capitalised interest (cost) was NOK 517 millions as of 31 December 1999.

The group entered into a "lease out and lease in" agreements for digital telephony switches and for GSM Mobile network with a book value as of 31 December, 1999 of approximately NOK 2,200 millions. The agreements called for the prepayments of all amounts due by both parties under the leases to financial institutions. The financial institutions then releases the payments over the life of the leases in accordance with its contractual terms. During the course of the lease, Telenor maintains the rights and benefits of ownership of the equipment. Telenor has received benefits of NOK 320 millions since the parties can depreciate the equipment for tax purposes. The amount has been deferred over the expected lease periods.

Depreciation and write-downs of tangible assets was NOK 4,178 millions in 1998 and NOK 3,806 millions in 1997.

**16 FINANCIAL ASSETS**

<i>Amounts in NOK million</i>	1999	1998
Long-term receivables <sup>1)</sup>	<b>1,152</b>	2,339
Shares and other investments <sup>2)</sup>	<b>1,183</b>	1,004
Associated companies and joint ventures <sup>3)</sup>	<b>7,464</b>	3,878
<b>Total financial assets</b>	<b>9,799</b>	<b>7,221</b>

**<sup>1)</sup> Long-term receivables:**

<i>Amounts in NOK million</i>	1999	1998
<b>Interest bearing</b>		
Receivables from associated companies and joint ventures	<b>96</b>	471
Loans to employees	<b>24</b>	19
Other long-term receivables	<b>918</b>	1,605
Provision for bad debt	<b>(6)</b>	-
<b>Non-interest bearing</b>		
Receivables from associated companies and joint ventures	<b>41</b>	27
Loans to employees	<b>8</b>	-
Other long-term receivables	<b>82</b>	238
Provision for bad debt	<b>(11)</b>	(21)
<b>Total long-term receivables</b>	<b>1,152</b>	<b>2,339</b>

In 1998 an escrow account of NOK 1,215 million related to the investment in VimpelCommunication was included in other interest bearing receivables.

**<sup>2)</sup> Shares and other investments:**

<i>Amounts in NOK million</i>	Bokført verdi	
	1999	1998
Satellite organisations <sup>1)</sup>	<b>601</b>	800
Other shares <sup>2)</sup>	<b>582</b>	204
<b>Total shares and capital contributions</b>	<b>1,183</b>	<b>1,004</b>

**<sup>1)</sup> Satellite organisations 1999:**

<i>Amounts in NOK millions</i>	Share Owned in %	Total max. Capital (mill)	Share of actual max capital (guarantee)	Book value
Eutelsat	0.9	ECU 1,900	142	44
Intelsat	5.6	USD 3,700	1,670	557
<b>Total</b>			<b>1,812</b>	<b>601</b>

Telenor AS is a member of the satellite organisations, Eutelsat and Intelsat. These satellite organisations are financed in part by capital contributed by the members and in part by external loans. Telenor is liable for its portion of the individual satellite 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. In 1998 satellites were transferred from Intelsat to a new company, New Skies BV, and in 1999 Inmarsat was organised as a limited company

**<sup>2)</sup> Specification on other shares in 1999:**

	The company's share capital <sup>i)</sup>	No. of shares owned by Telenor	Share owned in %	Book value <sup>ii)</sup>
Canal Digital Norge AS	2,680	383	14.3	1,224
Medianett shares in Screen Comm.	120	2,049	17.0	2,500
Unique AS	6,824	118,194	17.3	5,319
Apotram	153,700	66,700	43.3	1,501
Tele Danmark (DKK) <sup>iii) iv)</sup>	1,082,300	60,200	-	10,926
Senter Sørlandets Teknologisenter AS <sup>iv)</sup>	7,100	1,300	18.0	1,300
Visma Marionor	11,437,722	136,830	1.2	4,375
Inmarsat	100,000	680,243	6.0	310,143
New Skies B.V (NGL)	10,000	1	4.2	197,112
North West GSM (USD)	17,289	394,940	12.7	38,893
IT Fornebu AS	290,650	58,850	20.2	-
IT Fornebu Multimedia Læring AS	230,770	52,412	20.2	3,407
Other				4,876
<b>Total other shares</b>				<b>581,576</b>

<sup>i)</sup> Amounts in thousand local currency

<sup>ii)</sup> Amounts in NOK thousand

<sup>iii)</sup> Tele Danmark is a listed company. The quoted price for Telenor's shares was NOK 36 million as of 31 December 1999

<sup>iv)</sup> Shares owned directly by Telenor AS

**<sup>iii)</sup> Associated companies and joint ventures:**

<i>Amounts in NOK million</i>	1999	1998
Balance 01.01	<b>3,845</b>	2,303
Investment	<b>4,994</b>	2,571
Transferred to/from other investments and sale	<b>157</b>	-
Share of result after taxes	<b>(1,089)</b>	(982)
Gains/losses from disposal	<b>70</b>	-
Amortisation of goodwill	<b>(220)</b>	(115)
Equity and translations adjustments	<b>(61)</b>	68
<b>Balance 31.12</b>	<b>7,382</b>	<b>3,845</b>
<b>Of which investments carried with a negative value (classified as provisions)</b>	<b>82</b>	<b>33</b>
<b>Total associated companies and joint ventures</b>	<b>7,464</b>	<b>3,878</b>

Shares and investments are carried at negative values where Telenor has a corresponding liability above and beyond the capital contributed.

Cosmote (OTE Hellas) is owned by the subsidiary Telenor B-Invest AS in which Telenor International AS owns 73.33% of the shares. The other owner WR Com Enterprises Ltd (Cyprus) has an option to sell its 26.67% of the shares in Telenor B-Invest AS to Telenor International AS at market price.

Telenor and British Telecom have entered an agreement 14 January 2000 with regard to Esat Digifone. Under the agreement Telenor will have a right to exchange its 49.5% shareholding in Esat Digifone for a 33% shareholding in Esat Telecom. Subject to this right being exercised Telenor will have the additional right to purchase from British Telecom a maximum of 16.99% shareholding in Esat Telecom at a maximum price of USD 624 million. In the event that Telenor does not exercise the right, Telenor will sell to Esat Telecom its 49.5% shareholding in Esat Digifone for a consideration of USD 1,237.5 million.

**Specifications of investments in associated companies and joint ventures:**

<i>Amount in NOK thousand</i>	Share owned in %	Book value 01.01.99	Investments/disposals during 1999	Share of profit after tax <sup>1)</sup>	Amortisation of excess values	Equity and translations adjustments	Book value 31.12.99	Excess values 31.12.99
Internordia Communications AB	-	(4,055)	(59,984)	64,039	-	-	-	-
Telenordia AB <sup>2)</sup>	33.0	314,039	113,463	(69,190)	-	3,925	362,237	-
Imedia Norge AS <sup>2)</sup>	50.0	(1,217)	5,000	(2,376)	-	-	1,407	-
Allegro AB	50.0	6,660	-	-	-	91	6,751	-
Zeta Media AS	77.0	4,329	3,895	(8,224)	-	-	-	-
DiGi.com bhd	30.0	-	1,660.564	-	-	75,611	1,736.175	1,327.825
Connect Austria GmbH	17.5	354,603	-	(254,760)	-	(25,472)	74,371	-
Cosmote S.A.	30.0 <sup>1)</sup>	551,005	-	52,925	(10,453)	(39,596)	553,881	209,247
ESAT Digifone Ltd	49.5	195,809	523,100	(93,492)	(27,461)	(17,588)	580,368	440,774
European Telecom S.A. (ProMonte)	44.0 <sup>2)</sup>	79,337	-	(24,703)	-	(6,859)	47,775	-
Extel Kaliningrad J.S.C	49.0	(5,401)	-	(17,464)	(758)	(836)	(24,459)	5,380
Viag Interkom GmbH & Co	10.0	1,180.738	1,352.229	(540,594)	(10,764)	(110,485)	1,871,124	166,911
Kyvistar J.S.C	35.0	264,465	23,097	(25,098)	(18,699)	9,212	252,977	225,836
Kola Telekom	50.0	(697)	-	898	-	66	267	-
North West GSM J.S.C	12.7	38,807	(38,807)	-	-	-	-	-
Pannon GSM RT	25.8	512,930	-	109,936	(42,064)	(10,811)	569,991	352,368
StavTeleSot J.S.C	49.0	-	-	(34,877)	-	-	(34,877)	-
VimpelCommunication	31.7	-	1,238.457	(58,706)	(80,694)	59,055	1,158.112	724,370
Canal Digital (Konsern)	50.0	90,608	62,000	(133,791)	-	-	18,817	-
Inform net partner <sup>2)</sup>	50.0	(510)	-	(1,364)	-	273	(1,601)	-
Interinfo OY s.r.o.	-	(2,567)	2,567	-	-	-	-	-
Nordic Shopping Channel Ltd	-	-	2,734	(2,734)	-	-	-	-
Nord Trans Biuro Reklam Sp. z.o.o	50.0	(1,690)	-	-	-	20	(1,670)	-
Polskie Dsiaski Telefoniczne Sp.z.o.o	50.0	36,655	407	4 904	(10,715)	(2,298)	28,952	29,569
SBS Interactive AB	-	2,932	7,477	(10,409)	-	-	-	-
DM-Huset AS	34.0	8,165	-	4,039	(246)	-	11,958	-
Broadcast Text AS	100.0	11,874	3,400	(3,603)	-	-	11,671	6,840
Games AS	33.3	(924)	-	-	-	924	-	-
TVNorge Interaktiv AS	-	3,014	3,109	(6,123)	-	-	-	-
TV-Torget AS	32.5	-	2,272	(2,272)	-	-	-	-
Norkring AS	-	167,155	(172,911)	5,756	-	-	-	-
Schibstedt Interaktiv AB	34.0	(11,680)	-	90	-	-	(11,590)	-
Scandinavia Online AB	20.0	2,096	11,360	(13,929)	-	-	(473)	-
Scandinavia Online AS	34.5	21,913	551	27,692	-	-	50,156	-
Logan-Orviss International Inc	44.0	-	2,811	735	(227)	14	3,333	1,301
Business Data Consulting AS <sup>2)</sup>	38.0	-	25,093	677	(2,611)	-	23,159	14,794
Ephorma AS	50.0	-	54,811	9,098	(12,013)	1,637	53,533	8,788
Starlight Communication LLC Ltd	39.8	5,648	-	(5,931)	-	2,120	1,837	-
Wahlberg & Selin AB	31.8	3,275	-	(129)	(1,408)	241	1,979	2,057
Kommunikasjons-Produkter AS	49.0	6,728	-	(904)	(1,003)	-	4,821	2,005
Other	-	10,878	12,581	10,443	(491)	(269)	31,442	-
<b>Total</b>		<b>3.844.923</b>	<b>4.837.576</b>	<b>(1.019.443)</b>	<b>(219.606)</b>	<b>(61.026)</b>	<b>7.382.424</b>	<b>3.518.065</b>

<sup>1)</sup> Includes gains on sale<sup>2)</sup> Shares owned directly by Telenor AS<sup>1)</sup> Telenor B-Invest AS owns 30% of Cosmote S.A., and Telenor owns 73.33% of Telenor B-Invest AS.<sup>2)</sup> European Telecom owns 91.1% of ProMonte, and Telenor owns 44% of European Telecom.

**17 CURRENT RECEIVABLES****Accounts receivable**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>
Accounts receivable	<b>5,096</b>	4,722
Provision for bad debt	<b>(505)</b>	(327)
<b>Total accounts receivable</b>	<b>4.591</b>	<b>4,395</b>

Due to the large volume and diversity of the Company's customer base, concentrations of credit risk with respect to trade accounts receivable are limited.

**Other current receivables**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>
<b>Interest bearing</b>		
Receivables from associated companies and joint ventures	<b>193</b>	90
Receivables from others	<b>65</b>	84
<b>Non-interest bearing</b>		
Receivables from associated companies and joint ventures	<b>80</b>	2
Receivables on employees	<b>23</b>	-
Other short-term receivables	<b>365</b>	472
Provision for bad debt	<b>(16)</b>	(23)
<b>Total other current receivables</b>	<b>710</b>	<b>625</b>

**Prepaid expenses and accrued turnover**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>
Prepaid expenses	<b>367</b>	292
Accrued turnover	<b>1,534</b>	1,267
<b>Total prepaid expenses and accrued turnover</b>	<b>1,901</b>	<b>1,559</b>

**Total current receivables etc.**

<b>7,202</b>	<b>6,579</b>
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**18 SHORT TERM INVESTMENTS**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>
Bonds/Commercial papers <sup>1)</sup>	<b>13</b>	241
Shares <sup>2)</sup>	<b>390</b>	356
<b>Total short term investments</b>	<b>403</b>	<b>597</b>

<sup>1)</sup> Bonds and commercial papers are used for short-term placement of liquidity

<sup>2)</sup> Specification of shares classified as current assets:

	No. of shares	Share owned in %	Book value <sup>1)</sup>
Agder Data AS <sup>2)</sup>	61,300	100.0	54,400
MODE International BV	3,979	46.2	31,581
Telepost Holding Inc.	1,067,354	8.4	24,980
Q-Free ASA	217,545	15.0	12,042
ComputerHouse ASA	1,295,222	24.0	8,293
Eltek ASA	618,500	4.4	14,108
Incom AS	579,454	13.0	4,751
Utel AS	82,532	21.9	1,009
Open World Distribution AS	90,680	22.7	-
Cell Network AB (publ.)	992,902	5.0	10,599
Eye Control Technique AB	3,519,958	37.0	18,253
Incatel AS	75,740	71.8	14,933
Hubshop AS	1,718,699	38.0	6,123
Idonex AB	28,333	23.4	3,357
Polydisplay ASA	3,079,515	24.0	12,573
MRT Micro ASA	5,798,667	14.2	21,898
MRT Mpire Inc.	600,000	20.0	2,028
Gran-Jansen AS	644,720	25.0	9,339
Maritech AS	36,500	26.1	6,625
ClustRa Invest AS	46,434	65.3	13,533
Telenostra AS	34,615	32.0	2,300
Techno Venture AS	1,500	100.0	18,175
Hegel AS	63,120	49.9	5,338
Data Respons AS	417,100	34.0	11,540
SevenMountains Software AS	1,994,144	13.7	12,570
Televenture AS	500	100.0	50
IT Industrikapital AS	500	100.0	50
First Class Sweden AB	345	31.0	4,594
Industriventure AS	1,100	100.0	110
Industribygger AS	1,100	100.0	110
Nordisk Språkteknologi AS	23,440	20.6	15,767
ZoomOn AB	847,200	11.8	6,448
Melody Interactive Solutions AB	250,000	20.0	5,369
MassMarket AS	66,667	17.2	9,999
MagCom AS	150,000	17.2	15,000
E-Hand AB	6,943	5.9	2,301
Trøndelag Vekst AS <sup>2)</sup>	19,335	2.9	3,000
Other			6,429
<b>Total shares classified as current asset</b>			<b>389.575</b>

Eltek ASA and Cell Network AB are listed companies. The quoted prices as of 31 December 1999 was NOK 43,3 million and NOK 222,8 million respectively. The above shares are mainly owned by Telenor Venture.

<sup>1)</sup> Amount in NOK thousand

<sup>2)</sup> Shares owned directly by Telenor AS

## 19 PROVISIONS

<i>Amounts in NOK million</i>	1999	1998
Provisions for pensions	<b>509</b>	708
Deferred tax liability	-	101
Other provisions <sup>1)</sup>	<b>120</b>	33
<b>Total provisions</b>	<b>629</b>	<b>842</b>

<sup>1)</sup> Other provisions include associated companies and joint ventures with a negative book value of NOK 82 million and NOK 33 million at year end 1999 and 1998 respectively.

**20 INTEREST BEARING LIABILITIES**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>
Euro Commercial paper loans	<b>829</b>	1,559
Norwegian Commercial paper loans	<b>1,200</b>	-
EMTN loans	<b>9,500</b>	5,902
Loans from Japanese investors	<b>1,304</b>	1,304
Subordinated loan	-	609
Satellite leasing	<b>1,499</b>	1,611
Other	<b>610</b>	315
<b>Long-term interest bearing liabilities</b>	<b>14,942</b>	<b>11,300</b>
<b>Short-term interest bearing liabilities</b>	<b>127</b>	<b>153</b>
<b>Total interest bearing liabilities</b>	<b>15,069</b>	<b>11,453</b>

A short-term Euro Commercial Paper programme (ECP) was established in 1996, with a USD 500 million limit. As of 31 December 1999, commercial papers outstanding under this programme totalled NOK 829 million, with an average maturity of 1.5 months. In addition, Telenor placed three Commercial Papers in the Norwegian market in 1999, totally NOK 1,200 million at 31 December 1999.

In 1996, Telenor established its Euro Medium Term Note Programme (EMTN). The current programme size is USD 2,000 million. At 31 December 1999, ordinary bonds issued under the programme had a book value of NOK 9,500 million, with terms between 1 and 7 years.

Loans from Japanese private investors were established in 1994 and 1995. As of 31 December 1999 outstanding of this loans was NOK 1,304, with terms of 10 years.

All loans are unsecured but contain provisions restricting the pledge of assets to secure future borrowings without granting a similar secured status to the existing lenders (negative pledges).

Telenor Satellite Services AS established lease financing agreements for the two satellites, Thor II and Thor III, in 1997 and 1998. The Thor II lease agreements were signed in March 1998, and has a nominal amount of NOK 567 million at 31 December 1999. The Thor III leasing was signed in December 1997, and has a nominal amount of NOK 932 million at 31 December 1999. Both leasing agreements are amortised over 12 years, with a final maturity in 2010.

Telenor Nett AS entered into a "lease out and lease in" agreement for digital telephony switches in 1998. Telenor Mobil AS entered into a "lease out and lease in" agreement for GSM Mobile telephone network in 1999. The agreement called for the prepayment of all amounts due by the parties under the lease to financial institutions. The leasing obligations and the unused prepayments are netted in the balance sheet, and are not reflected in the tables above and below.

The average weighted term (maturity) of the Group's outstanding interest bearing (long-term) liabilities drawn up via the Group Treasury (NOK 12,833 millions) was 3.6 years at 31 December 1999 with corresponding average (interest) duration, including interest rate swaps of 1,13 years.

**Maturities of the Group's long-term interest bearing liabilities:**

<i>Amounts in NOK million</i>	
<b>Year</b>	<b>Instalment</b>
2000	1,711
2001	3,279
2002	1,404
2003	1,641
2004	1,948
After 2004	4,959
<b>Total long-term interest bearing liabilities</b>	<b>14,942</b>

**Distribution of long funding in originated currencies:**

<i>Amounts in NOK million</i>	Average fixed	Foreign	Norwegian	Norwegian
	interest rate	currency	kroner	kroner
	as of 31 Dec. 99	as of	as of	as of
		31 Dec. 99	31 Dec. 99	31 Dec. 98
<b>Euro Commercial paper loans</b>				
CHF	2.81%	10	52	-
USD	5.64%	100	777	988
FRF	-	-	-	186
ECU	-	-	-	327
GBP	-	-	-	58
<b>Norwegian Commercial paper loans</b>				
NOK	6.30%	-	1,200	-
<b>EMTN loans</b>				
AUD	3.39%	37	186	186
CHF	1.41%	698	3,537	2,499
EUR	4.32%	143	1,086	-
JPY	4.46%	11,500	687	687
USD	5.59%	550	4,004	1,356
DEM	-	-	-	1,174
<b>Loans from Japanese investors</b>				
JPY	4.26%	19,000	1,304	1,304
<b>Subordinated loan</b>				
ECU	-	-	-	609
<b>Satellite leasing</b>				
GBP	6.45%	117	1,499	1,611
<b>Other</b>	Between 5-12%	-	610	315
<b>Total long-term interest bearing liabilities</b>			<b>14,942</b>	<b>11,300</b>

**21 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Telenor is exposed to interest rate fluctuations on liabilities. Telenor operates in several countries, giving rise to exposure to market risks from changes in exchange rates. Derivative financial instruments are used to manage such risk.

**Foreign exchange risk management**

In order to take advantage of favourable nominal interest rates of certain foreign debt markets, Telenor incurs liabilities denominated in foreign currency. To manage the related exposure to unfavourable currency fluctuations, Telenor uses various financial instruments, principally cross currency interest rate swaps and foreign currency forward contracts. Telenor maintains foreign currency debt and foreign currency contracts for hedging purposes in major currencies up to an amount corresponding to the original net investment in subsidiaries, associated companies and joint ventures.

**Interest rate risk management**

To manage the exposure to changes in interest rates and to lower the overall costs of financing Telenor utilises interest rate swaps, interest rate caps and forward rate agreements (FRA). Interest rate swaps are used to exchange the real interest rate exposure on the underlying assets or liabilities from a fixed interest rate to a 6 months floating interest rate in the same currency or vice versa.

**The notional amounts of foreign currency swaps and foreign currency forward contracts:**

<i>Amounts in local currency million</i>	Currency		Norwegian Kroner	
	Buy	Sell	Buy	Sell
NOK	2,007	(539)	2,007	(539)
CHF	10	-	52	-
USD	68	(46)	539	(359)
EUR	-	(208)	-	(1,700)

All the swaps contracts has maturity within 1 year.

**Interest rate instruments outstanding as of 31 December 1999:**

Telenor Pays	Telenor receives	Instrument	Average years to maturity	Amounts in millions (currency)	
Fixed	Floating	Interest rate swap	3.58	NOK	1,967
Fixed	Floating	Interest rate Cap	2.59	NOK	300
Floating	Fixed	Interest rate swap	2.71	EUR	92
Floating	Fixed	Interest rate swap	2.55	USD	270
Floating	Fixed	Interest rate swap	5.67	JPY	5,000
Floating	Fixed	Interest rate swap	3.33	CHF	182

**Cross currency and interest rate instruments outstanding as of 31 December 1999:**

Telenor pays currency	Telenor pays interest	Telenor receives currency	Telenor receives interest	Instrument	Average years to maturity	Amounts in millions (currency)	
NOK	Floating	USD	Fixed	Cross currency IR swap	6.25	NOK	780
EUR	Fixed	USD	Fixed	Cross currency IR swap	6.25	NOK	1.377
USD	Floating	CHF	Fixed	Cross currency IR swap	2.94	NOK	2.621
NOK	Floating	USD	Floating	Cross currency IR swap	3.03	NOK	4.407
NOK	Floating	JPY	Fixed	Cross currency IR swap	4.84	NOK	839
NOK	Floating	JPY	Floating	Cross currency IR swap	5.67	NOK	330
USD	Floating	JPY	Fixed	Cross currency IR swap	5.49	NOK	883
USD	Floating	AUD	Fixed	Cross currency IR swap	6.42	NOK	126
ATS	Floating	CHF	Floating	Cross currency IR swap	3.33	NOK	412
SEK	Floating	CHF	Floating	Cross currency IR swap	3.33	NOK	515
SEK	Floating	DEM	Floating	Cross currency IR swap	2.67	NOK	222

All floating interest rates (NIBOR, LIBOR and STIBOR) are 6 months.

Two interest rate swap contracts entered into in 1995 with total nominal amounts of NOK 400 million, which were used as hedging, were sold in 1999. The net realised loss of NOK 42 million is amortised through the original lifetime of the contracts. Deferred net losses (including five interest rate swap contracts sold in 1998) at 31 December 1999 were NOK 42 million.

**Forward rate agreements (FRA)**

FRA contracts are generally used as hedging instruments for interest rate risk management. Telenor had a long position in FRA contracts outstanding at 31 December 1999 with a total notional amount of NOK 1.2 billion. The contracts had an average remaining lifetime of 0.5 years and average interest of 5.70%. Telenor occasionally uses FRA contracts which do not meet the established hedging criteria. At 31 December 1999 there were no such contracts.

**Commodity price risk management**

Telenor uses electricity futures and forward contracts to manage price risk related to the expected use of electricity. The contracts are traded through the Nordic electricity exchange, Nor Pool ASA. The contracts are fulfilling the criteria of hedge accounting, and profit and loss from the contracts are not recognised in the profit and loss account. The nominal amounts of the contracts are NOK 26 million for 2000 and NOK 12 million for 2001.

**Liquidity and credit risk management**

Telenor has limited surplus liquidity invested in short-term interest bearing instruments with limited credit risk. The exposure limit for each counterpart is set according to the creditworthiness of that party.

Telenor accepts only creditworthy counterparties in financial transactions, such as for swaps and derivatives. The exposure limit for each counterpart is set according to the rating of that party.

**Fair value of financial instruments**

The estimated fair value of the company's financial instruments is based on market prices and the valuation methodologies described below. However, prudence is recommended in interpreting market data to arrive at an estimated fair value. Accordingly, the estimates presented herein may only be indicative of the amounts the company could realise at this date.

At 31 of Desember 1998 and 1999 the book value for financial instruments approximates fair value with the following exceptions:

<i>Amounts in NOK million</i>	<b>Book value 1999</b>	<b>Fair value 1999</b>	<b>Book value 1998</b>	<b>Fair value 1998</b>
<b>Financial assets:</b>				
Listed shares	36	302	182	306
<b>Financial liabilities:</b>				
Long-term liabilities	(14,942)	(15,875)	(11,300)	(12,127)
<b>Instruments used to mainly interest rate exposure:</b>				
Gain on interest rate swaps		94		109
Loss on interest rate swaps		(66)		(105)
Gain on FRA contracts		-		1
<b>Instruments used to manage foreign exchange exposure and interest rate exposure:</b>				
Gain on cross currency IR-swaps		2,096		1,279
Loss on cross currency IR-swaps		(982)		(503)
Gain on forward currency contracts		2		22
Loss on forward currency contracts		-		(56)
<b>Instruments used to manage commodity price risk:</b>				
Loss on electricity future and forward contracts		(5)		(2)

The following methods and assumptions were used to estimate the fair value of financial instruments, shown in the table beyond:

#### Listed shares

The fair values of investments are based on quoted prices at the end of the year.

#### Long-term liabilities

The fair value of long-term liabilities is based on discounted cash flows. Interest rate and currency contracts have not been taken into account in determining the fair values of the long-term liabilities. The cash flows have been discounted using current interest rates at which similar debt could be obtained for the remaining maturities and converted to NOK using quoted exchange rates.

#### Instruments used to manage interest and foreign exchange exposure

The fair value is based on discounted future cash flows using quoted exchange rates and interest rates.

#### Instruments used to manage commodity price risk

The fair value is based on quoted electricity prices at the end of the year.

## 22 NON-INTEREST BEARING LIABILITIES

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>
Accounts payable	<b>3,085</b>	2,487
Government taxes, tax deductions	<b>1,981</b>	1,867
Dividend payable	<b>500</b>	700
Taxes payable	<b>1,676</b>	1,132
Accrued expenses	<b>1,708</b>	1,503
Advances from customers	<b>1,002</b>	1,211
Provision for restructuring	<b>36</b>	46
Other current liabilities	<b>684</b>	609
<b>Total current non-interest bearing liabilities</b>	<b>10,672</b>	<b>9,555</b>
Long-term non-interest bearing liabilities	<b>391</b>	146
<b>Total non-interest bearing liabilities</b>	<b>11,063</b>	<b>9,701</b>

## 23 MORTGAGES AND GUARANTEES

<i>Amounts in NOK million</i>	1999	1998
<b>Mortgages</b>		
Inventories, receivables, tangible assets etc.	1,747	1,857
<b>Total mortgages</b>	<b>1,747</b>	<b>1,857</b>
<b>Guarantees</b>		
Satellite organisations	1,812	2,467
Other guarantees	1,295	363
<b>Total guarantees</b>	<b>3,107</b>	<b>2,830</b>

## 24 COMMITMENTS AND CONTINGENCIES

In March 1998, NetCom ASA (NetCom) sued Telenor Nett AS. In the writ it is claimed that Telenor Nett AS shall repay NOK 92 million to NetCom (with the addition of interest in arrears). The claim has later been increased by NOK 5 million. NetCom claims that the company paid excess fees of approximately NOK 97 million to Telenor in the years 1993 through 1996 in connection with leased networks. Telenor refuses the claim and have not recorded any provision in respect of the claim.

In December 1997 Teletopia AS sued Telenor AS claiming that an agreement from 1995 between the two companies still should be valid, demanding that Telenor was to supply Teletopia with a large number of telecommunications connections. They also claimed that Telenor should be ordered to pay damages to be set at the discretion of the court, maximum NOK 45 million. The plaintiff has reserved the right to increase the claim for damages. Telenor refuses the claim and have not recorded any provision in respect of the claim.

## 25 CONTRACTUAL OBLIGATION

The group has entered into agreements with fixed payments in the following areas:

<i>Amounts in NOK million</i>	2000	2001	2002	2003	2004	Etter 2004
Rent of premises	435	361	277	176	146	176
Rent of cars, office equipment etc.	206	165	113	58	9	5
Energy	130	99	45	45	45	-
Rent satellite capacity etc.	337	247	208	103	63	291
IT-related agreements	217	85	47	23	23	-
<b>Committed investments</b>						
- Associated companies	2,642	971	-	-	-	-
- Properties and equipment	1,010	112	206	9	10	-
Other contractual liabilities	930	205	172	139	66	65
<b>Total contractual obligations</b>	<b>5,907</b>	<b>2,245</b>	<b>1,068</b>	<b>553</b>	<b>362</b>	<b>537</b>

## 26 RELATED PARTIES

Telenor AS is 100% owned by the Norwegian State.

The Norwegian telecommunications market is governed by the Telecommunications Act and other regulations issued pursuant to this Act, as well as by concessions (licenses) for certain activities. According to the concession on fixed network and the public telephony service, Telenor must provide and maintain Universal Service Obligations (USO) - PSTN telephony to all households and companies, public pay phones, services for the disabled, emergency services - and Special Service Obligations (SSO) - the defence of Norway, coastal radio, services concerning Svalbard, wire services for ships, provisions of emergency lines for the police, fire department and ambulances - at a certain level. Telenor receives no compensation from the state for the provision of USO services, whereas compensation is given to Telenor for the provision of SSO. In 1999 and 1998 the Company received NOK 76 million and NOK 100 million respectively under this agreement (no compensation for 1997).

In addition Telenor provides mobile and fixed Telephony services, leased lines, customer equipment, Internet connections, TV distributions and Installation and IT operations/services to the State in the normal course of business and at arm-length prices. In 1999 Telenor acquired land on Fornebu for its new main office from the Norwegian State. The total consideration was NOK 471 million.

Telenor pays an annual fee to "Post and Teletilsynet" for delivering telephony services. The fee was NOK 42 million in 1999 NOK 41 million in 1998 and NOK 41 million in 1997.

Canal Digital, a joint venture owned 50% by Telenor, has agreements to purchase products and services from Telenor, mainly satellite broadcasting and cards for TV-decoders. The total amount invoiced for these products and services was NOK 188 million in 1999, NOK 145 million in 1998 and NOK 14 million in 1997.

Associated companies abroad hire personnel from Telenor Consult. A total amount of NOK 49 million, NOK 78 million and NOK 51 million was invoiced for these services in 1999, 1998 and 1997, respectively.

## 27 ADDITIONAL INFORMATION ABOUT CASH FLOW

With the exception of certain companies, the Group has established tax deduction guarantees for payment of the employees' tax deductions. The Telenor Group has established Group bank accounts with two banks. Under these agreements, Telenor 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.

### Restricted cash

<i>Amounts in NOK million</i>	1999	1998	1997
For employees tax deduction	35	18	48
Other	55	1	2
<b>Total</b>	<b>90</b>	<b>19</b>	<b>50</b>

### Non monetary transactions

<i>Amounts in NOK million</i>	1999	1998	1997
Financial Lease	-	1,611	-
Issuing of shares in a business combination	619	-	-
<b>Total</b>	<b>619</b>	<b>1,611</b>	<b>-</b>

In addition, NOK 1,215 million of the investment in VimpelCommunication was reported as an investment in the cash flow statement in 1998.

## 28 UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Group's consolidated financial statements have been prepared under Norwegian generally accepted accounting principles (N GAAP), which differs in certain respects from United States generally accepted accounting principles (US GAAP). The principal differences between the Group's accounting principles under N GAAP and US GAAP are set out below:

### Reconciliation of net income from Norwegian GAAP to US GAAP

<i>Amounts in NOK million</i>	Note	1999	1998
Net income in accordance with N GAAP		2,035	1,710
<b>Adjustments for US GAAP:</b>			
Capitalised interest associated companies	1	-	57
Depreciation of previously capitalised interest	1	(5)	(4)
Restructuring costs and employee termination benefits	2	-	(234)
Pensions	3	(18)	(18)
Depreciation of license costs and related goodwill	4	(3)	30
Temporary investment in entities	5	(36)	(14)
Minority interests	6	(8)	-
Gains on subsidiaries equity transactions and sale of shares in subsidiary	6	307	-
Tax effect of US GAAP adjustments	8	(66)	51
<b>Net income in accordance with US GAAP</b>		<b>2,206</b>	<b>1,578</b>
<b>Earnings (basic and dilutive) per share in accordance with US GAAP</b>		<b>2,626</b>	<b>1,989</b>
<b>Weighted average number of shares outstanding</b>		<b>840,000</b>	<b>793,300</b>

**Reconciliation of shareholder's equity from N GAAP to US GAAP**

<i>Amounts in NOK million</i>	<b>Note</b>	<b>1999</b>	<b>1998</b>
Shareholder's equity in accordance with N GAAP		<b>20,033</b>	18,515
<b>Adjustments for US GAAP</b>			
Dividends	9	<b>500</b>	700
Minority interest	6	<b>(8)</b>	-
Gains on subsidiaries equity transactions and sale of shares in subsidiary	6	<b>307</b>	-
Capitalised interest	1	<b>79</b>	79
Depreciation on previous capitalised interest	1	<b>(9)</b>	(4)
Pensions	3	<b>190</b>	208
Depreciation of license costs and related goodwill	4	<b>52</b>	55
Temporary investments in entities	5	<b>(80)</b>	(44)
Equity and debt securities	7	<b>137</b>	85
Tax effect of US GAAP adjustments	8	<b>(148)</b>	(82)
<b>Shareholder's equity in accordance with US GAAP</b>		<b>21,053</b>	<b>19,512</b>

**The following table reflects the components of comprehensive income under US GAAP**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>
Net income	<b>2,206</b>	1,578
<b>Other comprehensive income</b>		
- Unrealised gains/loss on available for sale securities	<b>52</b>	(36)
- Translation adjustment	<b>(17)</b>	27
<b>Total other comprehensive income</b>	<b>35</b>	<b>(9)</b>
<b>Comprehensive income</b>	<b>2,241</b>	<b>1,569</b>

**(1) Capitalised interest**

Under Norwegian GAAP the Group has expensed interest incurred in connection with the financing of associated companies.

Under US-GAAP interest incurred on equity funds loans and advances to associated companies, under a period which the associated company is undergoing activities necessary to start its planned principal operations and such activities include the use of funds to acquire qualifying assets for its operations, shall be capitalised. Depreciation started in 1998 since those companies started their principal operations in 1998.

**(2) Restructuring costs and employee termination benefits**

In 1997, under Norwegian GAAP, the company recorded certain provisions for restructuring, redundancy and liquidation of operations costs which were to be incurred in 1998.

Under US GAAP, a liability for the cost of employee termination benefits can only be recognised if, before the date of the financial statements, management has authorised and committed to a plan, the arrangement has been communicated to employees and the number and type of employees to be terminated have been identified. A provision for restructuring costs can not be made if this costs are not incremental to other costs the Group incur. As a result of not meeting such criteria under US GAAP, an adjustment has been reflected to record the restructuring cost in 1998, under US GAAP.

**(3) Pensions**

In 1995 the Group began to account for pensions according to the accounting standard which is substantially consistent with US GAAP. The change in accounting principle was offset directly against shareholders equity.

Under US GAAP the effect of adopting SFAS 87 would be amortised over the remaining average service period.

**(4) Depreciation of license costs and related goodwill.**

Up to 1998 The Group amortises license costs and goodwill related to acquired licenses over a maximum period of 10 years.

Under US GAAP, the Group amortised license cost and the related goodwill over their respective useful lives license periods, which are between 10 to 23 years.

**(5) Temporary investment in entities**

Investments in entities in which the Group has an ownership that are considered to be temporary in nature are recorded at cost or written down to fair value.

Under US GAAP, all temporary investments with an ownership greater or equal to 20% are accounted for under the equity method or consolidated.

**(6) Gain from subsidiaries equity transactions, sale of shares in a subsidiary and minority interest**

Under N GAAP gains from subsidiary's equity transactions and sale of shares in a subsidiary is recorded to fair value as minority interest.

Under US GAAP the Group records gains from subsidiary equity transactions (SAB 51 transactions) and sale of shares in a subsidiary through income.

Under N GAAP the difference between the minority interest measured to fair value and the recorded equity in the subsidiary will be amortised through allocating results to minority.

This allocation is not consistent with US GAAP.

The following information relates to the issuance of subsidiary shares in 1999 under US GAAP:

Telenor's 100% owned subsidiary Telenor Programvare AS (now EDB Business Partner ASA) and the listed company EDB ASA merged in a purchase business combination in 1999, where the shareholders in EDB ASA received 34% of the shares in Telenor Programvare AS in exchange of its ownership in EDB AS. The total consideration was NOK 547 million based on the quoted price of EDB ASA at the date the transaction was announced. Recognised gain was NOK 192 millions. The remaining gains relate to subsequent sale of shares and capital contribution from minority in the subsidiary EDB Business Partner ASA and Telenor B-Invest AS. Taxes have been accrued, under the line tax effect of US GAAP adjustments.

**(7) Marketable Equity securities**

Investment in marketable equity securities classified as current assets that are managed as a whole adjustments in the book value is only made if the aggregate holdings have a lower estimated fair value than the original cost. Other marketable shares are valued at the lower of cost and estimate fair value. Investment in marketable equity securities classified as long-term are valued at historical cost or possibly fair value if the decline in value is not temporary.

Under US GAAP, marketable equity securities are valued at their fair value for each security. For marketable equity securities available for sale, unrealised gains and losses after tax are recorded directly to shareholders equity.

**(8) Taxes**

The income tax effects of US GAAP adjustments are recorded as a deferred tax expense.

**(9) Dividends**

Under N GAAP, dividends payable reduce shareholders' equity for the year in which they relate.

Under US GAAP, dividends payable are recorded as a reduction of shareholders' equity when approved.

**(10) Lease in and lease out arrangements**

The Group has offset the future lease obligations under the digital telephone switcher and the GMS Mobile telephone network "lease in and lease out" transaction against the unused prepayments on deposit at a financial institution.

Under US GAAP, assets and liabilities may not be offset except when there exists the legal right to offset the asset and liability. The legal right to offset the prepaid lease amount against the future lease obligations do not legally exist therefore, under US GAAP, the prepaid lease amounts and the Group's future obligations under the sales-leaseback transactions are recorded gross on the consolidated balance sheet in the amount of approximately NOK 4,413 million. This does not affect the profit and loss statement or shareholder's equity.

**New US Accounting Standards**

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for derivative instruments and hedging activities". (SFAS) No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an assets or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognised currently in earnings unless specific hedge criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the item in the income statement or other comprehensive income (depending on the type of hedge). To adopt hedge accounting a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting.

SFAS No. 137 delayed the effective date of SFAS No. 133 to fiscal years beginning after 15 June 2000. The implementation of SFAS No. 133 will not affect the balance sheet and the profit loss statement for Telenor significantly.

# Profit and loss account

Telenor AS 1 January – 31 December

<i>Amounts in NOK million</i>	<b>Note</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Group internal turnover		<b>1,498</b>	1,142	1,684
External turnover		<b>131</b>	340	204
Gain on sale of fixed assets and operations	1	<b>608</b>	209	84
<b>Total Turnover</b>		<b>2,237</b>	<b>1,691</b>	<b>1,972</b>
<b>Operating expenses</b>				
Cost of materials		<b>82</b>	31	37
Salaries and personnel costs	2, 3	<b>550</b>	551	655
Other operating expenses	4, 5	<b>1,557</b>	1,189	1,248
Loss on fixed assets and operations	1	<b>83</b>	7	33
Depreciation and write-downs	10, 11	<b>287</b>	335	383
<b>Total operating expenses</b>		<b>2,559</b>	<b>2,113</b>	<b>2,356</b>
<b>Operating profit</b>		<b>(322)</b>	<b>(422)</b>	<b>(384)</b>
<b>Financial income and expenses</b>				
Financial income		<b>1,979</b>	660	559
Financial expenses		<b>(974)</b>	(688)	(503)
Net gain financial items		<b>543</b>	54	-
<b>Net financial items</b>	6	<b>1,548</b>	<b>26</b>	<b>56</b>
<b>Profit before taxes</b>		<b>1,226</b>	<b>(396)</b>	<b>(328)</b>
Taxes	7	<b>(151)</b>	104	81
<b>Profit for the year</b>		<b>1,075</b>	<b>(292)</b>	<b>(247)</b>
<b>Transfers and allocations</b>				
Group contribution (net of taxes)		<b>3,039</b>	1,033	910
Allocated to dividend		<b>(500)</b>	(700)	(570)
Transferred to other equity		<b>(3,614)</b>	(41)	(93)
<b>Total transfers and allocations</b>		<b>(1,075)</b>	<b>292</b>	<b>247</b>

# Balance sheet

Telenor AS as at 31 December

Amounts in NOK million	Note	1999	1998
<b>Assets</b>			
Intangible assets	10	178	69
Tangible assets	11	2,987	3,763
Financial assets	12	32,239	25,295
<b>Total fixed assets</b>		<b>35,404</b>	<b>29,127</b>
<b>Current assets</b>			
Inventories		-	1
Current receivables	8	5,088	2,148
Short term investments	9	57	391
Cash and cash equivalents		6	32
<b>Total current assets</b>		<b>5,151</b>	<b>2,572</b>
<b>Total assets</b>		<b>40,555</b>	<b>31,669</b>
<b>Equity and liabilities</b>			
Equity	16	18,611	14,997
<b>Liabilities</b>			
Provisions	13	342	469
Long term interest bearing liabilities	14	12,835	9,374
Long term non-interest bearing liabilities	15	209	225
<b>Total long-term liabilities</b>		<b>13,044</b>	<b>9,599</b>
Short-term interest bearing liabilities	14	5,500	4,811
Short-term non interest bearing liabilities	15	3,058	1,823
<b>Total short-term liabilities</b>		<b>8,558</b>	<b>6,634</b>
<b>Total equity and liabilities</b>		<b>40,555</b>	<b>31,699</b>
Guarantees	18	6,135	3,300

  
 Arnfinn Hofstad  
 (leder)

  
 Eivind Reitan  
 (nestleder)

  
 Kari Broberg

  
 Siri Teigum

  
 Synnøve Lohne-Knudsen  
 (ansattes representant)

  
 Svein Eivind Solheim  
 (ansattes representant)

  
 Anne Sørli  
 (ansattes representant)

  
 Tormod Hermansen  
 (Konsernsjef)

# Cash flow statement

Telenor AS 1 January – 31 December

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Proceeds from sale of goods and services	<b>1,323</b>	1,299	1,900
Payments to suppliers and goods and traffic	<b>(85)</b>	(140)	(255)
Payments to employees, pensions, social security tax, tax deductions	<b>(644)</b>	(687)	(1,419)
Payment of other operating expenses	<b>(1,444)</b>	(1,026)	(1,463)
Interest dividend etc, received	<b>1,998</b>	652	572
Interest etc. paid	<b>(1,066)</b>	(678)	(465)
Other proceeds payments related to operating activities	<b>13</b>	123	100
Payment of taxes and public duties	<b>(37)</b>	(247)	(317)
<b>Net cash flow from operating activities <sup>1)</sup></b>	<b>58</b>	<b>(704)</b>	<b>(1,347)</b>
Proceeds from sale of tangible and intangible assets	<b>145</b>	401	298
Purchase of tangible and intangible assets	<b>(534)</b>	(644)	(199)
Net cash receipts on sale of shares and operations	<b>1,843</b>	114	-
Net cash payments on purchase of shares and operations	<b>(5,978)</b>	(564)	(2,566)
Proceeds from sale of other investments <sup>2)</sup>	<b>8,076</b>	12,417	887
Purchase of other investments <sup>2)</sup>	<b>(8,355)</b>	(15,739)	(819)
<b>Net cash flow from investment activities</b>	<b>(4,803)</b>	<b>(4,015)</b>	<b>(2,399)</b>
Proceeds from long-term liabilities	<b>7,502</b>	8,266	10,078
Proceeds from current liabilities *)	<b>15,757</b>	19,298	11,360
Payments of long-term liabilities	<b>(3,990)</b>	(7,286)	(6,847)
Payments of current liabilities *)	<b>(13,333)</b>	(18,192)	(11,240)
Net change in overdraft	<b>(1,952)</b>	100	1,866
Paid in equity	-	2,000	-
Payment of dividend	<b>(700)</b>	(570)	(950)
Received group contribution	<b>1,435</b>	1,264	-
Payment of group contribution	-	-	(450)
<b>Net cash flow from financing activities</b>	<b>4,719</b>	<b>4,680</b>	<b>3,817</b>
<b>Net change in cash and cash equivalents</b>	<b>(26)</b>	<b>(39)</b>	<b>71</b>
Cash and cash equivalents at 01.01	<b>32</b>	71	-
<b>Net cash and cash equivalents at 31.12</b>	<b>6</b>	<b>32</b>	<b>71</b>
<b><sup>1)</sup> Reconciliation:</b>			
Profit before taxes	<b>1,226</b>	(396)	(328)
Taxes paid	<b>(268)</b>	(287)	(397)
Gain/loss on sale	<b>(1,068)</b>	(256)	(51)
Depreciation and write-downs	<b>287</b>	335	383
Changes in accruals	<b>(52)</b>	91	(461)
Diff. between expensed and paid pensions and other provisions	<b>(137)</b>	(174)	(477)
Net VAT and investment tax unrelated to operating activities	<b>70</b>	(17)	(16)
<b>Net cash flow from operating activities</b>	<b>58</b>	<b>(704)</b>	<b>(1,347)</b>

The presentation is based on the opening balance at 1 January 1997 for Telenor AS after spin-offs.

<sup>2)</sup> Includes loans provided and liabilities drawn up to/from Group Companies

# Notes to the accounts

## Telenor AS

### Accounting principles and general

The parent company's accounting principles are the same as 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.

The parent company's activities in 1999 mainly comprise the administrative units, Real Estate, Research & Development, and Group Finance. As of 1 May 1998 the parent company spun off the activities in development and running of IT-applications into a separate subsidiary, Telenor 4tel AS (Now EDB 4tel AS). In 1999 the shares in Telenor Satellite Services AS were transferred from Telenor International AS for a consideration of NOK 4.1 billion. Further the ownership share in Norkring AS was increased from 40% to 100%.

Sales to other Telenor companies comprise mainly property rentals, consultancy services, management fees, royalty etc. Internal purchases comprise mainly a share of costs related to Group projects, business development, communication services etc.

Telenor AS performs external borrowing for most of the Group companies. The Group companies borrow funds from and make placement of excess liquidity with Telenor AS.

## 1 GAIN AND LOSS ON FIXED ASSETS AND OPERATIONS

### Gain on sale of fixed assets and operations consists of:

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
EDB ASA	<b>179</b>	-	-
Lokaldelen AB	<b>259</b>	-	-
EDB Business Partner ASA	<b>106</b>	-	-
Other	<b>15</b>	-	-
Fixed assets	<b>49</b>	209	84
<b>Total</b>	<b>608</b>	<b>209</b>	<b>84</b>

### Loss on fixed assets and operations consists of:

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Telenor Comma AB	<b>60</b>	-	-
Norsk Data UK Ltd	<b>11</b>	-	-
Other	<b>1</b>	-	-
Fixed assets	<b>11</b>	7	33
<b>Total</b>	<b>83</b>	<b>7</b>	<b>33</b>

## 2 PENSION OBLIGATIONS

<i>Amounts in NOK million</i>	1999	1998
<b>Change in benefit obligation</b>		
Benefit obligation at the beginning of the year	688	860
Service cost	27	30
Interest cost	47	56
Changes in schemes	-	7
Actuarial gains and losses	56	(4)
Acquisitions and sale	3	(53)
Benefits paid	(190)	(208)
<b>Benefit obligations at year end</b>	<b>631</b>	<b>688</b>
<b>Change in plan assets</b>		
Fair value of plan assets at the beginning of the year	195	174
Actual return on plan assets	30	2
Acquisitions and sale	1	(36)
Pension premium	45	63
Benefits paid	(9)	(8)
<b>Fair value of plan assets at the end of the year</b>	<b>262</b>	<b>195</b>
<b>Funded status</b>	<b>369</b>	<b>493</b>
Unrecognised net actuarial loss	(32)	(35)
Unrecognised prior service costs	(35)	8
Accrued social security tax	1	3
<b>Total provisions for pensions</b>	<b>303</b>	<b>469</b>

	1999	1998	1997
<b>Assumptions as of 31 December</b>			
Discount rate in %	6.5	7.0	7.0
Expected return on plan assets in %	7.5	8.0	8.0
Rate of compensation increase in %	3.5	3.5	3.5
G-adjustments in %	3.0	3.5	3.5
Annual adjustments to pensions in %	3.0	2.5	2.5

### Components of net periodic benefits cost:

<i>Amount in NOK million</i>	1999	1998	1997
Service cost	27	30	40
Interest cost	47	56	65
Expected return on plan assets	(15)	(13)	(9)
Recognised net actuarial loss	21	29	21
Social security tax	6	7	6
<b>Net periodic benefit costs</b>	<b>86</b>	<b>109</b>	<b>123</b>
Contribution schemes	4	3	-
<b>Total pension costs charged to profit for the year</b>	<b>90</b>	<b>112</b>	<b>123</b>

Early retirement pensions are included in the benefit obligation. Telenor AS is also committed to cover the implementation effect as of 1 January 1997 of the early retirement scheme (AFP scheme) for wholly owned subsidiaries. This effect is expensed over the estimated remaining service period. Changes in schemes that are not expensed as of 31 December 1999 amount to NOK 252 million. This amount is included as part of long-term receivables (see note 12).

## 3 SALARIES AND PERSONNEL COSTS

<i>Amounts in NOK million</i>	1999	1998	1997
Salaries and holiday pay	365	365	377
Social security tax	51	53	67
Pension costs incl. social security tax	90	112	123
Other personnel costs	44	21	88
<b>Total salaries and personnel costs</b>	<b>550</b>	<b>551</b>	<b>655</b>

There were no outstanding loans to employees as of 31 December 1999. Average number of employees in 1999

was 866.

#### 4 OTHER OPERATING EXPENSES

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Cost of premises, vehicles, office equipment etc.	<b>393</b>	639	641
Travel and travel allowances	<b>62</b>	51	86
Marketing, advertising etc.	<b>58</b>	42	49
Bad debt	<b>3</b>	8	2
Consultancy fees and rent of personnel <sup>1)</sup>	<b>600</b>	346	405
Other <sup>1)</sup>	<b>441</b>	103	65
<b>Total other operating expenses</b>	<b>1,557</b>	<b>1,189</b>	<b>1,248</b>
<b>Of which group internal operating expenses</b>	<b>321</b>	<b>219</b>	<b>269</b>

<sup>1)</sup> Includes in 1999 external cost, mostly consultancy fees related to the suspended merger with Telia of NOK 250 million.

#### 5 RESEARCH AND DEVELOPMENT COSTS

Research and development costs amounted to NOK 124 million, NOK 80 million and NOK 75 million for 1999, 1998 and 1997 respectively.

Research and development costs are costs incurred due to the general research and development plan which relates to the whole group.

It is expected that research and development costs will create future profitability.

#### 6 FINANCIAL INCOME AND EXPENSES

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Interest income from subsidiaries	<b>768</b>	524	498
Dividend from subsidiaries	<b>1,058</b>	-	-
Interest income from others	<b>81</b>	128	53
Other financial income <sup>1)</sup>	<b>72</b>	8	8
<b>Total financial income</b>	<b>1,979</b>	<b>660</b>	<b>559</b>
Interest expenses to subsidiaries	<b>(336)</b>	(187)	(85)
Interest expenses to others	<b>(630)</b>	(485)	(405)
Other financial expenses <sup>1)</sup>	<b>(13)</b>	(22)	(15)
Capitalisation of interest	<b>5</b>	6	2
<b>Total financial expenses</b>	<b>(974)</b>	<b>(688)</b>	<b>(503)</b>
Gain on sale of associated companies	<b>40</b>	-	-
Gain on sale of other shares	<b>503</b>	54	-
<b>Net gain on financial items</b>	<b>543</b>	<b>54</b>	<b>-</b>
<b>Net financial items</b>	<b>1,548</b>	<b>26</b>	<b>56</b>

<sup>1)</sup> In 1999 a net currency gain of NOK 24 million was included in the other financial income. In 1998 other financial expenses included a net currency loss of NOK 7 million and in 1997 a net currency gain of NOK 2 million was included in other financial income.

**7 TAXES**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
<b>Profit before taxes</b>			
Norway	<b>1,226</b>	(396)	(328)
Outside Norway	-	-	-
<b>Total</b>	<b>1,226</b>	<b>(396)</b>	<b>(328)</b>
<b>Current taxes</b>			
Norway	<b>280</b>	(133)	(64)
Outside Norway	-	-	-
<b>Total current taxes</b>	<b>280</b>	<b>(133)</b>	<b>(64)</b>
<b>Deferred taxes</b>			
Norway	<b>(129)</b>	29	(17)
Outside Norway	-	-	-
<b>Total deferred taxes</b>	<b>(129)</b>	<b>29</b>	<b>(17)</b>
<b>Total tax expense</b>	<b>151</b>	<b>(104)</b>	<b>(81)</b>

**Effective tax rate**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>	<b>1997</b>
Expected income taxes according to Statutory tax rate (28%)	<b>343</b>	(111)	(91)
Non-deductible expenses/ Non-taxable income	<b>(308)<sup>1)</sup></b>	1	1
Other	<b>116<sup>2)</sup></b>	6	9
<b>Income tax expense</b>	<b>151</b>	<b>(104)</b>	<b>(81)</b>
<b>Effective tax rate in %</b>	<b>12.3</b>	-	-

<sup>1)</sup> Includes dividend with tax credit

<sup>2)</sup> Consists mainly of previous not recognised deferred tax regarding Group internal transfer of operations.

**Deferred taxes**

<i>Amounts in NOK million</i>	<b>Assets 1999</b>	<b>Liabilities 1999</b>	<b>Assets 1998</b>	<b>Liabilities 1998</b>
<b>Long term:</b>				
Tangible and intangible assets	201	(22)	63	(43)
Other fixed assets and long term liabilities	52	(102)	74	(76)
<b>Short term:</b>				
Short term assets and liabilities	29	(1)	10	(1)
Deferred taxes/tax assets	282	(125)	147	(120)
<b>Valuation allowances</b>	-	-	-	-
<b>Net deferred taxes/tax assets</b>	<b>157</b>	<b>-</b>	<b>27</b>	<b>-</b>

**8 CURRENT RECEIVABLES**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>
Accounts receivable	<b>407</b>	361
Inter company receivables	<b>4,575</b>	1,616
Other receivables	<b>107</b>	171
Provision for bad debt	<b>(1)</b>	-
<b>Total current receivables</b>	<b>5,088</b>	<b>2,148</b>

**9 SHORT TERM INVESTMENTS**

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>
Bonds and certificates	-	240
Shares	<b>57</b>	151
<b>Total short term investments</b>	<b>57</b>	<b>391</b>

## 10 INTANGIBLE ASSET

<i>Amounts in NOK million</i>	Accumul. cost 1.1.99	Additions 1999	Disposals 1999	Amorti- sation 1999	Acc. amort. and write-downs 31.12.99	Book value 31.12.99	Book value 31.12.98
Goodwill	105			(21)	(84)	21	42
Deferred tax asset						157	27
<b>Total intangible assets</b>						<b>178</b>	<b>69</b>

Amortisation of intangible assets was NOK 21 million in 1998 and NOK 21 million in 1997.

### Goodwill consist of:

<i>Amounts in NOK million</i>	Book value 31.12.99	Amorti- sation period	Year of purchase
Finansnett	21	5 years	1996

## 11 TANGIBLE ASSETS

<i>Amounts in NOK million</i>	Accumul. cost 01.01.99	Additions 1999	Disposals 1999	Amorti- sation 1999	Acc. amort. and write-downs 31.12.99	Book value 31.12.99	Book value 31.12.98
Land	610	5	(430)	-	-	185	610
Buildings	6,030	108	(267)	(225)	(3,188)	2,683	2,961
Adm. investments	1,000	80	(101)	(41)	(894)	85	48
<b>Total</b>	<b>7,640</b>	<b>193</b>	<b>(798)</b>	<b>(266)</b>	<b>(4,082)</b>	<b>2,953</b>	<b>3,619</b>
Work in progress <sup>*)</sup>	144	(110)	-	-	-	34	144
<b>Total</b>	<b>7,784</b>	<b>83</b>	<b>(798)</b>	<b>(266)</b>	<b>(4,082)</b>	<b>2,987</b>	<b>3,763</b>

<sup>\*)</sup> Net additions

Accumulated capitalised interest (cost) was NOK 18 million per 31 December 1999.

## 12 FINANCIAL ASSETS

<i>Amounts in NOK million</i>	1999	1998
Shares in subsidiaries (see note 19)	17,501	11,717
Shares in associated companies and joint ventures	672	719
Interest-bearing intercompany receivables	13,731	11,848
Receivables associated companies	-	343
Other shares and long term investments	17	15
Change in pension plan	252	273
Other long term receivables	66	380
<b>Total financial assets</b>	<b>32,239</b>	<b>25,295</b>

## 13 PROVISIONS

<i>Amounts in NOK million</i>	1999	1998
Provisions for pensions	303	469
Deferred tax liability	-	-
Other provisions	39	-
<b>Total provisions</b>	<b>342</b>	<b>469</b>

## 14 INTEREST BEARING LIABILITIES

Interest bearing liabilities by type

<i>Amounts in NOK million</i>	1999	1998
Group account bank	1,060	3,012
Intercompany liabilities	4,440	1,799
Other short-term liabilities	-	-
<b>Total short-term interest bearing liabilities</b>	<b>5,500</b>	<b>4,811</b>
Intercompany liabilities	2	-
Other long-term liabilities	12,833	9,374
<b>Total long-term interest bearing liabilities</b>	<b>12,835</b>	<b>9,374</b>
<b>Total interest bearing liabilities</b>	<b>18,335</b>	<b>14,185</b>

Long-term liabilities with maturity after 2004 NOK 3,952 millions.

## 15 NON-INTEREST BEARING LIABILITIES

<i>Amounts in NOK million</i>	1999	1998
Accounts payable	295	177
Government taxes, tax deductions etc.	39	32
Dividend payable	500	675
Intercompany liabilities	448	361
Taxes payable	1,463	270
Advances from customers	5	14
Other current liabilities	308	294
<b>Total current non-interest bearing liabilities</b>	<b>3,058</b>	<b>1,823</b>
Intercompany liabilities	207	224
Other long-term liabilities	2	1
<b>Total long-term non-interest bearing liabilities</b>	<b>209</b>	<b>225</b>
<b>Total non-interest bearing liabilities</b>	<b>3,267</b>	<b>2,048</b>

## 16 EQUITY

The following table reconciles the equity as 31 December 1998 with the restated equity after changes made in the accounting principles (new accounting act):

<i>Amounts in NOK million</i>	
<b>Equity 31.12.98 before changes in accounting principles</b>	<b>14,970</b>
Capitalisation of interest net of depreciation and tax	16
Write down of properties net of tax	(16)
Recognition of deferred tax assets	27
<b>Equity 31.12.98 restated</b>	<b>14,997</b>

<i>Amounts in NOK million</i>	Share capital	Premium fund	Other equity	Total
<b>Equity 31.12.98</b>	<b>8,400</b>	<b>5,600</b>	<b>997</b>	<b>14,997</b>
Profit for the year	-	-	1,075	1,075
Allocated to dividend	-	-	(500)	(500)
Group contribution received net of tax	-	-	3,039	3,039
<b>Equity 31.12.99</b>	<b>8,400</b>	<b>5,600</b>	<b>4,611</b>	<b>18,611</b>

The share capital at 31 December 1999 comprises 840,000 shares with a nominal value of NOK 10,000 each.

## 17 CONTRACTUAL OBLIGATIONS

Telenor AS has entered into agreements with fixed future payments on the following areas:

<i>Amounts in NOK million</i>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>After 2004</b>
Rent of premises etc.	335	288	214	137	122	125
Rent of cars, office equipment etc.	136	108	74	35	6	2
Energy	53	54				
<b>Total</b>	<b>524</b>	<b>450</b>	<b>288</b>	<b>172</b>	<b>128</b>	<b>128</b>

## 18 MORTGAGES AND GUARANTEES

<i>Amounts in NOK million</i>	<b>1999</b>	<b>1998</b>
Guarantees provided for subsidiaries	<b>6,100</b>	3,300
Other guarantees provided	<b>35</b>	-
<b>Total guarantees</b>	<b>6,135</b>	<b>3,300</b>

Telenor AS has given guarantees for all leasing obligations regarding leasing agreements for Telenor Satellite Services AS (Thor II and Thor III), Telenor Nett AS (switches) and Telenor Mobil AS (GSM Mobile Networks). Total remaining leasing obligations for these agreements amount to NOK 6.1 billion as of 31 December 1999.

**19 SHARES IN SUBSIDIARIES**

		<b>Company's</b>	<b>No. of</b>	<b>Shares</b>	<b>Book</b>
<i>Amounts in NOK thousand</i>		<b>share capital</b>	<b>shares</b>	<b>owned in %</b>	<b>value</b>
Norsk Data Holdings Ltd	GBP	1,000	1,000,000	84.0	10,534
Telenor Bedrift AS	NOK	350,000	350,000	100.0	350,000
Telenor IT Service og Installasjon AS	NOK	140,000	140,000	100.0	350,000
Telenor IT Service och Installation AB	SEK	100	1,000	100.0	49,608
Telenor Relab AB	SEK	1,150	11,500	100.0	-
FCS Datalink AB	SEK	300	30,000	100.0	-
LK Söderlund AB	SEK	100	1,000	100.0	-
Elektrokraft Tele/Data Svensk AB	SEK	100	1,000	100.0	-
Telenor Företak AB	SEK	100	1,000	51.0	-
Telenor Security AB	SEK	4,000	40,000	100.0	-
Telenor Comma AB	SEK	1,436	14,360	100.0	-
Telenor Satellite Services AB	SEK	800	8,000	100.0	2,652
Telenor Satellite Services AS	NOK	800,000	800,000	100.0	4,100,000
Telenor International AS	NOK	3,929,998	3,929,998	100.0	5,000,000
Telenor East Invest AS	NOK	50	50	100.0	50
Telenor Russia AS	NOK	100	100	100.0	100
Telenor Hellas S.A.	GRD	20,000	19,800	99.0	497
Telenor Nextel AS	NOK	160,625	32,125	100.0	522
Telenor Mobil AS	NOK	300,000	300,000	100.0	595,000
Telenor Nett AS	NOK	2,800,000	4,600,050	100.0	4,600,050
Telenor Privat AS	NOK	150,000	150,000	100.0	250,000
Telenor Plus AS	NOK	109,000	109,000	100.0	129,314
Norkring AS	NOK	504,000	504,000	100.0	540,062
DCAM Holding AB	SEK	500	255	51.0	24,404
Telenor Innovasjon AS	NOK	30,000	30,000	100.0	30,000
Telenor Fiber AS	NOK	1,250	12,500	100.0	-
Telenor Multicom AS	NOK	1,000	1,000	100.0	27,715
Finansnett AS	NOK	20	2	100.0	-
Telenor Finans AS	NOK	3,500	3,500	100.0	81,968
Telenor Forsikring AS	NOK	50,000	500	100.0	50,000
Telenor Instrument AS	NOK	500	500	100.0	500
Telenor Inkasso AS	NOK	2,000	2,000	100.0	2,000
Telenor Renhold og Kantine AS	NOK	1,000	510	51.0	510
Telenor Svalbard AS	NOK	2,200	2,200	100.0	5,700
Telenor Venture AS	NOK	100,000	68,215	68.2	83,807
Telenor AB	SEK	100	1	100.0	95
Telenor Eiendom Fornebu AS	NOK	100	100	100.0	100
Telenor Eiendom Vest AS	NOK	50	50	100.0	50
Telenor Eiendom Midt-Norge AS	NOK	100	100	100.0	100
Telenor Eiendom Hareløkken AS	NOK	100	100	100.0	100
Telenor Eiendom Sør AS	NOK	100	100	100.0	100
Games AB	NOK	100	1,000	100.0	128
Telenor Vision International AB	SEK	100	1,000	100.0	84,737
Telenor Vision AB	SEK	1,000	10,000	100.0	-
Telenor Vision AS	NOK	50	50	100.0	-
Telenor Vision Swedish Film AB	SEK	100	1,000	100.0	-
Telenor Vision Teleport AB	SEK	100	1,000	100.0	-
Internettleverantøren AB	SEK	200	2,000	100.0	-
EDB Business Partner ASA	NOK	121,824	69,613,757	59.8	607,862
<b>Sum</b>					<b>17,500,609</b>

**Shares in subsidiaries owned through subsidiaries**

<i>Amounts in NOK thousand</i>		<b>Company's share capital</b>	<b>No. of shares</b>	<b>Shares owned in %</b>
<b>Telenor Bedrift AS</b>				
4 P Datalab AS	NOK	600	6,000	100.0
Comma Data Services AS	NOK	50	50	100.0
Telefonselskapet AS	NOK	1,000	2,000	100.0
Teleteknikk AS	NOK	50	100	100.0
Telenor Financial Systems AS	NOK	1,500	60,000	100.0
Telenor Comma AS	DKK	10,000	64	100.0
Norsk Data AS	NOK	600	6,000	100.0
Telepost Communications AS	NOK	50	50	100.0
Nordpartner AS	DKK	1,800	4	100.0
Richard Norton & Co	GBP	15,534	15,534	100.0
Wordplex Informations Systems Ltd	GBP	5,175	10,349,287	100.0
Wordplex Holdings Ltd	GBP	100	100	100.0
Telenor Ergosoft AB	SEK	10,100	10,100	100.0
Telenor Financial Systems Innovation AS	NOK	50	50	100.0
CDI AS	DKK	500	5	100.0
<b>Telenor International AS</b>				
Telenor Consult AS	NOK	1,500	15,000	100.0
Telenor Technology Services Ltd	IEP	650	650,000	100.0
Telenor Hungary Tavkolesi Kft.	HUF	1,000	1	100.0
Telenor Ireland Ltd.	IEP	250	250,000	100.0
Telenor Interkom Verwaltung GmbH	DEM	50	1	100.0
Grameen Phone Ltd	BDT	2,211,618	26,231	46.0
Neva Nor Telekom AS	USD	20	13,467	67.0
Comet Holding AS	NOK	19,000	19,000	100.0
Telenor Asia Pte Ltd	SGD	100	100,000	100.0
Telenor Inc	USD	500	5,000	100.0
Telenor B invest AS	NOK	611,889	611,808,868	73.3
Norcom Networks Communication Inc	USD	34,131	1,895,808	91.6
Narrowband	CAD	1	1	100.0
Telenor GmbH	XEU	25	1	100.0
Telenor Global Services AS	NOK	125,000	125,000	100.0
Telenor Infonet Telecom AS	NOK	2,000	1,600	80.0
Second Opinion Solutions AS	NOK	296	2,025	68.5
Storm Telecommunication Ltd	GBP	14,957	14,199,891	71.4
Telenor Marlink Hong Kong Ltd	NOK	0	50,000	100.0

<i>Amounts in NOK thousand</i>		<b>Company's share capital</b>	<b>No. of shares</b>	<b>Shares owned in %</b>
<b>Telenor Plus AS</b>				
Telenor Avidi AS	NOK	30,000	300,000	100.0
Telenor Conax AS	NOK	1,000	10,000	100.0
Telenor CTV AS	NOK	11,655	11,655	100.0
Telenor Link AS	NOK	8,000	8,000	100.0
Lokalveiviseren AS	NOK	7,288	7,288	100.0
Telenor Media Directoria AS	NOK	2,000	2,000	100.0
NordTrans Handelshus AB	SEK	50	500	100.0
Publishing AS	NOK	5,000	5	100.0
ScanCall AS	NOK	100	100,000	100.0
Soleil Publicite S.A.	FRF	500	5,000	100.0
Telenor Media Espanā Holding S.A.	ESP	250,000	250,000	100.0
Tu Distrito S.A.	ESP	155,000	15,500	100.0
Telenor Media Espanā S.A.	ESP	30,000	30,000	100.0
Telenor Media Polska sp.zo.o.	PLN	300	1,000	100.0
Telefonkatalogens Gule Sider AS	NOK	50	50	100.0
Gule Sider AS	NOK	50	50	100.0
Bedriftskatalogen AS	NOK	50	50	100.0
Gule Sider Internett AS	NOK	50	50	100.0
Kvalex AS	NOK	50	50	100.0
Lokalveiviseren Informasjonsforlaget AS	NOK	50	50	100.0
Golf Guiden AS	NOK	50	50,000	100.0
Opplysningen AS	NOK	100	100	100.0
Telenor Media AS	NOK	50,000	50,000	100.0
Interinfo OY	FIM	3,500	700	91.5
Interinfo Eesti AS	EEK	2,940	294	100.0
Interinfo Latvia SIA	LVL	2	200	100.0
Litauen Interinfo UAB	LTT	850	850	100.0
Telenor Pos AS	NOK	4,500	128,793	100.0
N3Sport AS	NOK	453	2,470	54.5
GIT AS	NOK	100	66	66.0
Salsa AS (tidl. Maxtel AS)	NOK	50	50	100.0
Scandinavian Channel AS	NOK	50	500	100.0
Telecom Scandinavia AS	NOK	50	50	100.0
ALTi AS	NOK	50	50	100.0
Telemarkedet AB	SEK	100	1,000	100.0
<b>Telenor Mobil AS</b>				
Commit AS	NOK	280	332	51.0
MobilData Kjeden AS	NOK	730	73,000	100.0
Telenor Telehuset AS	NOK	36,666	36,666	100.0
Transport Telematikk AS	NOK	4,050	4,050	100.0
Mobilpartner Invest AS	NOK	500	100	100.0
MobilData Finans AS	NOK	100	10,000	100.0
Lyd- og Telesystemer Vestfold AS	NOK	50	51	51.0
Mobilpartner AS	NOK	200	400	100.0
Mobilpartner Vest AS	NOK	200	400	100.0
Mobilpartner Trondheim AS	NOK	200	400	100.0
Mobilpartner Billingstad AS	NOK	200	400	100.0
Mobilpartner Bergen AS	NOK	200	400	100.0
<b>Telenor Privat AS</b>				
Telenor Direkte AS	NOK	9,000	9,000	100.0
Telenor Alphashop AS	NOK	50	50	100.0
<b>Telenor Nett AS</b>				
Securinet AS	NOK	20,000	20,000	100.0
<b>Telenor IT Service og Installasjon AS</b>				
Telenor Security AS	NOK	5,000	5,000	100.0
Elektriker Service AS	NOK	500	500	100.0
Investment Recovery Services AS	NOK	2,617	1,476	56.4
Telenor Geomatikk AS	NOK	8,000	8,000	100.0
Kartfokus AS	NOK	100	100	100.0

<i>Amounts in NOK thousand</i>		<b>Company's share capital</b>	<b>No. of shares</b>	<b>Shares owned in %</b>
<b>Telenor Nextel AS</b>				
Nextra AS	NOK	50	50	100.0
Telenor Online AS	NOK	50	50	100.0
Nextra AS	DKK	500	100	100.0
Telenor ISV Corp.	USD	285	285	100.0
Nextra AB	SEK	100	1,000	100.0
Telenor Internet s.r.o.	CZK	56,100	1	100.0
Telenor Magnet GmbH	ATS	55,041	1	100.0
Telenor Internet s.r.o.	SKK	70,200	1	100.0
Nextra AG	CHF	500	500	100.0
ICanal AS	NOK	100	100	100.0
Nextra SPA	ITL	35,000,000	245,000	100.0
Frisurf AS	NOK	100	100	100.0
Pronet Professional Internet Services Kft.	HUF	10,000	1	100.0
Telenor Internet GmbH	DEM	57	1	100.0
<b>EDB Business Partner ASA</b>				
EDB Infomedica AS	NOK	7,300	7,300	100.0
EDB Teamco AS	NOK	60,000	350,000	100.0
EDB Novit AS	NOK	45,000	4,500,000	100.0
Syscon AS	NOK	176	1,760	100.0
Novit AS	NOK	50	500	100.0
Samdata AS	NOK	100	1,000	100.0
EDB Dolphin AS	NOK	500	100,000	100.0
SCS Consultance AS	NOK	50	50	100.0
EDB 4Tel AS	NOK	100	100	100.0
EDB 4Tel Ltd	NOK	1,443	136,252	100.0
Telescience Inc.	USD	1,683	-	100.0
EDB Fundator AS	NOK	75,100	751,000	100.0
EDB Intech AS	NOK	5,200	5,200	100.0
EDB MaXware AS	NOK	1,000	1,000,000	100.0
Pluss AS	NOK	1,600	320	100.0
<b>Telenor Satellite Services AS</b>				
DCIT s.r.o	CZK	2,000	1	62.0
Telenor Czech Republic s.r.o.	CZK	4,100	1	100.0
Telenor Polska sp.z.o.o.	PLN	75	1	100.0
Telenor UK Ltd.	GBP	4,510	4,510,000	100.0
Telenor Comm. Services Group BV	NLG	640	320,000	100.0
Telenor Comm. Services BV	NLG	40	400	100.0
Telenor Network BV	NLG	40	400	100.0
Telenor Satellite Services GmbH	ATS	500	1	100.0
Telenor Bulgaria ood	BGL	5,000	500	100.0
Taide Network AS	NOK	1,000	2	100.0
Nordic Satellite Broadcasting S.A.	LUF	10,000	10,000	100.0
Telenor Slovakia s.r.o.	SKK	120,000	1	100.0

**Translation from Norwegian**

**AUDITOR'S REPORT FOR 1999**

**To the Annual Shareholders' Meeting of  
Telenor AS**

We have audited the annual financial statements of Telenor AS as of 31 December 1999, showing a profit of NOK 1,075 million for the parent company and a profit of NOK 2,035 million for the Group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 1999, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with law and regulations.

**ARTHUR ANDERSEN & CO.**

Olve Gravråk (sig)  
State Authorised Public Accountant (Norway)

Oslo,  
3rd April 2000

# Value added accounts

The Telenor Group 1 January – 31 December

Amounts in NOK million	1999	1998
Turnover	<b>33,468</b>	28,910
To suppliers of goods and services	<b>(15,217)</b>	(12,565)
Value added in own business – gross	<b>18,251</b>	16,345
Capital use (depreciation)	<b>(5,047)</b>	(4,461)
Share of result of associated companies	<b>(1,239)</b>	(1,097)
Value added in own business – net	<b>11,965</b>	10,787
Financial income	<b>1,312</b>	773
<b>Total value added</b>	<b>13,277</b>	<b>11,560</b>

Which is distributed as follows:

## Employees

Salaries and personnel costs	<b>7,956</b>	<b>59.9%</b>	7,060	61.1%
(of which tax deduction)	2,051	15.4%	1,906	16.5%

## Investors of capital

Interest to other lenders	761	5.7%	565	4.9%
Dividend to the State	500	3.8%	675	5.8%

## The State

Taxes and charges <sup>1)</sup>	2,525	19.0%	2,225	19.2%
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## Telenor

Retained for security and further increases in values	1,535	11.6%	1,035	9.0%
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<b>Total value added</b>	<b>13,277</b>	<b>100%</b>	<b>11,560</b>	<b>100%</b>
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<sup>1)</sup> Payment of VAT accounted for a further NOK 3,466 million for the Group (NOK 3,311 million in 1998).

## VALUE ADDED ACCOUNTS

1999



1. Salaries and personnel costs 59.9%
2. Interest to other lenders 5.7%
3. Dividend to the State 3.8%
4. Taxes and charges 19.0%
5. Retained for security and further increases in values 11.6%

1998



1. Salaries and personnel costs 61.1%
2. Interest to other lenders 4.9%
3. Dividend to the State 5.8%
4. Taxes and charges 19.2%
5. Retained for security and further increases in values 9.0%

# Analytical information

## Telenor Group

<b>Group:</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
Turnover (in NOK million)	<b>33,468</b>	28,910	25,869	22,382
Annual growth in turnover	<b>15.8%</b>	11.8%	15.6%	12.0%
EBITDA <sup>1)</sup> (in NOK million)	<b>9,049</b>	8,258	6,705	6 500
EBITDA-margin <sup>2)</sup>	<b>27.0%</b>	28.6%	25.9%	29.0%
Operating profit (in NOK million)	<b>4,002</b>	3,797	2,657	2,597
Operating margin <sup>2)</sup>	<b>12.0%</b>	13.1%	10.3%	11.6%
Associated companies (in NOK million)	<b>-1,239</b>	-1,097	-534	-175
Profit before taxes (in NOK million)	<b>3,314</b>	2,908	2,054	2,247
Profit margin <sup>2)</sup>	<b>9.9%</b>	10.1%	7.9%	10.0%
Investments (in NOK million)	<b>13,170</b>	9,428	8,970	5,612
Interest bearing liabilities (in NOK million)	<b>15,069</b>	11,453	9,224	5,860
Equity/Capital ratio	<b>44.3%</b>	46.0%	46.0%	49.9%
No. of man years	<b>23,470</b>	20,226	19,598	18,113
– of which abroad	<b>3,379</b>	2,500	2,510	1,425
Subscriptions in Norway and share of subscribers in associated companies (according to ownership) outside Norway (in 000s):				
– Fixed telephony (lines) <sup>3)</sup>	<b>3,181</b>	2,947	-	-
– Mobile telephony	<b>3,120</b>	1,925	-	-
– Internet	<b>549</b>	375	-	-
– Pay-TV	<b>1,258</b>	1,241	-	-

<sup>1)</sup> EBITDA - operating profit before depreciation and write-down

<sup>2)</sup> in % of turnover

<sup>3)</sup> PSTN subscribers + ISDN B-channels (UT = 30 lines, GT = 2 lines)

<b>Fixed telephony:</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
Turnover (in NOK million)	<b>13,360</b>	12,318	11,551	10,951
...of which:				
– subscriptions and establishment	<b>33%</b>	31%	30%	27%
– fixed to fixed traffic domestic	<b>28%</b>	29%	31%	31%
– traffic to mobile net	<b>14%</b>	13%	14%	12%
– traffic abroad	<b>5%</b>	7%	10%	13%
– value added services and other operators	<b>20%</b>	20%	15%	17%
no of telephone lines (in 000s) <sup>1)</sup>	<b>3,146</b>	2,935	2,734	2,550
...of which ISDN-lines	<b>39%</b>	27%	15%	5%
Total market penetration	<b>71%</b>	66%	62%	58%
Traffic generated in fixed networks (million minutes)	<b>18,733</b>	16,610	14,299	13,211
Price development:				
– subscription rate (index)	<b>124</b>	114	101	100
– price per minute - traffic generated in fixed networks (index)	<b>74</b>	84	92	100
Investments (in NOK million)	<b>2,900</b>	2,500	2,300	1,600

<sup>1)</sup> PSTN subscribers + ISDN B-channels (UT = 30 lines, GT = 2 lines)

<sup>2)</sup> Investments in Telenor Nett ekkl. investments in data services and administrative investments

<b>Mobile telephony:</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
Turnover (in NOK million):				
– mobile generated traffic	<b>3,950</b>	3,022	2,406	1,906
– mobile terminated traffic <sup>1)</sup>	<b>1,378</b>	1,133	1,070	1,009
– subscriptions	<b>1,181</b>	1,196	1,004	865
No. of mobile subscriptions (in 000s)	<b>2,000</b>	1,571	1,259	978
...of which GSM-subscriptions	<b>1,784</b>	1,260	872	534
...of which prepaid subscriptions	<b>781</b>	316	68	-
Increase in subscriptions gross (in 000s) <sup>2)</sup>	<b>1,064</b>	700	564	443
Total market penetration	<b>61%</b>	47%	38%	29%
Market share - GSM	<b>70%</b>	70%	67%	65%
Turnover per GSM-subscriptions <sup>3)</sup>	<b>334</b>	364	394	439
Trafficminutes per GSM-subscriptions	<b>164</b>	165	148	128
Price development - price per minute GSM Primær (index)	<b>52</b>	61	79	100
Provisions (in NOK million) <sup>4)</sup>	<b>680</b>	612	837	839
Investments in mobile network and exchanges (in NOK million)	<b>880</b>	850	700	900

<sup>1)</sup> Telenor Mobil's share of fixed to mobile traffic turnover. Also included in the section about fixed telephony.

<sup>2)</sup> Includes among other internal transfers of customers between the GSM-system and the NMT-system plus transfer within on of the system.

<sup>3)</sup> Turnover per subscription has decreased, even though no. of minutes called has increased, due significant price reductions.

<sup>4)</sup> Includes provisions/market support given to distributors in the Telenor Mobil Group.

<b>Satellite and TV-Distribution:</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
Turnover (in NOK million) <sup>1)</sup>	<b>2,798</b>	2,502	1,749	1,440
...of which				
- TV services to the public	<b>1,579</b>	1,390	970	807
- networks	<b>444</b>	348	238	119
- mobile	<b>708</b>	742	514	514
- other	<b>67</b>	22	27	-
No. of subscribers - cabel-TV (in 000s)	<b>282</b>	270	244	230
No. of subscribers - SMATV (in 000s) <sup>2)</sup>	<b>937</b>	686	-	-
No. of subscribers - Canal Digital (in 000s) <sup>3) 4)</sup>	<b>405</b>	352	298	223
Market share cabel-TV (Norway)	<b>35%</b>	38%	35%	35%
No. of transponders				
– owned	<b>34</b>	34	20	5
– leased	<b>15</b>	14	18	19
Share owned in satellite organisations/companies:				
– Inmarsat	<b>6.81%</b>	6.81%	6.81%	6.82%
– Intelsat	<b>5.62%</b>	4.61%	4.22%	2.44%
– Eutelsat	<b>0.92%</b>	1.17%	0.25%	0.26%
– New Skies	<b>4.15%</b>	4.10%	-	-

<sup>1)</sup> Includes turnover from other companies in the Telenor Group

<sup>2)</sup> Includes Telenor Vision - (Svensk Program Agentur in Sweden just in 1998)

<sup>3)</sup> Subscribers in the Nordic countries

<sup>4)</sup> Total subscribers in Canal Digital including CTV. Telenor's share in Canal Digital is 50%

<b>Catalogue and Directory services:</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
Turnover (in NOK million):				
– catalogue activities in Norway	<b>1,334</b>	1,158	1,051	955
– catalogue activities abroad <sup>1)</sup>	<b>1,034</b>	432	370	54
– directory services and other value added services – Telenor Media	<b>712</b>	526	466	427
Telenor Media's share of the advertising market in Norway <sup>2)</sup>	<b>10.6%</b>	8.9%	8.6%	8.4%

<sup>1)</sup> Includes gains from sale of operations of NOK 683 mill. in 1999

<sup>2)</sup> Total advertising turnover from traditional media (source: Norsk Reklamestatistikk)

<b>Internet:</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
Turnover (in NOK million)	<b>886</b>	470	309	111
...of which subscriptions turnover	<b>518</b>	328	174	53
Total market penetration	<b>52%</b>	38%	29%	20%
No. of subscriptions in mass market - households (in 000s)	<b>400</b>	260	165	113
– of which frisure (in 000s)	<b>45</b>	-	-	-
Market share - mass market	<b>70%</b>	70%	70%	70%
No. of business subscriptions - network (in 000s)	<b>5,100</b>	3,500	1,500	500

#### **Mobile telephony outside Norway :**

	<b>Connect</b>	<b>VIAG Interkom</b>	<b>Vimpel Communication</b>	<b>Pannon GSM</b>
License fo:	Austria	Germany	Moskva + regiones	Hungary
Start of operations (y/mo)	10/98	10/98	6/94	4/94
Operational phase	Early	Early	Mature Early	Mature
Operator no./total no.	3	4	3	2
System	GSM 1800	GSM 1800	DAMPS, GSM 900/1800	
Penetration	50%	27%	5%	16%
No. of subscribers (in NOK 000s)	482,451	933,430	353,000	668,441
...growth 1999	n.a.	n.a.	229,000	236,016
Market share	12%	4%	46.2%	41%
Telenor's share	17.45%	10%	31.7%	25.8%
Telenors investments (in NOK million)				
– invested so far	666	3,025	1,238	672
– additional committments	380	2,140	-	179
Telenors share of turnover (in NOK million)	217	640	561	668
Telenors share of profit and losses (in NOK million)	-255	-541	-59	110

	<b>GrameenPhone</b>	<b>ESAT Digifone</b>	<b>Cosmote</b>	<b>ProMonte</b>	<b>Kyivstar</b>	
License for:	Bangladesh	Ireland	Greece	Montenegro	Ukraine	
Start of operations (y/mo)	3/97	3/97	4/98	7/96	10/97	
Operational phase	Early	Mature	Early	Mature	Early	
Operator no./total no.	5	2	3	1	5	
System	GSM 900	GSM 900	GSM 1800	GSM 900	GSM 900	
Penetration	0.1%	38%	37%	9%	0.6%	
No. of subscribers (in NOK 000s)	60,534	550,627	963,937	56,757	58,180	
...growth 1999	30,410	311,106	673,861	22,299	48,121	
Market share	30,410	40%	25%	100%	20%	
Telenor's share	46.4%	49.5%	22% <sup>1)</sup>	40.1% <sup>2)</sup>	35%	
Telenors investments (in NOK million)						
– invested so far	298	957	678	23	353	
– additional committments						
Telenors share of turnover (in NOK million)	95	1,064	890	60	54	
Telenors share of profit and losses (in NOK million) 1999)	-49	-93	53	-21	-25	
			<b>Extel</b>	<b>Stavtelesot</b>	<b>DiGi. com</b>	<b>NW GSM</b>
License for:		Kaliningrad	Stavropol	Malaysia	St Peterburg	
Start of operations (y/mo)		4/98	12/97	8/97	12/94	
Operational phase		Early	Early	Mature	Mature	
Operator no./total no.		3	3	5	3	
System		GSM 900	GSM 900	GSM 1800	GSM 900	
Penetration		0.8%	0.4%	14.5%	3%	
No. of subscribers (in NOK 000s)		4,000	6,000	547,000	132,848	
...growth 1999		2,111	3,734	-	40,844	
Market share		53%	53%	21%	66%	
Telenors investments (in NOK million)		49%	49%	30%	12.74%	
– invested so far		91	122	1,661	15	
– additional committments				726		
Telenors share of turnover (in NOK million)						
Telenors share of profit and losses (in NOK million) 1999)		-17	-35	-	-	

<sup>1)</sup> Telenor B-Invest owns 30% of Cosmote S.A., and Telenor owns 73.33% of Telenor B-Invest.

<sup>2)</sup> European Telecom owns 91.1% of ProMonte, and Telenor owns 44% of European Telecom.

**image**

**image**

# Expansive, with a solid

Telenor is a leading innovative force in the Norwegian telecoms market, and this position represents a solid platform for new international operations. By concentrating on areas in which Telenor has particular expertise, namely mobile

communication, internet and satellite communication, the group has succeeded in expanding swiftly in the international arena. In a few years from now more than 50% of Telenor's total turnover is expected to be generated by the operations outside Norway.



platform of specialist expertise

# Regulation and competition



Deregulation is both a consequence of and a driving force behind the sweeping changes that are currently taking place in the market for electronic information and communication. Together with the conquering of new technological frontiers, globalisation and the emergence of new business models, deregulation has fundamentally changed the operating parameters for Telenor's business activities. In the course of just a few years, the market for telecommunications services has evolved from the days of sturdy national monopolies into a dynamic competitive market which no longer allows itself to be confined by national borders or traditional technologies and industries.

In 1999, both the EU Commission and Norwegian authorities began a comprehensive review of the current sector-specific telecommunications regulations to adapt them to the radically different market situation of the future, in which digital IT, telecommunications and broadcasting will converge into a single industry. Telenor is actively involved in the debate surrounding this process. Our most important message to the authorities is that future regulations must not focus on today's sector-specific issues, but wherever possible employ general, horizontal regulations as the complexity and dynamism of the industry make it impossible to predict where specific regulations will be required. The only certainty is that the most important bottlenecks in the electronic communications society of the future will be entirely different from the ones we see today.

Norwegian regulation of the telecommunications industry has been formulated in accordance with the EU's framework for the area. On 1 January 1998, what remained of Telenor's monopoly was eradicated. In common with the rest of the EU/EEA, Norway was thrown open to free competition for the development, operation and leasing of network infrastructure and the provision of services to the end-user market based on access to Telenor's existing infrastructure and basic services.

Due to Telenor's head start in the market for fixed network telephony and infrastructure in Norway, a number of obligations were imposed on the company, through licences and telecommunications legislation, that do not apply to competing players. These regulatory requirements relate for instance to entering into interconnection agreements, the provision of carrier pre-selection, number portability, non-discrimination between own and other operations and cost-oriented prices. At the end of 1999, other market participants accounted for an estimated 13% of the traffic on Telenor's fixed network (prefix and carrier pre-selection). Moreover, from 1 April 2000, Telenor offers leasing of access lines in the fixed network, i.e. the last section of the network from the local exchange up to the subscriber. This will give competing players direct access to Telenor's fixed network subscribers. Subscribers will be able to move their entire customer relationship - including the subscription - to another provider.



The EU has not introduced as stringent regulations for the mobile area as for fixed, as the European mobile markets have by and large evolved through competition. In Norway there has been competition for mobile networks and services since 1991, when Telenor Mobil and NetCom were each granted a licence for the development and operation of GSM mobile networks. Based on a strong ambition for technology neutral regulations, the Norwegian telecoms authority has opted for the same stringent sector-specific regulations for the mobile area as for fixed communications. Telenor believes that caution should be exercised in employing the same tools in relation to emerging markets, which have, from the outset, evolved through competition, such as mobile services and the internet, as are employed for regulating former monopoly markets.

In White Paper no. 24 (1999-2000), the government recommends awarding four nation-wide licences, on the basis of competitive tendering, for the so-called third generation mobile communications system (i.e. UMTS) in late summer 2000. The White Paper also deals with the issue of whether or not so-called virtual network operators are to be entitled to access to mobile networks. The government recommends that the Norwegian parliament does not approve such a regulatory requirement. Particular weight is attached to the argument in favour of securing incentives for continued investment in new and existing mobile networks in Norway. The basis for competing in the market for mobile services based on existing infrastructure was nevertheless strengthened in 1999, when Telenor Mobil and Sense Communications entered into an agreement for re-sale of mobile services on commercial terms. Telenor believes that it is in the best interests of market players and customers alike to strengthen competition in the mobile market through market-based, rather than regulatory-determined, solutions such as these.

# Report from the President

1999 was a special year for Telenor. We started the new year full of optimism and confidence regarding the potential that could be realised through the merger with Telia, but at the end of the year we were forced to acknowledge that the prerequisites for this promising project could not be met. It is still too early to say for certain what the grounds were for the breakdown of the process for which we had such high hopes just a few months previously. Those of us involved in the process need a little time to digest what happened, and to understand why it happened. For this reason, we have decided to put the experience firmly behind us, in order to concentrate wholeheartedly on the work ahead, staking out a course for Telenor as an independent group of companies.

Despite the fact that the preparations for the merger process and its implementation took up a great deal of time and attention on the part of Telenor's management and employees, the group recorded a healthy profit in 1999. Turnover in Norway increased by 16% to NOK 30.5 billion, while subsidiaries outside Norway improved turnover by more than 50% and recorded a profit before taxes of NOK 3.3 billion, the best result in Telenor's history to date.

We are facing new challenges and tasks in the year ahead. The first of these will be the listing of Telenor on the stock exchange in the second half of the year. Through a possible issuance of shares Telenor will receive an injection of capital necessary to be able to pursue the group's international growth strategy. If we succeed in this, in the course of a few years Telenor's operations abroad will exceed its operations in Norway in terms of volume. However, there is no doubt that the domestic market will continue to be the core focus area, representing the platform on which international success is founded, not least through the development of new products and services which can satisfy the increasingly demanding business and private markets. Internationalisation has been a major part of Telenor's strategy for a number of years, and Telenor aims to play an active role in future in shaping the Nordic and European telecom/IT market, in its capacity as an independent group with a strong national base.

The Norwegian telecom market has changed dramatically since deregulation just two years ago. Firstly, new technology has led to convergence between industries, thereby creating new business opportunities for players from other industries. Secondly, the new internet technology has opened up possibilities for a wide range of new services and has resulted in an explosive growth in traffic in the telecoms networks. Thirdly, the market is full of small, often unknown companies whose aim is to capture considerable market share in our traditional service areas, with a mini-

um of capital and risk-taking. Telenor regards free, fair competition as a positive situation with clear advantages for customers as well as for those telecom companies with a long-term perspective. Thanks to its leading technological platform and strong market position in Norway, Telenor feels confident that the group is well placed to tackle the new competition in the domestic market. We are also committed to realising the commercial potential arising from convergence of the industries. By so doing, we may offset the effect of losing market share in those areas in which we previously enjoyed a monopoly position. Telenor's objective of offering advanced telecom services nationwide at the lowest prices possible remains unchanged. As part of our efforts to achieve this objective, we will be concentrating on strengthening our customer relationships and service and marketing, but we must at all times ensure that operations are carried out cost-effectively. This means that the group must always be prepared for change, and on the lookout for simplifications which can help sustain the necessary level of profitability.

Telenor regards reinforcing and expanding Norwegian expertise within the ICT industry as an important task. The group's new head office at Fornebu will play a key role in this respect: the aim is, together with the other companies there, to create a world-class centre of research and excellence, attracting top international expertise to participate in the exciting R&D environment. With Fornebu as a national R&D hub and nerve-centre, it will be easier for experts all over the country to play an active part in this process, for instance by taking delegated responsibility, in full or in part, for selected projects of special interest.

In the coming months and years there will be more than enough interesting tasks for Telenor employees who wish to take part in this process. The introduction of new technology and increasing demand for specialist expertise in a great many areas will require a large degree of adaptability and extensive use of training and retraining as a means of matching the human resources available to the various tasks in the best possible way. Telenor will invest heavily in skills development within the group over the next few years. An important example of this is the setting up of the Telenor Corporate University for advanced managerial training. Nevertheless, it is clear that the greatest challenge will lie in ensuring that the group manages to recruit and retain a sufficient number of managers and employees with the necessary expertise and drive to enable the group to reach its ambitious goals.

The listing of Telenor on the stock exchange will increase the number of shareholders significantly. Many of these new shareholders will monitor the com-

pany's operations with a hawk eye, with high expectations with regard to value creation, growth, performance, and the expertise and professionalism of Telenor's management. These are factors with which Telenor has been concerned ever since its incorporation as a public corporation in autumn 1994. In the lead-up to listing on the stock exchange, we arise managers' and employees' awareness of Telenor's new role as a listed company, focusing on the various considerations that must be taken into account, including stock exchange regulations and other written and unwritten rules with which reputable players must comply. We are in the process of preparing and are confident that the transition to becoming a listed company will take place without any problems – as is essential if we are to inspire confidence in the market.



In order to be well equipped, not least in terms of organisational structure, to meet the challenges of a demanding stock market, we have introduced various measures to simplify and clarify our corporate structure and management principles. The aim of these measures is to create an organisation with a clearer market focus, which has an organisational structure transparent enough to allow the many interested parties, including the capital market, to understand what kind of company Telenor is, and how it manages the creation of value. The corporate structure is clearly defined and described in this annual report, and is based on broadly defined business areas, while the need for uniformity and coordination – not least in relation to the domestic market – is taken care of by a separate Norway management team which works across the boundaries between business areas.

Telenor has established an International Centre to ensure that the group possesses sufficient expertise and strength in its continued internationalisation programme. The International Centre also works across the business areas in the group's corporate structure, providing assistance to the business areas in the form of specialist expertise in areas such as macroeconomic national and regional analysis, and analysis of political/institutional and socio-cultural conditions in the relevant countries. The International Centre is also responsible for running Telenor's national offices, which provide the business areas with assistance in relation to the authorities and business community in each country, as well as ensuring that the Telenor group presents a united front in countries in which two or more business areas are present.

Telenor's future success depends to a large degree on maintaining a high tempo in technical innovation and

business development. For organisational and management purposes, these areas are structured into a large number of projects in which the various parts of the group's business areas and groupwide units are represented.

In spite of the setback last year to what had been billed a giant step forwards, Telenor is in an excellent position to face the challenges of the future head on. There can be little doubt that we are in the midst of an accelerating process of development whose hallmark is fundamental advances in technology and altered market conditions, and there is no doubt in my mind that the current process of change and development is more profound and will have more wide-ranging consequences than any which we have experienced previously. In reality we are seeing the rapid beginnings of a whole new technological basis for the economy and society at large. There is probably no other company in Norway that is so deeply entwined in a reciprocal relationship with the forces behind this new technology as Telenor. We are actively involved in shaping the future, at the same time as the requirements and conditions of the future are shaping us as a company.

I regard myself as privileged to be part of this, and I also appreciate what a huge challenge this poses for Telenor's management and employees. We have confidence in ourselves, in our expertise and creativity, and in our ability to position and renew ourselves. Nevertheless, we are facing these challenges with respect and humility, and we are sure that by mobilising all our resources throughout the organisation, we can succeed.

One thing is certain, there are exciting and demanding times ahead.

Tormod Hermansen  
President and C.E.O.

**image**

**image**



Differentiation, based on



# customer know-how

Customised solutions, high level of service, consultancy and problem solving – and all at a low price: Telenor’s customers represent a broad spectrum of requirements and expectations, which makes building profitable long-term customer relationships extremely challenging.

Telenor is working systematically to bring meaning to the concept of customer focus, and the

key to this lies in achieving the necessary level of customisation in a mass market. We aim to attain this goal through differentiation on the basis of extensive customer know-how, making the most of the opportunities for dialogue and team-based specialisation within different market segments. It is nevertheless essential to maintain a clearly recognisable profile in an increasingly confusing market.



Chief Executive Officer  
of Telenor Mobile  
Communication:  
Arve Johansen

# Telenor Mobile Communications

Mobile Communications is the business area responsible for Telenor's mobile operations comprising voice, data, Internet, content services and electronic commerce in the Norwegian and the international market. Telenor has attained a leading position in Norway and is one of the world's most advanced mobile operators. Through shareholdings in 13 mobile communications companies in Norway and abroad, Telenor Mobile Communications has a total of 6.3 million mobile subscribers at the end of 1999 (excl. DiGi.com in Malaysia).

## Telenor Mobil Communications

- mNorway
- mHorizon
- mFuture

## In Norway: Telenor Mobil AS

- Product Division
- Network Division
- Market Division
- Sales Division
- Telehuset AS
- Partly owned chains

### Operations and strategy in Norway

Mobile telephony was a major growth area in 1999 and Telenor Mobil maintained a leading market position throughout the year. At the turn of the year, the company had 2 million mobile phone subscriptions. This is predominantly made up of GSM subscriptions, whilst the number of NMT subscriptions has fallen. The transition to dual-band telephones for GSM900/1800 has been rapid and has occurred in tandem with Telenor Mobil's development of GSM1800 to increase traffic capacity in urban areas. This has made it possible to maintain a high quality and accessibility in the entire GSM network.

Telenor Mobil's GSM network saw strong increase in the use of SMS (text messages) in 1999. Prepaid customers in the youth segment account for the greatest traffic volume. There was also a sharp increase in the use of GSM data services, such as information services and payment services.

During the course of the year, the penetration of mobile phones in Norway rose from 47% to 61%, which is among the highest in the world.

In autumn 1999, Telenor Mobil launched Zalto.com, a new prepaid service offering full web integration. The subscription has user-friendly, fully automated services, and everything from purchasing, registration and account statements to customer service takes place via the Internet.

Electronic commerce can be described as a new era in mobile telephony. In the autumn of 1999, Telenor Mobil launched MobilHandel (m-commerce), enabling users to search for information on goods and services, select products and pay directly from a mobile phone.

Telenor Mobil was one of the first mobile operators in the world to launch Wireless Application Protocol (WAP) in the autumn of 1999, giving customers access to the Internet directly from their mobile phones. This standard links GSM to the Internet. The service provides access to information and services from the Internet, such as share trading, banking services, news and entertainment.

An important step in the adjustment to new market segments was Telenor Mobil's expansion of its distribution network by an impressive 8 000 new retail outlets. Start-up packages and prepaid subscriptions can now be purchased from kiosks, petrol stations and supermarkets across the country. This brings the company's total number of retail outlets to almost 10 000.

In 1999, Telenor Mobil granted external service providers access to purchase mobile traffic and SIM cards from Telenor Mobil to sell mobile services under their own brand in the Norwegian market. The service providers themselves are responsible for marketing, sales, invoicing and customer relations. This is expected to further stimulate competition and contribute to the continued development of the Norwegian mobile market.

In the future, the introduction of new technology will make the mobile network more efficient for the transmission of data. During the course of 2000, Telenor Mobil will be offering High Speed Circuit Switched Data (HSCSD) in the GSM network. This will quadruple the current data transmission speed.

On the basis of the trial licence allocated for UMTS, Telenor is developing strategies for the next generation mobile system, in order to be able to set up networks and new broadband services if and when the company is granted a licence. Telenor considers it important to be in the forefront of UMTS developments in order to maintain a leading position in the mobile sector also in the future.

### International operations

Telenor is an active shareholder in 13 mobile companies abroad, contributing commercial and technical expertise and experience from Telenor's various mobile operations both in Norway and internationally.

Telenor has ownership interests in mobile operators in Germany, Austria, Greece, Malaysia, Ireland, Hungary, Montenegro, Russia (Moscow, St. Petersburg, Kaliningrad and Stavropol), Ukraine and Bangladesh.

In early 1999, the company acquired a shareholding in Vimpel Communications (VimpelCom) in Moscow (31.7%). At the end of 1999, Telenor acquired a 30% holding in DiGi Swisscom Bhd (now DiGi.com Bhd) in Malaysia, thus expanding its operations to SouthEast Asia.

Telenor acquired a further 4.5% stake in Esat Digifone in 1999. In January 2000, Telenor entered into an agreement with British Telecom granting Telenor the right to exchange its 49.5% shareholding in Esat Digifone for a 33% shareholding in the parent company Esat Telecom. The agreement also gives Telenor the right to purchase up to 16.99% of the shares in Esat Telecom from British Telecom at a maximum price of USD 624 million, provided that the shares in Esat Digifone are exchanged for shares in Esat Telecom. Alternatively, Telenor is entitled to sell its shares in Esat Digifone to British Telecom for USD 1,237.5 million, giving Telenor a gain of approximately NOK 9 billion.

Telenor's shareholding in Cosmote in Greece was reduced from 30% to 22%, as a result of the sale of shares in Telenors holding company for Cosmote to minority interests. Cosmote has a considerable upturn in growth since it commenced operations in April 1998. At the end of 1999 it had 1 million subscribers, which is a record growth rate for a third operator in Europe.

The total number of subscribers in foreign mobile operators in which Telenor has a stake increased from around 1.2 million at the end of 1998 to around 4.3 million at the end of 1999 (excluding DiGi.com).

There was healthy growth in the number of mobile phone users internationally in 1999. However, compared with Nordic countries, the market penetration in countries in which Telenor has invested remains low.

Telenor's share of turnover in associated companies outside Norway rose from around NOK 1.6 billion in 1998 to around NOK 4.2 billion in 1999.

Telenor's overall investments in mobile operations abroad were NOK 9.7 billion at the end of 1999. Investments in 1999 totalled NOK 4.8 billion. Based on valuations by external banks, the value of Telenor's investments increased substantially in 1999.

### General analysis of results

Operating profit in 1999 was NOK 1,106 million, which represents an increase of NOK 402 million compared with 1998.

The operating profit for operations in Norway (Mobil group) was NOK 1,524 million in 1999, which represents an increase of NOK 479 million compared with 1998. The increase is primarily attributable to higher

<b>Key Figures</b>	Amount in NOK million	1999	Of which Norway	1998	Of which Norway
External turnover		6,540	6,179	5,448	5,143
Intercompany turnover		1,493	1,393	1,345	1,183
Gain on sale of fixed assets and operations		-	-	-	-
<b>Total turnover</b>		<b>8,033</b>	<b>7,572</b>	<b>6,793</b>	<b>6,326</b>
External cost of materials and traffic charges	1,700	1,534	1,458	1,327	
Internal cost of materials and traffic charges	697	696	699	685	
<b>Total cost of materials and traffic charges</b>	<b>2,397</b>	<b>2,230</b>	<b>2,157</b>	<b>2,012</b>	
Own work capitalized	-18	-18	-	-	
Salary and personnel costs	980	752	883	633	
Other operating expences external	1,802	1,539	1,598	1,385	
Other operating expences internal	711	632	586	522	
Depreciations and write downs	1 055	913	865	729	
Loss on sale of fixed assets and operations	-	-	-	-	
<b>Total operating expences</b>	<b>4,530</b>	<b>3,818</b>	<b>3,932</b>	<b>3,269</b>	
<b>Operating profit</b>		<b>1,106</b>	<b>1,524</b>	<b>704</b>	<b>1,045</b>
Associated companies	-1,071	1	-820	2	
Net financial items	-150	-32	-231	-52	
<b>Profit before tax</b>		<b>-115</b>	<b>1,493</b>	<b>-347</b>	<b>995</b>
EBITDA (Inclusive gain and losses)	2,161	2,437	1,569	1,774	
EBITDA - margin	27%	32%	23%	28%	
Investments	6,183	5,034	3,670	2,442	
No. of man year as of 31.12.	2,427		2,074		
- of which abroad	486		376		
Number of subscribers:					
- NMT		216,000		311,000	
- GSM		1,784,000		1,260 000	
- of which prepared		781,000		310,000	
Traffic turnover per subscriber per month (NOK)		334		362	
Traffic minutes per subscriber per month (NOK)		164		164	

The 1998 figures have been restated to reflect the new accounting principles and the new business area.



turnover from the large growth in number of subscriptions and the resulting growth in voice traffic, as well as considerable increase in use of SMS.

In 1999 the international operations recorded an operating loss of NOK 418 million, a decrease of NOK 77 million compared with 1998. The change can be attributed to higher project-related costs resulting from large-scale projects and an increased focus on international marketing activities.

### Turnover and market conditions

Turnover in 1999 was NOK 8,033 million, which represents an increase of NOK 1,240 million compared with 1998.

### Operations in Norway

Turnover for operations in Norway was NOK 7,572 million in 1999, NOK 1,246 million higher than in 1998.

Turnover from mobile generated and terminated traffic was NOK 3,950 million and NOK 1,378 million respectively in 1999, an increase of NOK 939 million and NOK 245 million compared with 1998. This increase in turnover from traffic is a result of a combination of the increased number of subscriptions and the fact that subscribers with postpaid subscriptions increased traffic volume. The total usage (generated and terminated) per GSM subscription per month was relatively stable at 164 minutes in 1999, the same level as 1998, despite the fact that the growth in subscriptions was predominantly in prepaid services (RingKontant and Zalto.com). Usage on prepaid subscriptions is less than for customers with postpaid subscriptions. Turnover per GSM subscriber per month was NOK 334 in 1999, a reduction of NOK 28 compared to 1998, which is a result of price reductions. Total traffic, generated and terminated, increased by 33 percent from 2,388 million minutes in 1998 to 3,170 million minutes in 1999.

Increased SMS traffic also contributed to the increased turnover generated from mobile phones. The total number of SMS valued in 1999 was 358 million, which is an increase of 293 million compared with 1998. Turnover for this product was NOK 400 million in 1999, which represents an increase of 320 million compared with 1998.

In 1999, Telenor Mobil implemented substantial cuts in tariffs. As of 1 February 2000, the company introduced further tariff cuts, combined with the introduction of charging per second and a start-up charge for GSM customers. This change is expected to result in a net price reduction of 7 percent. As of 1 March 2000, the cost of sending a SMS message was reduced to one krone for both prepaid and postpaid subscribers, which is expected to result in an average cost saving of around NOK 250 per prepaid customer.

Turnover from subscription was NOK 1,181 million in 1999, which is at a similar level as 1998. The total number of subscribers at the end of 1999 was 1,999,700, an increase of 429,200 compared with 1998. The movement from postpaid to prepaid subscriptions explains the lack of growth in turnover from subscriptions. The net number of new subscrip-

tions in 1999 was 465,200 prepaid subscriptions and 58,300 postpaid GSM mobile subscriptions. The number of NMT mobile subscribers was reduced by 94,300 in 1999. No changes were made to subscription prices in 1999.

The market share for GSM was approximately 70%. According to a recent OECD report, Telenor Mobil has the lowest prices in the world for business customers and the third lowest in the world for private customers.

Other turnover was NOK 1,063 million in 1999, an increase of NOK 77 million compared with 1998. Other turnover is mainly derived from sales of customer equipment.

### International operations

Turnover for international operations in 1999 was NOK 461 million, which is at the same level as 1998. Reduced turnover from sales of equipment in mobile satellite operations in the US (Norcom) and from hiring out personnel to overseas mobile operations is compensated for by the increase in turnover from mobile operations in Bangladesh (GrameenPhone).

### Operating costs

Operating costs for 1999 were NOK 6,927 million, an increase of NOK 838 million compared with 1998.

### Operations in Norway

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

Costs of goods and traffic charges were NOK 2,230 million in 1999, which represents an increase of NOK 218 million compared with 1998. The charge for traffic terminating in other operators' networks was lower in 1999 than in 1998. However, the increase in traffic volume in other operators' networks more than compensated for this. Although SMS and mobile-terminated income do not generate an equipment cost, they do generate increased capacity costs. A higher proportion of traffic between Telenor Mobil subscribers has also limited the increase in equipment costs.

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

Other costs rose by NOK 264 million, mainly as a result of a higher activity levels in 1999. Sales commissions were NOK 680 million in 1999, which represents an increase of NOK 68 million compared with 1998. The increase can be attributed primarily to gross subscription sales which were approximately 38

percent higher in 1999 than in 1998. This increase is partly compensated for by the average commission cost per subscription sold being reduced by 25 percent from 1998 to 1999.

Depreciation and write-offs were NOK 913 million in 1999, an increase of NOK 184 million compared with 1998. This is primarily the result of a high level of investment in the GSM network, and write-offs on the NMT 900 and pager networks.

### International operations

Operating costs for international operations were NOK 879 million in 1999, an increase of NOK 71 million compared with 1998. This change is primarily attributable to higher project costs resulting from larger projects and marketing activities, as well as an increase in administration costs in overseas subsidiaries as a result of higher activity levels.

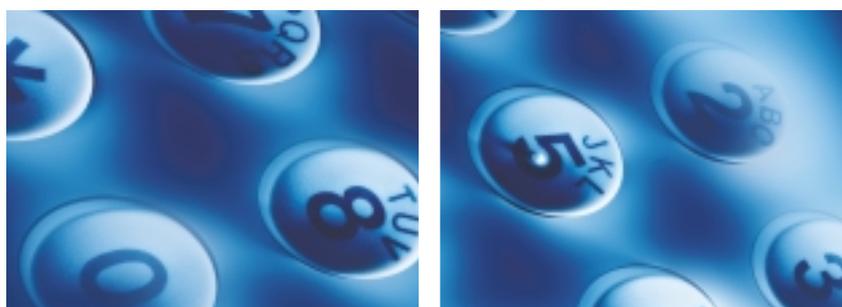
### Associated companies outside Norway

Telenor's share of turnover for 1999 from associated companies outside Norway in which Telenor has an ownership interest was NOK 4,186 million. This represents an increase of NOK 2,557 million compared with 1998 (acquisitions account for NOK 591 million of the increase). NOK 1,704 million of the total turnover was derived from companies in Western Europe, NOK 1,836 million from companies in Central Europe and 646 million from companies in Eastern Europe. Associated companies had a total customer base of 4.2 million subscriptions at the end of 1999, which represents an increase of 2.9 million compared with 1998 (of which 124,000 is growth through acquisitions). In addition, DiGi.com had 547,000 subscribers at year end 1999.

During of 1999, some of these companies experienced very strong growth subscriptions numbers, which in turn generated considerable growth in turnover. Cosmote in Greece, Connect Austria in Austria, Esat Digifone in Ireland and Viag Interkom in Germany increased their combined number of subscriptions by 2,358,000. The increase in Telenor's share of turnover was NOK 1,927 million.

In 1999 associated companies recorded a loss of NOK 1.071 million, which is NOK 251 million weaker than 1998. The deterioration is primarily a result of many of the companies being in an early stage of development. Mobile operations typically have low turnover in the early stage of commercial operations while costs associated with establishing and operating the technical structure and developing the organisation and customer service functions are high.

In 1999 Cosmote and Pannon GSM in Hungary recorded an increase in profits of NOK 124 million and NOK 116 million respectively. This is a result of increased subscription volumes, combined with the fact that the companies have reached a stage of mature operation. Viag Interkom and Connect Austria are still in an early operational stage with high acquisition costs, and these companies recorded losses of



Telenor Mobile Communications portfolio

Market	Pop (mill)	Company	Ownership Share	GSM Launch	Subscribers ('000)	
					Dec 1999	Dec1998
Norway	4.5	Telenor Mobil	100.0 %	May 1993	2 000	1 571
Ireland	3.6	Esat Digifone	49.5 %	Mar 1997	551	240
Hungary	10.3	Pannon GSM	25.8 %	Apr 1994	668	432
Greece	10.4	Cosmote	22.0 % <sup>1)</sup>	Apr 1998	964	290
Montenegro	0.7	Pro-Monte GSM	40.1 % <sup>2)</sup>	Jul 1996	57	31
St. Petersburg	8.0	North-West GSM	12.7 %	Mar 1994	133	92
Moscow & Oblast	115.0	VimpelCom	31.7 %	Jan 1994	353	104
Ukraine	52.0	Kyivstar	35.0 %	Oct 1997	58	10
Kaliningrad	1.0	Extel	49.0 %	Aug 1997	4	2
Stavropol	2.5	Stavtelesot	49.0 %	Jan 1998	6	2
Austria	8.0	Connect Austria	17.5 %	Oct 1998	482	25
Germany	81.4	VIAG Interkom	10.0 %	Oct 1998	933	18
<b>Total in Europe</b>					<b>6 209</b>	<b>2 817</b>
Bangladesh	117.8	GrameenPhone	46.4 %	Mar 1997	61	30
Malaysia	19.5	DiGi.com	30.0 %	May 1995	547	235
					<b>6 817</b>	<b>3 082</b>

<sup>1)</sup> Telenor B-Invest owns 30% of Cosmote S.A., and Telenor owns 73.33% of Telenor B-Invest.

<sup>2)</sup> European Telecom owns 91.1% of ProMonte, and Telenor owns 44% of European Telecom.

NOK 164 million and NOK 200 million respectively. VimpelCom was acquired at the beginning of 1999 and contributed a loss of NOK 139 million. Esat Digifone showed healthy operational development, but provisions for bonuses for key employees linked to share value increases resulted in a negative contribution.

### Investments

Investments in 1999 were NOK 6,183 million (NOK 3,670 million in 1998). Investments related to the mobile network amounted to NOK 878 million, while general IT investments were NOK 222 million (Telenor Mobil AS). Investments in associated companies amounted to approximately NOK 4,800 million, consisting mainly of investments in VimpelCom (NOK 1,240 million), Viag Interkom (NOK 1,350 million), DiGi.com (NOK 1,660 million) and Esat Digifone (NOK 525 million).



Managing Director  
of Telenor Internet:  
Morten Lundal

# Telenor Internet

This business area is the group's centre of expertise in the Internet. It is a driving force behind innovation and business development and spearheads the group's expansion in Europe.

## Description of operations

The business area maintained its prominent market position in all focus areas in Norway and also laid a solid foundation for continued growth in Europe. Telenor was the first company in Norway to introduce a subscription-free Internet service, FriSurf, which towards the end of 1999 was distributed to all Norwegian households in the form of a CD. At the year-end, Telenor was a leading player also in this service area. The subscription product, Telenor Internet, has also achieved steady growth throughout the whole of 1999.

During 1999, the business area established a position as one of the largest operator of portals in Norway. The shareholdings in SOL will in the course of spring 2000 be included in a listed Nordic SOL. Telenor have taken control of ABC Startsiden which, in a short time, has become Norway's second most visited portal. Furthermore, the customer portals "online.no" and "frisurf.no" have given the business area a further two of the most popular portals in Norway.

In the course of 1999, the business area acquired a foothold in the European business market with the objective of becoming one of Europe's leading IP-based communications providers for small and medium-sized businesses. This drive, which will be marketed under the brand name Nextra, builds on a dominant position in the domestic market.

At year-end, Nextra was operational in nine European countries. Switzerland, Italy, the Czech Republic and Slovakia launched Nextra in the autumn of 1999. In Slovakia, the company went from an anonymous position as being one of numerous small local ISPs (Internet Service Providers) to become the market leader both in the private and the business market. In Switzerland, Nextra has established itself as a new player integrated in voice, data and Internet services. By May 2000, the business area's other companies in Norway, Sweden, Germany, Austria and Hungary will also have established themselves as Nextra companies.

Towards the end of 1999, the focus was on acquisitions and establishments in Germany. Between December 1999 and March 2000, Nextra acquired four regional Internet Service Providers in Germany.

In 1999, the business area expanded its network to secure high capacity and end-to-end control for the business area's customers in Europe. The network is constructed on the basis of a ring structure with two

different high-speed lines to the US. This network, which is administered from Norway and has round-the-clock monitoring, makes it possible to offer voice services over IP, virtual private networks and new value-added services to customers in Europe.

## General analysis of results

Telenor Internet recorded an operating loss for 1999 of NOK 138 million, an improvement of NOK 48 million compared to 1998, attributable to an increase in turnover. The Norwegian operations, excluding costs associated with the international expansion, achieved an operating profit of NOK 35 million, which is an improvement of NOK 208 million compared to 1998. The high level of international expansion resulted in an operating loss for international operations of NOK 173 million in 1999, compared with a loss of NOK 13 million in 1998.

## Turnover

Turnover in 1999 was NOK 886 million, an increase of NOK 417 million (89%) from 1998. The increase can be primarily attributed to the increase in the number of Internet subscribers in the private market in Norway, as well as the increase in the number of access and Web hosting customers in the business market. A large increase in the number of generated traffic minutes also contributed to the growth in turnover. A significant part of this growth came from the international operations, which at the end of the year covered eight European countries. Turnover for the international operations was NOK 83 million in 1999 compared to NOK 1 million in 1998.

External turnover for 1999 was NOK 566 million, an increase of NOK 224 million compared with 1998. International operations contributed with growth in turnover of NOK 82 million, primarily in the business market. Only a few of the international subsidiaries were part of this business area for the whole financial year.

The Norwegian mass Internet market has continued strong growth in 1999. The number of customers increased by 140,000 to 400,000 in the course of the year, which includes 45,000 FriSurf customers. This continuing strong position for Telenor Internet subscription has been achieved through a new portal (online.no) and sales from representation in the retail market, a strong focus on framework agreements with businesses and sales directly from customer service. In Norway, Telenor Internet achieved an increase in turnover from Internet access to the business market

## Telenor Internet

### Business Market

- Italia
- Norge
- Slovakia
- Sveits
- Sverige
- Tsjekkia
- Tyskland
- Ungarn
- Østerrike

### Private market

- online.no
- Frisurf.no

### Portal

- sol.no
- sol.se
- startsiden.no

in 1999, thus consolidating its dominant market share. The business area also strengthened its position in web-hotel and other hosting services. The decision to step up the drive in this area has proved a success, and Telenor Internet is now one of the leading players in this market in Norway.

Inter-group turnover was NOK 320 million in 1999, an increase of NOK 193 million compared with 1998. The growth can largely be attributed to the increase in the number of traffic minutes generated by Telenor Internet and FriSurf, as well as the adjustment of the settlement price to subscribers Telenor Net and accomplishment of other activities on behalf of the group. Generated traffic minutes was 63% higher in 1999 than in 1998. Telenor Internet's share of Telenor's total generated fixed network traffic was 18% in 1999 (12% in 1998).

#### Operating costs

Total operating costs for 1999 were NOK 1,024 million, an increase of NOK 369 million (56%) compared to 1998. The increased cost of materials and traffic charges were approximately proportional to the increased turnover. Salary and personnel costs increased by NOK 102 million, primarily as a result of increased international activity. At the end of 1999 almost half the workforce was working outside of Norway. The total number of man years was 735 at the end of 1999, of which 361 were outside Norway. In 1998 the numbers were 409 and 69 respectively. The total number of employees in Norway is now at a stable level and future workforce growth will come from outside of Norway.

Other operating costs in 1999 increased by NOK 161 million to NOK 536 million. This increase relates mainly to the business area's subsidiaries abroad, including establishing and starting up international operations. The remaining increase can be attributed to the scaling up of the Norwegian operation for increased activity.

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

#### Associated companies

Telenor Internet has shareholdings in Scandinavia Online (SOL) (34.5% in Norway and 20% in Sweden) as well as a 36% stake in ABC Startsiden AS. The operating profit from associated companies in

<b>Key Figures</b> Amount in NOK million	<b>1999</b>	1998
External turnover	566	342
Intercompany turnover	320	127
Gain on sale of fixed assets and operations		
<b>Total turnover</b>	<b>886</b>	<b>469</b>
External cost of materials and traffic charges	61	30
Internal cost of materials and traffic charges	45	17
<b>Total cost of materials and traffic charges</b>	<b>106</b>	<b>47</b>
Own work capitalised	-	-
Salary and personnel costs	271	169
Other operating expences external	379	232
Other operating expences internal	157	143
Depreciations and write downs	111	64
Loss on sale of fixed assets and operations	-	-
<b>Total operating expences</b>	<b>918</b>	<b>608</b>
<b>Operating profit</b>	<b>-138</b>	<b>-186</b>
Associated companies	14	-51
Net financial items	-4	-4
<b>Profit before tax</b>	<b>-128</b>	<b>-241</b>
Investments	442	125
No. of man year as of 31.12	735	409
- of which abroad	361	69
No. of internet subscribers (private market in Norway)	400 000	260 000
- of which frisurf	45 000	-
No. of business subscribers (network)	5 100	3 500
No. of subscribers outside Norway	57 000	-

The 1998 figures have been restated to reflect the new accounting principles.



1999 was NOK 14 million, an improvement of NOK 65 million, which was mainly attributable to the SOL companies. This growth in profit was due to extensive restructuring of the companies, and the realisation of gains in SOL AS from the sale of the business of NOK 42 million (Telenor Internet share).

#### Investments

Investments in 1999 totalled NOK 442 million, NOK 372 million of which relates to investments abroad. For 1998 the corresponding amounts were NOK 125 million and NOK 62 million. Investments abroad in 1999 relate to new business in Switzerland, Italy, Germany, Hungary and continued investment in the Czech Republic, Slovakia and Austria. In addition, a company has been established in Sweden.



Managing Director  
of Telenor Broadband  
Services:  
Stig Eide Sivertsen

# Telenor Broadband Services

The Broadband Services business area is the largest distributor of analogue and digital pay-TV services in the Nordic region. In addition, this business area is a leading player in global niche markets in satellite communication. Sales channels have been established throughout Europe outside the Nordic region through a number of subsidiaries. The business area is well positioned for growth, in the Nordic region and internationally.

## Operations and strategy

More than 1.6 million households in Sweden, Norway, Denmark and Finland subscribe to various pay-TV packages from Broadband Services. Telenor Broadband Services accounts for 15% of the total Nordic TV distribution market. The business area has also established "one degree west" as the leading satellite position for the Nordic market. In addition Telenor Broadband Services owns and operates the terrestrial broadcasting network in Norway which covers approximately 98% of all Norwegian households.

The business area holds distribution rights for a range of Nordic and international TV channels and services. Through the joint venture Canal Digital, Telenor Broadband Services is the first Nordic player to offer digital TV services to private households. The combination of the "one degree west" satellite position, the leading technological platform and access to national and international content is the business area's prime competitive advantage.

Turnover is generated from three related sources:

- The sale of pay-TV to private households in the Nordic region.
- The sale of distribution services to broadcasters and providers of broadcasting services in the Nordic region and the rest of Europe.
- The sale of satellite-based communications services to institutional customers in global niche markets.

Local and international programme companies and other providers of TV services are offered an integrated distribution package in the Nordic market. The packages are available on a variety of scales, from the national level to selected target groups or specific households.

The business area's operations in the business market are channelled through Satellite Mobile and Satellite Networks.

Satellite Mobile is one of the world's largest providers of satellite-based voice and data services for land-mobile communications, maritime operations and the aviation industry. Telenor has made a name for itself in the sphere of portable satellite telephony, for instance through its new 64 kbps Global Area

Network service, which is especially popular with aid organisations and media companies.

Satellite Networks offers fixed network services based on the VSAT standard. Various combinations of telecom, data, audio/video, Internet and TV services are combined in packages aimed at specific segments such as banking and finance, commercial businesses and the public sector. One of Satellite Network's new services, Skycast, has been particularly well received in the market. The service allows large volumes of data to be broadcast from a central unit to several thousand PCs in just a few seconds. The subsidiary Taide Networks has registered a huge increase in demand for satellite-based Internet services. With customers in 24 countries around the world, the company is the largest player in a rapidly growing market.

The business area's satellite operations are based on the three satellites owned by Telenor, two terrestrial stations at Eik and Nittedal, and leased capacity through Telenor's holding in Inmarsat and membership of the satellite organisations Intelsat and Eutelsat.

## General analysis of results

The business area is currently in a process of development and expansion, resulting in high operating costs and increasing investment in operations. This explains why the operating profit for 1999 was just NOK 8 million, down NOK 115 million from 1998.

## Turnover and market conditions

Total turnover was NOK 2,798 million in 1999, an increase of NOK 296 million compared to 1998.

Broadcast, which provides TV-based services, recorded total turnover of NOK 1,579 million, an increase of NOK 189 million compared to 1998. Norkring, which operates the terrestrial broadcasting network in Norway, was consolidated as of 1 June 1999, giving an increase in turnover of NOK 256 million. Norkring's turnover for the whole of 1999 was NOK 427 million, compared to NOK 411 million in 1998. Turnover from Telenor CTV fell heavily in 1999 as a result of the transfer of most of its operations to Canal Digital (50% owned) for which the equity method of accounting is used. The net effect of these changes was a reduction in turnover of NOK 130 million. The satellite dish market (DTH) is served primarily by Canal Digital, a company owned jointly with Canal+.

## Telenor Broadband Services

- Broadcast
- Satellite Networks
- Satellite Mobile

Telenor's share of turnover from Canal Digital, non-consolidated, increased from NOK 209 million in 1998 to NOK 493 million in 1999. During 1999 the number of subscriptions increased by 53,000 households, and by the year-end Canal Digital had 405,000 subscribers in the satellite dish market. Telenor Avidi's turnover increased by NOK 30 million to NOK 283 million in 1999, while the number of cable TV subscriptions increased by 12,000 to 282,000, representing 35% of the Norwegian market. Telenor Vision's (SMATV) turnover increased by NOK 42 million to NOK 167 million in 1999. The total number of subscribers at the end of 1999 was 850,000, compared with 686,000 at the end of 1998. Telenor Vision also serves 87,000 hotel rooms throughout the Nordic region. Turnover from the sale of satellite capacity increased by NOK 157 million to NOK 784 million, an increase of 25%.

In the business market Telenor Broadband Services recorded total turnover of NOK 1,152 million, an increase of NOK 62 million compared to last year. In 1999 Satellite Networks had a turnover of NOK 444 million, an increase of NOK 96 million compared to 1998, not least as a result of supplying a VSAT network to Slovakia's Ministry of the Interior. In 1999 Satellite Mobile had a turnover of NOK 708 million, NOK 34 million lower than in 1998. This is a result of lower traffic levels in the land-mobile segment, as well as the transition from analogue to digital traffic with lower relative prices. The market share of 13% for traffic via Eik terrestrial station was maintained in 1999, despite stiff competition.

### Operating costs

The costs of materials and traffic charges in 1999 were on a par with 1998. Personnel costs of NOK 370 million in 1999 show an increase of NOK 111 million compared with 1998 and should be seen in relation to the increase of 327 full-time positions (53%) on the previous year. This increase is partly a result of Norkring being consolidated from 1 June 1999.

Other operating costs were NOK 676 million in 1999, compared to NOK 427 million in 1998. The group also recorded costs in connection with product and project development in multimedia and the electronics market. Provisions for losses were also made. Depreciation and write-downs amounted to NOK 522 million, an increase of NOK 161 million compared to 1998. This is related to investment in Thor III, and consolidation of Norkring.

### Associated companies

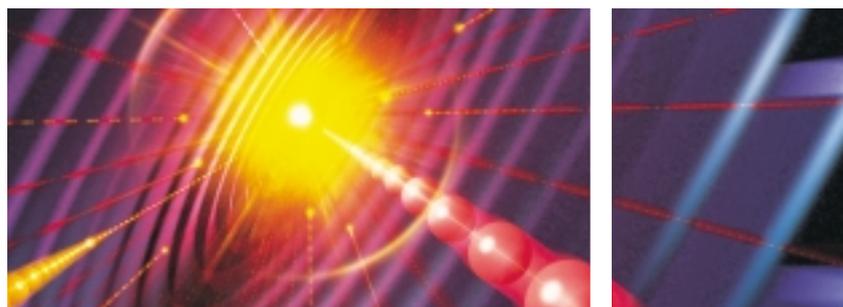
The associated companies recorded a loss of NOK 140 million, compared with NOK 122 million in 1998. Losses in Canal Digital were NOK 133 million, an increase of NOK 3 million in relation to 1998.

### External financial posts

External financial income in 1999 was NOK 5 million

<b>Key Figures</b> Amount in NOK million	<b>1999</b>	<b>1998</b>
External turnover	2,651	2,356
Intercompany turnover	143	146
Gain on sale of fixed assets and operations	4	-
<b>Total turnover</b>	<b>2,798</b>	<b>2,502</b>
External cost of materials and traffic charges	1,123	1,215
Internal cost of materials and traffic charges	129	136
<b>Total cost of materials and traffic charges</b>	<b>1,252</b>	<b>1,351</b>
Own work capitalised	-31	-20
Salary and personnel costs	370	259
Other operating expenses external	498	300
Other operating expenses internal	178	127
Depreciations and write downs	522	361
Loss on sale of fixed assets and operations		
VDM og virksomhet eksternt	1	1
<b>Total operating expenses</b>	<b>1,538</b>	<b>1,028</b>
<b>Operating profit</b>	<b>8</b>	<b>123</b>
Associated companies	-140	-122
Net financial items	92	172
<b>Profit before tax</b>	<b>-40</b>	<b>173</b>
EBITDA (Inclusive gain and losses)	530	484
EBITDA - margin	19%	19%
Investments	921	1,069
No. of man year as of 31.12	944	617
- of which abroad	272	130
No. of paying TV subscribers including 100% of associated companies*	1,624,000	1,308,000
Market share Cable TV Norway	35%	38%

The 1998 figures have been restated to reflect the new accounting principles and the new business area.  
\* incl. 87,000 hotel rooms



higher than in 1998. Higher dividends from the satellite organisations Intelsat and Eutelsat, coupled with changes in the principles of accruals in these organisations, gave an increase in dividends of NOK 35 million. However, following to its conversion to a limited company in 1999, Inmarsat paid no dividends.

External finance costs were NOK 139 million in 1999, as opposed to NOK 80 million in 1998. The increase is primarily due to the lease financing of Thor III and increased external financing through Norkring.

### Investments

Total investments fell from NOK 1,069 million in 1998 to NOK 921 million in 1999. Investment outside Norway increased by NOK 248 million to NOK 346 million and related primarily to satellite equipment and satellite organisations.



Managing Director  
of Telenor Telecom  
Solutions:  
Jan Edvard Thygesen

# Telenor Telecom Solutions

Telenor Telecom Solution (previously Bedrift, Privat and Nett) develops and supplies advanced communication solutions based on the most up-to-date technology. Customers are businesses, the public sector and the residential and wholesale markets. The main operations are based on the products PSTN, ISDN, ADSL, broadband, leased lines and interconnection.

## Operations and strategy

Telenor Telecom Solution area supplies communication solutions that are designed to enable companies to strengthen their level of competitiveness and to make everyday life easier for private individuals. The most important challenge is to meet the competition in all areas as well as the rapid rate of technological development, particularly in broadband communication, IP technology, the Internet and portals. The business area is meeting these challenges by upgrading the access network to meet the need for broadband services. The core networks will be developed using efficient IP technology. In order to secure competitiveness in this area, focus has been laid on improving the efficiency of important work processes.

In Norway there is a total capacity of 4.04 million numbers connected to the telephone exchanges. At the end of 1999, the total number of PSTN subscriptions was 1.907 million. Telenor has over 528,000 residential and business subscriptions - (equivalent to 1.239 million lines) - connected to ISDN, a growth of around 70% on the previous year. Norway has the highest density of ISDN in the world.

Telenor introduced a single geographic price zone for telephony in Norway - Norgespris - at the local rate level throughout the whole country from 1 July 1999, reducing the long distance rate to the local rate level.

## Business market segment

The business market consists of supplying telecommunication services and ICT (Information - and Communication Technology) services to larger companies. In 1999, despite tough competition from leading system integration companies, Telenor won several large contracts in the business market for which basic telecommunications services only formed a small part of the delivery, the main part being for value-adding ICT services. At the beginning of the summer 1999, Telenor won a contract with the large grocery chains in Norway which wanted to bring all of their Norwegian subcontractors under a single Internet-based purchasing system.

During the summer 1999, SAS officially began using one of the world's most advanced telecom and data solutions. The airline wanted a new and integrated telephony and data solution for its offices in Norway,

Sweden and Denmark, independent of national boundaries and local subcontractors. Telenor has overall responsibility for the operation of the voice and data solutions. The contract will give a turnover of NOK 500 million and will run until 2002.

At the beginning of 2000, Telenor and the National Insurance Administration signed a contract expected to provide turnover of NOK 325 million - one of the largest IT infrastructure deliveries to the public sector in Norway. The contract will also enable the administration to develop systems for electronic trade with the country's doctors' surgeries.

The success of Telenor's VIP Network - a virtual private network product - continued in 1999 and the total number of customers using the VIP Network increased by 75% compared with 1998. The VIP Nett concept provides every company with a customised solution for its telecom and data network, encompassing the head office, local offices, employees' GSM mobile telephones and home offices.

In January 2000 a restructuring plan for the customer equipment unit in the business market was announced. It is estimated that costs relating to restructuring will amount to NOK 25 million, which will be expensed in the first quarter of 2000.

## The residential market segment

The residential market includes sales to residential customers and to small businesses.

1999 was characterised by increased competition and greater use of mobile telephones. Despite this, Telenor Privat had an increase in traffic minutes of 12% in 1999. The growth is primarily driven by new application areas such as Internet traffic, the increased use of home PCs and home office solutions and the growth in traffic from the fixed network to the mobile networks. A large number of ISDN subscriptions were sold during the year and by the end of 1999 Telenor Privat had over 337,000 ISDN subscribers, double the volume of 1998. ISDN allows customers to use two telephone lines at the same time for voice and/or data, or to use both lines for faster data transmission when using the Internet or home office.

## Telenor Telecom Solutions

Telenor Bedrift

Telenor Privat

Telenor Nett

ISDN text was launched on 1 December 1999, allowing customers to send text messages between ISDN and mobile telephones.

In the payphone business area at the end of 1999, Telenor Privat introduced a combination telephone that can accept coins, phone cards and credit cards. This will significantly improve the user-friendliness of payphones. Payphones showed reduced volume in the period, as was only to be expected, given the growth in the mobile telephone market.

At the end of 2000, the Telenor SmartPhone was launched. SmartPhone can also be used for surfing the Internet and sending and receiving e-mails. The telephone has a built-in smart card reader allowing secure payment over the Internet.

#### Wholesale market

The wholesale market includes national and international interconnection. At the end of 1999, Telenor had 18 interconnection agreements in Norway. Telenor Telecom Services launched the services carrier preselection and number portability 1 June 1999 and eleven service providers have set up agreements for carrier preselection. Telenor Telecom Services sells interconnection to these network operators.

The competition for leased capacity from other infrastructure providers has increased and the new entrants in the operator market have led to an increase in the sale of leased lines. The price for digital leased lines larger than 64 kbit/s was reduced by 5-25% in comparison with 1998. In addition to this, a price reduction of up to 25% was made on 1 January 2000 for certain digital leased lines.

Operator access, which will allow other suppliers to offer end users connection based on Telenor's copper network, was launched in April 2000.

#### Network

Telenor Telecom Solution is in a phase of intensive expansion and modernisation with special focus on broadband. In 1999, the main routes in the network were modernised with fibreoptic channel equipment (WDM) which increases capacity many times for Oslo-Bergen, Oslo-Trondheim and Bergen-Stavanger. Great efforts have also been made to make the net-

<b>Key Figures</b> Amount in NOK million	<b>1999</b>	1998
External turnover	15,921	14,528
Intracompany turnover	1,681	1,393
Gain on sale of fixed assets and operations		
<b>Total turnover</b>	<b>17,602</b>	<b>15,921</b>
External cost of materials and traffic charges	2,725	1,670
Internal cost of materials and traffic charges	2,657	2,321
<b>Total cost of materials and traffic charges</b>	<b>5,382</b>	<b>3,991</b>
Own work capitalized	-179	-100
Salary and personnel costs	2,410	2,327
Other operating expences external	1,625	1,630
Other operating expences internal	2,932	2,659
Depreciations and write downs	2,638	2,386
Loss on sale of fixed assets and operations	285	-
<b>Total operating expences</b>	<b>9,711</b>	<b>8,902</b>
<b>Operating profit</b>	<b>2,509</b>	<b>3,028</b>
Associated companies	-26	-17
Net financial items	-2	16
<b>Profit before tax</b>	<b>2,481</b>	<b>3,027</b>
EBITDA (Inclusive gain and losses)	5,146	5,414
EBITDA-margin	29%	34%
Investments	3,377	3,156
No. of man year as of 31.12.	5,172	5,104
- of which abroad	105	156
<b>Private market</b>		
External turnover	7,841	7,604
External cost of materials and traffic charges	21	19
Subscriptions PSTN, 1,000	1,610	1,799
Subscriptions ISDN GT, 1,000	337	176
<b>Business market</b>		
External turnover	5,596	5,136
External cost of materials and traffic charges	613	147
Subscriptions PSTN, 1,000	298	368
Subscriptions ISDN GT, 1,000	184	129
Subscriptions ISDN UT, 1,000	7	5
<b>Wholesale market</b>		
External turnover	2,484	1,788
External cost of materials and traffic charges	2,118	1,504
No. of minutes called, PSTN and ISDN	18,731	16,610
Capacity of numbers in the fixed network	4,040	3,640

The 1998 figures have been restated to reflect the new accounting principles and the new business area.



work fault-resistant. The network is being prepared for broadband IP traffic transmission directly over the transmission system's SDH or WDM channels. In the

access network, new technologies such as ADSL have been introduced which allow for significantly higher data transfer speeds than ISDN. The new technology combined with the control systems will allow the network to be run increasingly efficiently.

Telenor will introduce phase two of its carrier preselection 1 November 2000. This will give customers two preselection choices, allowing customers to choose one supplier for domestic traffic and one for overseas traffic.

The increased demand for greater bandwidth means that there is still a strong focus on ISDN. ADSL technology, which provides even higher bandwidth than ISDN, is in the process of being developed and will be ready for release on the mass market as early as in 2000. It will serve as a supplement to ISDN for customers with a requirement for increased transmission capacity.

Internationally, towards the end of 2000, Telenor will launch online the transatlantic capacity in the cable system TAT-14. The majority of customers will be Internet Service Providers in Europe.

#### **General analysis of results**

The operating profit for Telenor Telecom Solution business area in 1999 was NOK 2,509 million, which was NOK 519 million lower than in 1998. The reduction in profits are attributable to increased traffic costs resulting from traffic moving to products that have lower margins, increased installation costs, higher commissions for the sale of ISDN, and higher depreciation and losses on the winding-up of operations. Losses relating to the winding-up of Clarion Inc amounted to NOK 285 million.

#### **Turnover and market conditions**

Turnover in 1999 was NOK 17,602 million, which is NOK 1,681 million higher than in 1988. The increase is a result of increased traffic on the telecom network. The traffic generated in Telenor's fixed network was 13% higher in 1999 than in 1998 measured in traffic minutes.

External turnover was NOK 15,921 million in 1999, which is an increase of NOK 1,393 million compared to 1998. Turnover from other group companies increased by NOK 288 million in 1999 to NOK 1,681 million. The largest part of the group's internal turnover was derived by mobile traffic from Telenor Mobil terminated in Telenor Telecom Solution.

#### **Business market**

External turnover from the business market was NOK 5,596 million in 1999, an increase of NOK 460 million compared to last year.

External network-based turnover showed an increase in 1999 of NOK 146 million to NOK 4,990 million. Turnover from fixed network telephony increased by NOK 15 million to NOK 3,643 million.

Throughout 1999, there were several price reductions in all classes of traffic. Subscription prices were also increased in 1999 to rebalance the price structure.

Turnover from leased lines fell from NOK 545 million in 1998 to NOK 476 million in 1999. This is due to price reductions as well as a controlled migration to the increased use of data services.

Within fixed network telephony and leased lines, new players have won market shares in the business market by offering lower traffic prices. Telenor has continuously adjusted its services and prices to the developments in the market. However, Telenor's market share of the business market, measured in total traffic minutes, fell from around 95% at the beginning of the year to around 87% at the year end.

In the course of 1999, the number of business market traffic minutes generated in Telenor's network increased by 14%. The increase, measured in traffic minutes, was largest in Internet traffic, which grew by 68%, and in traffic to mobile networks, which increased by 21%.

External turnover from other network-based services (data network services) increased by 30% from NOK 670 million in 1998 to NOK 870 million in 1999. Data networks is a growth area in which competitors are very active. The market share in the business market was around 70% at the end of 1999.

External turnover from non-network-based services was NOK 605 million in 1999, an increase of NOK 313 million compared to 1998. There was strong growth in operation services, i.e. operational and support functions linked to remotely operated telephony and data networks.

#### **Residential market**

External turnover from the residential market in 1999 was NOK 7,841 million, NOK 237 million higher than in 1998.

External turnover from sign-up fees and subscription increased by NOK 235 million to NOK 3,130 million compared to the previous year. This is the result of higher subscription prices from March 1999 and the many conversions from PSTN to ISDN subscriptions, which have higher subscription prices.

Turnover from external traffic to the residential market was NOK 4,280 million in 1999, a decrease of NOK 44 million compared to 1998. Traffic growth and increased competition in recent years has led to large reductions in the price level for telephone traffic, the simplification of price structures, and the development of customer loyalty programs for different customer groups. In 1999, prices for overseas traffic were reduced by 26% and traffic from Telenor Telecom Solution to mobile networks were cut by 8%. The growth in total traffic minutes for the residential market was 12% in 1999, primarily driven by increased Internet traffic, and traffic from fixed to mobile networks and the increased number of home PCs and home office solutions. The growth in traffic minutes did not compensate for price reductions made in 1999.

Around 197,000 subscribers have established carrier preselection with competing companies since the introduction of this service on 1 June 1999. In addition, there were around 62,000 prefix users without carrier preselection. In December 1999, around 13% of all traffic minutes were via other operators. The corresponding figure for December 1998 was around 3%.

#### Wholesale market

External turnover was NOK 2,484 million in 1999, an increase of NOK 696 million compared to 1998. Turnover was generated in interconnection traffic with other network operators, the sale of leased lines and enterprise products, overseas traffic and operations in Storm and Clarion. The altered competitive situation resulted in a tripling of interconnection traffic with external mobile and fixed network operators measured in traffic minutes. In addition, the sale of leased lines and enterprise products is also showing positive development.

#### Operating costs

Costs of materials and traffic costs in Telenor Telecom Solution area increased by NOK 1,391 million to NOK 5,382 million. This was primarily related to increased costs in traffic terminated in mobile networks, in interconnection traffic with other operators and in Internet traffic. These are products that generate high traffic costs in relation to turnover. The growth in IT operations and outsourcing also led to higher costs.

In 1999, salary and personnel costs increased by NOK 83 million on 1998 to NOK 2,410 million. Of this, NOK 179 million was capitalised as own work capitalised - an increase of NOK 79 million compared to 1998. The workforce consisted of 5,172 full-time

positions at the end of 1999, an increase of 68 full-time positions on 1998.

Other operating costs in 1999 increased by NOK 268 million to NOK 4,557 million. The increase in ISDN deliveries and high fault rates relating to ISDN are the



main causes for the increase in costs. IT-related costs showed an increase resulting from preparations for the year 2000 and initiatives to refine IT systems that are critical to operations. The increase comes despite the focus on cost reduction in 1999, through the rationalisation of network operations, improved planning processes for network expansion and the establishment of agreements and improvements in purchasing procedures.

Depreciation increased by NOK 252 million to NOK 2,638 million related to major investments in ISDN over recent years and an increased proportion of fixed assets with short periods of depreciation.

#### Results from associated companies

In 1999, associated companies had a loss of NOK 26 million, which is an increase of NOK 9 million compared to 1998. The losses are related to the winding-up of operations in the TV-torg and TV-shopping business areas in the fourth quarter of 1999.

#### Investments

Investments in 1999 was NOK 3,378 million, compared with NOK 3,156 million in 1998. Continued high investments levels can be explained by the migration to ISDN and the imminent implementation of ADSL which requires improved quality of the access network, increased traffic capacity in the network, investments in international network capacity, investments in the IT systems critical for operations and the introduction of new products.



Managing Director  
of Bravida:  
Jan Kåre Pedersen

# Bravida

This business area (previously IT Service and Installation) offers installation, maintenance and operating services to network operators and their customers, to the business market and to contractors. The business area's primary activity was previously installation and maintenance for telecom and data services in Telenor's networks. Now, however, a greater proportion of its operations is directly aimed at businesses and public sector in Norway and Sweden. At the same time other network operators and service providers in the market for information and communications technology are providing an interesting customer segment for the business area.

## Bravida

Bravida Norge AS

Bravida Geomatikk AS

Bravida AB

Investment Recovery  
Services AS (56%)  
(prev. Telenor Miljø AS)

### Operations and strategy

Bravida is Norway's largest and leading provider of integrated installation, maintenance and operating services. The company targets network operators, of which Telenor is the most important, as well as businesses, public sector activities and contractors. The business area's comprehensive range of products and services includes consulting and planning, installation, maintenance and operation of telecom, data, electronic and security solutions. The operating staff are spread around the country. The range of products and services is based on the latest in technological solutions, combined with a high level of expertise amongst personnel who has several areas of expertise.

There was a continued healthy growth in the installation of ISDN solutions for private and corporate customers in Norway in 1999. The quality and accuracy of the deliveries was maintained while at the same time volume increased. Preparations for turn of the millennium meant that customer follow-up and quality assurance of services and products were important activities throughout the year. Major contracts of importance to this year's operations include Statoil Detaljhandel for cabling and installation of PC-based payment terminals at Statoil's petrol stations in about 1,000 locations across Scandinavia. In January 2000 a significant contract relating to infrastructure for Telenor's new headquarter at Fornebu, was signed.

With 5,400 employees, Bravida Norge AS is the largest employer in the Telenor group. Highly-qualified technical personnel are the company's main asset, making recruitment a major issue. One of the goals is to have 500 trainees undergoing training at any time. In 1999 some 200 trainees were employed in a wide spread of technical areas and across the entire country. The company is working to strike a balance in its recruitment and encourages women and young people with a multicultural background to apply. A total of 450 trainees are now undergoing training with the company.

Bravida AB was founded as a separate company in Sweden through the acquisition of the Relab Interessenter AB group. The company's activities are similar to those of its Norwegian counterpart. During 1999, the operations of Telenor Comma AB and Telenor Security AB were integrated in the acquired company, and currently Telenor IT Service och Installation AB employs around 450 people.

Bravida Geomatikk has to a greater extent been established as one of the Nordic region's leading companies in the market for geographical information services and electronic filing systems. Amongst the major contracts won in competition with other suppliers is the conversion of geographical data for Viken Energinett; a promising field for growth. The company is also promoting its Geoweb solution, and has noted mounting interest in the product from local authorities and network owners across the country.

The business area's operations in Denmark were wound up as a result of the disposal of Dansk Huselefon AS, and the transfer of Telenor Comma AS to the Business market in Telecom Solutions.

### General analysis of results

Operating profit in 1999 was NOK 19 million, which is a reduction of NOK 99 million compared with 1998. New operations recorded an operating loss of NOK 17 million, gains from disposals was NOK 24 million. The operating margin was 0.3% in 1999, compared with 2.2% in 1998. The poor result can be attributed to a fall in the price of services, increased material costs due to the increased scope of contracts for Telenor Nett AS and lower margins on computer equipment sales.

### Turnover

Total turnover was NOK 6,057 million, an increase of NOK 550 million compared with 1998. New operations contributed an increase in turnover of NOK 219 million. Turnover includes gains of NOK 24 million from the disposal of operations in 1999.

The increase in turnover is attributable to the product groups sales of customer equipment (an increase of NOK 334 million to NOK 2,119 million), installation (an increase of NOK 251 million to NOK 3,685 million) and miscellaneous which includes sales of safety equipment and services relating to geographic information technology and electronic document management (decrease of NOK 59 million to NOK 228 million).

External turnover increased by NOK 169 million to NOK 2,912 million in 1999. Acquisition of new operations in Sweden and Norway accounted for NOK 217 million.

External turnover for customer equipment such as video conferencing and computer equipment remained at the same level as for 1998. Installation had a reduction in external turnover when turnover from acquisitions is excluded. The reduction can be attributed to increased competition for installation contracts in the private and business markets. In addition, the scope of service agreements has been reduced.

Inter-group turnover had an increase of NOK 381 million to NOK 3,145 million in 1999. NOK 325 million of this increase was due to increased sales of customer equipment, of which Telenor's company-financed home PC scheme accounting for a significant part of this. Increases in turnover from installation are related to the increased demand for ISDN, and increased expansion in connection with a focus on the access network in which the proportion of material costs that can be invoiced has increased.

#### Operating costs

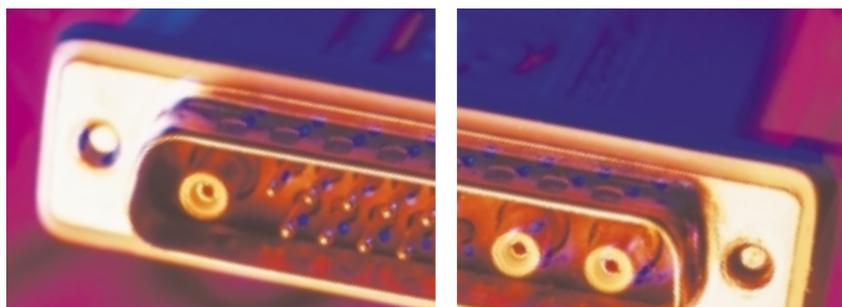
The cost of materials and traffic charges increased by NOK 439 million to NOK 2,689 million in 1999. The increase is a result of an increased volume of delivery of customer equipment and a higher percentage cost of materials for services supplied. The cost of materials for new operations was NOK 101 million.

Salary and personnel costs increased by NOK 242 million to NOK 2,151 million in 1999. NOK 110 million is related to new operations, while the remaining increase is attributable to overtime costs and salary rises. The increased use of overtime is a result of a lack of manpower in the industry combined with high activity and reduced use of contract personnel. The total number of employees was 6,223 at 31 December 1999, compared with 6,219 as at 31 December 1998.

Other operating costs were reduced by NOK 71 million to NOK 1,075 million in 1999. New operations gave an increase in operating costs of NOK 30 million. The reduction can be primarily attributed to the reduced use of contract personnel and general cost-cutting.

<b>Key Figures</b> Amount in NOK million	<b>1999</b>	1998
External turnover	2,888	2,743
Intercompany turnover	3,145	2,764
Gain on sale of fixed assets and operations	24	-
<b>Total turnover</b>	<b>6,057</b>	<b>5,507</b>
External cost of materials and traffic charges	2,541	2,053
Internal cost of materials and traffic charges	148	197
<b>Total cost of materials and traffic charges</b>	<b>2,689</b>	<b>2,250</b>
Own work capitalized	-8	-
Salary and personnel costs	2,151	1,909
Other operating expences external	601	690
Other operating expences internal	474	456
Depreciations and write downs	128	84
Loss on sale of fixed assets and operations	3	-
<b>Total operating expences</b>	<b>3,349</b>	<b>3,139</b>
<b>Operating profit</b>	<b>19</b>	<b>118</b>
Associated companies	-	-
Net financial items	-22	7
<b>Profit before tax</b>	<b>-3</b>	<b>125</b>
EBITDA (Inclusive gain and losses)	147	202
EBITDA - margin	2%	4%
Investments	240	165
No. of man year as of 31.12.	5,966	5,889
- of which abroad	454	295

The 1998 figures have been restated to reflect the new accounting principles and the new business area.



Depreciation and write-downs increased by NOK 44 million to NOK 128 million in 1999. Depreciation related to new operations was NOK 13 million. The home PC scheme, which a large number of the business area's employees took advantage of, increased depreciation costs by NOK 10 million.

#### Investments

In 1999 the business area invested NOK 240 million in fixed assets, of which NOK 185 million in was invested in Norway and NOK 65 million abroad. Investment in plant and equipment is related to continuous operation.



Managing Director of  
Telenor Media:  
Peter Darpö

# Telenor Media

Telenor Media's business concept is to develop information products and marketplaces based on users' and customer's requirements, and to distribute these through various media.

## Operations and strategy

In Norway, Telenor Media is responsible not least for the development, production and distribution of the Norwegian Phone Book, the Norwegian Yellow Pages, the local directories Ditt Distrikt and the Business Pages. With the exception of the Norwegian White Pages (private subscriptions), all these directories can also be found on the Internet. Telenor Media operates the Internet portal Yellow Pages Internet. The high level of recognition in the market for the Yellow Pages brand name formed the basis for the launch of the Yellow Pages Telephone in October 1999. The Yellow Pages Telephone service can be called to obtain further information on advertisers than is available in the directory. Advertisers can enter information on, for example, brand names, opening hours and directions. At its launch, the database only contained information on advertisers from Oslo and Akershus, however this will be expanded during the course of 2000 to cover the whole country.

Yellow Pages Internet has become one of the most popular web sites in Norway; with just over 1.5 million hits a month. In 1999, Telenor Media's focus on electronic products resulted in a favourable growth in turnover, and advertising on Yellow Pages Internet accounts for approximately a fourth of Norway's total advertising sales on the Internet, which in 1999 amounted to approximately NOK 170 million. Yellow Pages Internet is also a natural point of entry for the GULeHANDEL service, where advertisers can purchase space to present their products, and where users can shop from various advertisers, place everything in one virtual shopping trolley, get everything delivered in one consignment by courier or via the post office and pay with a single invoice. GULeHANDEL was launched in November 1999.

Telenor Media's international operations have given the company a strong foothold in the European directory market. Telenor Media has subsidiaries in nine European countries; Sweden, Poland, Spain, the Baltic states, Russia, the Czech Republic and France. In 1999, Telenor Media's shares in the Swedish companies Lokaldelen and Telenor Företagsinfo were sold. The sale and the price achieved confirmed the value creation of Telenor Media's international operations.

## General analysis of results

The Swedish telephone directory operations Lokaldelen AB and Telenor Företagsinfo AB have

been sold, the shareholding in the Baltic directory operation Interinfo increased from 40.5% in 1998 to 100% to 1999. The directory operation Soleil Publicite was acquired in the course of 1998. Turnover from sold operations was NOK 222 millions in 1999, excluding gains on disposal (NOK 347 million in 1998). Operating profit from sold operations was NOK 19 million (NOK 53 million in 1998), excluding gains on disposal. Interinfo and Soleil had a combined turnover of NOK 80 million and an operating loss of NOK -27 million in 1999 (Soleil is included in the figures with NOK 14 million and NOK -21 million in 1998).

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

## Turnover

Total turnover in 1999 was NOK 2,368 million, an increase of NOK 784 million compared with 1998. The figures include gains on sale. Adjusted for acquisitions and disposals of businesses, the increase in turnover was NOK 159 million (13%). The increase can primarily be related to additional entries and advertisement sales in the Norwegian directory operation.

The directory operation in Norway had in 1999 a turnover of NOK 1,334 million, an increase of NOK 181 million (16%). The increase relates to increased advertisement sales in printed directories and electronic media.

Turnover from operations outside Norway was NOK 1,034 million including gains on sales. Adjusted for acquisitions/disposals of business, operations outside Norway showed a reduction in turnover of NOK 22 million. Reorganisation in the Spanish directory operation is the cause of the temporary reduction in turnover.

## Operating costs

The cost of materials and traffic charges were NOK 319 million, a reduction of NOK 18 million compared with 1998. When adjusted for acquisitions/disposals of business, the increase in cost of materials and traffic

charges was NOK 4 million. The increase is primarily a result of having to reprint volume 4 of the Norwegian telephone directory due to errors in the directory

## Telenor Media

Catalogue Norway

International operations

<b>Key Figures</b> Amounts in NOK million	<b>1999</b>	1998
External turnover	1,594	1,494
Intercompany turnover	91	89
Gain on sale of fixed assets and operations	683	1
<b>Total turnover</b>	<b>2,368</b>	<b>1,584</b>
External cost of materials and traffic charges	319	337
Internal cost of materials and traffic charges	-	-
<b>Total cost of materials and traffic charges</b>	<b>319</b>	<b>337</b>
Own work capitalized	-3	-
Salary and personnel costs	473	437
Other operating expences external	371	356
Other operating expences internal	123	117
Depreciations and write downs	79	92
Loss on sale of fixed assets and operations	-	-
<b>Total operating expences</b>	<b>1,043</b>	<b>1,002</b>
<b>Operating profit</b>	<b>1,006</b>	<b>245</b>
Associated companies	-3	-15
Net financial items	42	2
<b>Profit before tax</b>	<b>1,045</b>	<b>232</b>
EBITDA (Inclusive gain and losses)	1,085	337
EBITDA - margin	46%	21%
Investments	71	31
No. of man-years at 31.12	1,407	1,460
- of which abroad	531	605

The 1998 figures have been restated to reflect the new accounting principles and the new business area.

(NOK 7 million) and the increased price of paper and printing costs for the Norwegian directory operator. Reduced activity in Spain led to lower production costs.

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

The number of employees increased by 42 to 1,536 in 1999. Adjusted for acquisitions/disposals of business, the total number of employees increased by 170 compared to 1998. The increase is a result of higher activity in the Norwegian operation, as well as a greater number of part-time employees than in 1998.

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

Depreciation and write-downs were NOK 79 million in 1999, which is a reduction of NOK 13 million compared to 1998. Adjusted for acquisitions/disposals of business, depreciation and write-downs were NOK 17 million lower than in 1998. The primary cause of this reduction is that the depreciation of the rebuilding costs of the company's head office in Oslo ended in 1998.

#### **Associated companies**

The losses from associated companies were NOK 3 million in 1999, an improvement of NOK 12 million compared with 1998. The improvement is primarily from the Polish directory company, PKT, the Czech Republic directory company and the fact that the Interinfo group was an associated company in 1998.



#### **Investments**

Total investments on plant and equipment was NOK 57 million in 1999. This consisted primarily of the completion of the DSMP support system for the directory operation in Norway and investment in the home PC scheme. Investment to increase the shareholding in the Baltic directory company Interinfo to 100% was NOK 14 million.



Managing Director  
of EDB Business  
Partner: Bjørn Trondsen

# EDB Business Partner ASA

EDB Business Partner is a skill-based IT group focusing on solutions, consulting services and operating services. This is secured by contributing to the profitable utilisation of information technology using cost-efficient and modern IT solutions to strengthen customers' competitiveness. EDB Business Partner ASA is listed on the Oslo Stock Exchange and Telenor is its largest shareholder. The group is a result of the merger between Telenor Programvare AS, which was 100% owned by Telenor, and EDB ASA. The merger was approved at the companies' general meetings on 6 May 1999.

## EDB Business Partner

- Consulting services
- Solutions
- Operating services
- Infrastructure

### Operations and strategy

The group has 2,200 employees in the wholly-owned companies and is a leading solution provider for telecom, banking and finance, and the public sector including the health service. In addition the Group has Norway's largest consulting company and also has Norway's largest commercial operations control centre. The group regards itself as a Nordic player, however leading-edge expertise will form the basis for expansion outside the Nordic region. In addition to organic growth, the company will seek to grow through mergers and acquisitions.

EDB Business Partner has two areas of activity: consulting services and solutions, and operations and infrastructure.

Consulting services and solutions comprise services relating to project management, advice, courses and training, the development and administration of systems and the development of software. Software is particularly aimed at banking, finance, health, telecom and public administration. Operations and infrastructure consists of centralised IT systems operations, remote operation, data communications, services relating to back-up and printing. The sale of equipment and services relating to the supply of PCs and networks is also included.

In banking and finance, complete banking systems are offered which are developed on modern technology platforms, and encompass the banks' core systems as well as secondary systems. Internet banking, self-service concepts and applications for WAP and CRM systems are also supplied.

In telecom, customer-order-invoice systems are offered together with related systems such as systems for data retrieval, CRM, interconnection and analysis tools. Outsourcing services are also provided.

In the public sector, a complete set of modern management systems is offered for public administration as well as outsourcing services. Special solutions for the health service are also available. In industry and commerce, the group has extensive expertise in e-business with attendant solutions. EDB Business

Partner boasts a leading SAP environment and also supplies outsourcing services.

In February 2000 EDB Business Partner signed an agreement to purchase the company Fellesdata AS for approx. NOK 2,5 billion. With this acquisition EDB becomes a leading Nordic supplier of solutions within banking, finance and operations and is well equipped for internationalisation.

### General analysis of results

The following figures are for the companies in EDB Business Partner ASA (formerly Telenor Programvare) and include the consolidated figures for the merged EDB group as of 1 May 1999 and for Telesciences as of 7 December 1999.

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

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

### Turnover

Turnover for 1999 was NOK 3,015 million, an increase of NOK 918 million compared with 1998. This includes profits from acquired/sold operations of NOK 486 million. High production levels from operational services delivery gave increased turnover despite reduced prices. There was also a significant increase in the volume of software supplied to the banking, financial and telecom sectors.

The increase in internal turnover relates primarily to the sale of operational services, as well as the sale of consultant services and solutions to telecom (4Tel).

## Operating costs

Total operating costs were NOK 2,888 million, which represents an increase of NOK 901 million (45%) compared to 1998. This includes profits from acquired/sold operations of NOK 514 million. The cost of materials and traffic charges were NOK 424 million in 1999, an increase of NOK 209 million compared to 1998. This includes NOK 269 million from acquired/sold operations. Increased sales of home PC's and operational services generated higher costs of materials and traffic charges.

Salary and personnel costs increased by NOK 303 million to NOK 986 million in 1999 (acquisitions/disposals accounted for NOK 168 million net). The costs of the options and bonus schemes (social security tax) were NOK 22 million.

Other operating costs were NOK 1,263 million in 1999, an increase of NOK 368 million compared to 1998, including NOK 58 million from acquired/sold operations. The companies used a high level of hired-in consultants as a result of increased demand for the delivery of solutions to bank/finance and telecom. In addition costs of NOK 20 million were incurred in connection with the conversion of a major telecom system to a new technological platform, as well as costs connected to Y2K and to the extraordinary leap year. Synergy effects from the EDB merger contributed positively in 1999. The 1998 accounts were charged with significant costs for the development of software for the healthcare and banking sectors.

Depreciation and write-downs (including goodwill) increased by NOK 24 million to NOK 214 million in 1999. Goodwill depreciation was NOK 68 million in 1999 (NOK 66 million in 1998).

## Investments

Total investments were NOK 1,027 million, the major part linked to acquisition of operations. The remaining investment related mainly to capacity increases resulting from volume increases in the operation of data exchanges.

## Prospects

Despite a tapering off in demand after the start of the new millennium, there are grounds for believing that in the year to come the services sector in the IT industry will have a continued strong market. The company is confident that the outsourcing market will be further strengthened, and has therefore invested in technical resources and marketing as an outsourcing supplier to large and medium-sized companies. ASP, which is an operational service with a central supplier of operation and application technology over the Internet, is a concept which has been met with great interest in the market and in which the group is well placed.

The company will continue on its strategy of internationalising the company. Strong demand is expected within the telecom industry for the group's products and services and we expect to achieve a larger share of sales of EDB 4Tel's products and services internationally.

<b>Key Figures</b> Amount in NOK million	<b>1999</b>	<b>1998</b>
External turnover	1,508	826
Intercompany turnover	1,507	1,242
Gain on sale of fixed assets and operations		29
<b>Total turnover</b>	<b>3,015</b>	<b>2,097</b>
External cost of materials and traffic charges	331	160
Internal cost of materials and traffic charges	93	55
<b>Total cost of materials and traffic charges</b>	<b>424</b>	<b>215</b>
Own work capitalized	-	-
Salary and personnel costs	986	683
Other operating expenses external	1,092	706
Other operating expenses internal	171	189
Depreciations and write downs	214	190
Loss on sale of fixed assets and operations	1	4
<b>Total operating expenses</b>	<b>2,464</b>	<b>1,772</b>
<b>Operating profit</b>	<b>127</b>	<b>110</b>
Associated companies	-5	2
Net financial items	-13	-8
<b>Profit before tax</b>	<b>109</b>	<b>104</b>
EBITDA (Inclusive gain and losses)	341	300
EBITDA - margin	11%	14%
Investments	1,027	201
No. of man year as of 31.12.	2,169	1,420
- of which abroad	154	53

The 1998 figures have been restated to reflect the new accounting principles and the new business area. The profit and loss statement deviates from the figures in the official year and report for EDB Business Partner ASA. In 1999 Ephorma is included according to the equity method, and in 1998 the Financial Systems Group is included (sold during 1998).



The banking and financial sector are governed to a great extent by the structural changes that are taking place within the sector. The mergers and acquisitions between banks represent both threats and opportunities for the company's business. Nevertheless, a clear growth trend can be seen in banks' use of the Internet in a number of areas, as well as in new self-service concepts and mobile banking services. These are areas in which the group has modern products and expertise.

Particularly within the public sector, as well as industry and commerce, continued market growth is anticipated. Growth is expected particularly in the demand for services and solutions offering new applications for Internet.

The structural changes over the past few years towards larger constellations and changed owner structure within the IT sector looks set to continue, leading to changed and tougher competitive parameters. EDB Business Partner will continue its strategy for growth through acquisitions and mergers in its key focus areas.

**image**

**image**

# Technologically

Telenor's R&D department has repeatedly demonstrated its aptitude for technological innovation at the highest international level. We are among the world leaders in the fields of broadband communication, mobile communication

and applied Internet technology, and have one of the highest levels of Internet penetration of any telecom company in the world. Historically Telenor was among the pioneers of satellite communication, and today it is one of the leading European players in this field.



superior, focused on R&D





Vice President of Research and Development:  
Oddvar Hesjedal

# Research and Development

As the new millennium dawns, we are witnessing the shaping of the information society. Developments in what we call information and communications technology (ICT) are wide-sweeping, and this new technology is pervading people's working and private lives as never before. It is changing our way of interacting and communicating with each other, both at work and in our spare time. It is changing existing institutions and business and industry, and is laying the foundations for new emergent industries and services. The boundaries between previously separate industries and disciplines are being erased, as are national borders.

A fundamental prerequisite for these developments is that all types of information become digital. Voice, images, video and data are all described using combinations of the numbers 0 and 1, enabling digital information to be transmitted via the same channel or medium, regardless of content. We will no longer need several different types of user equipment to make a phone call, process data or watch TV. New multimedia terminals will provide all these services in one go - as well as new services. Moreover, they will replace passive TV viewing with the opportunity to interact and participate actively, as on the Internet today.

## World leader

The leading-edge technological expertise and early launch of new applications place Telenor in the international premier league of these developments. Consequently, the Norwegian ICT market is among the most advanced in the world. Altogether, around 10 per cent of Telenor's employees are actively involved in product development and research, and around 300 of these employees work in the group's centralised R&D unit, which is committed to ensuring that Telenor will still have the necessary expertise in three to ten years' time. All product development aims to create useful and required solutions for the group's customers, and thereby differentiate and create advantages for Telenor in the face of increasingly tougher competition.

## Global access and high capacity

There are two basic requirements in order to succeed in the user solutions of the future. Firstly, they must be easily accessible - such as modern telephony's dialling tone. Secondly, machines and networks must have sufficient capacity (broadband).

The Internet, or more specifically the Internet protocol (IP), lays the foundations for this easy global access. This technology has therefore become fundamental to virtually all projects in which Telenor is involved. IP technology is important both for cost-efficient transmission of data and as a basis for developing network-based software solutions.

Capacity in the telecommunications and data networks is about to see a dramatic increase. This applies to both transmission and access networks. Capacity in the transmission networks, which are constructed of optical fibre cables, will be radically increased by means of so-called wave-multiplexing. In layman's terms, electronics is used to send a myriad of colours in parallel through a single fibre, so that each thread of fibre acquires the same capacity as the entire fibre had previously.

Telenor R&D has patented methods that produce fully optical networks with even greater capacity by eliminating electronic components from parts of the network.

Users are connected to the transmission network via the access networks. In the years ahead, we will see many different access solutions: for instance fibre cables direct to major centres and industrial areas, radically improved exploitation of existing copper cables via ISDN and modem-based solutions such as ADSL and VDSL, and greater use and upgrading of cable TV and new radio-based solutions. Satellite communications will also be used to a greater extent - not only to broadcast television programmes, but also for interactive data communications. In the field of mobile services, GSM will be developed with higher capacity for data traffic and the next generation mobile solutions, UMTS, will be tested.

## Expertise for the future

Telenor R&D is working on all these technologies. The challenge is to ensure that Telenor has sufficient expertise to make the new technologies available, and not least to promote their use. This entails, for example, developing software, or so-called service platforms, which make it easier to create new applications.

Mobility, broadband and the Internet are key words for the development of ICT applications in the next ten years.

Mobility facilitates new applications that provide greater freedom for the different groups of users. The vision is personal mobility, whereby everyone can access the network regardless of time or place. The aim is to be able to realise these services in both fixed and mobile networks, from different types of terminal.

Sufficient capacity will be procured using complex solutions for transmission and access networks on the basis of the technologies mentioned above. The networks are gradually being changed from being line-switched, like conventional telephony networks, to being packet-switched, like conventional data networks. Voice traffic in the networks will only account for a small percentage of total traffic.

### Pilot network leads the way

Telenor is tackling these challenges head on: partly by testing various types of access network, and partly by constructing an IP-based test network in which all types of services (such as telephony, data communications, TV distribution and mobility) are provided in the same network via several types of access network. The latter process is taking place through a large-scale group-wide project in which R&D researchers and product developers from the various business areas are working together to come up with the best solutions, in partnership with the supplier Cisco. Telenor is one of the first companies in the world to set up a service-integrated pilot network such as this. In recent years Telenor has implemented two major projects at group level, which will be continued in 2000: the UMTS and FMC projects.

Through its UMTS project Telenor is preparing to start using third generation mobile systems with a higher capacity than today's GSM solutions. We will see multimedia and Internet-based solutions that are at present limited to the fixed network on mobile terminals too. Telenor's project looks into the technical and commercial challenges and opportunities of UMTS. By being quick off the mark with UMTS, Telenor wants to contribute to Norwegian value creation, both inside and outside the company.

FMC - fixed mobile convergence - is a project intended to generate new services combining fixed-network and mobile-network services. The aim is to make life easier for the networks' users and provide more complete solutions. The project has already produced results in the form of new services, and there will be more in 2000.

The Internet will continue to grow in scope and importance in the next few years. Because it is so widely available, IP technology is particularly adaptable for new applications. Telenor R&D is conducting trials into the future use of ICT in our private lives and working lives and in the home so that new user groups can be shown potential applications and so that Telenor is better able to foresee future user requirements.

### "Things that think"

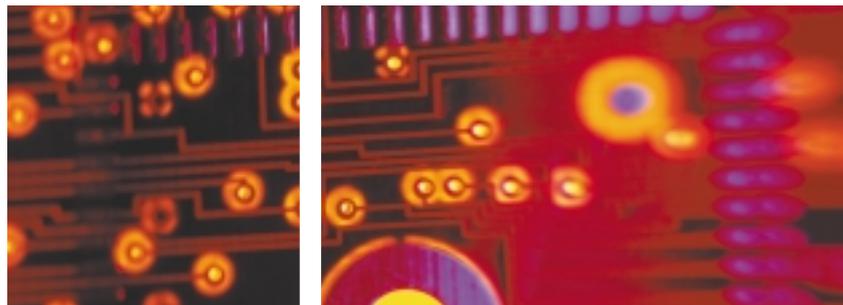
The equipment that is connected to the networks is also changing. From playing a dominant role on the network, in just a few years' time, conventional PCs will only play a small role. The functionality of the PC will be incorporated into other types of "equipment" such as telephones, televisions, personal organisers, cars, domestic appliances and other electrical goods and clothing, and this "equipment" will be connected to the network as required. Norwegian voice technology has also been radically improved over the last few years, which will make it easier to operate the machines and create a verbal dialogue between humans and machines.

R&D is working on various types of equipment and user interface, for example, in collaboration with the Multimedia Lab at the Massachusetts Institute of Technology in the US. The design of both equipment and applications will be extremely important if the technology is to be widely used, and R&D has therefore been working on this in particular in recent years. Likewise, security in the solutions is crucial to their success, particularly within electronic commerce, and the R&D work in this area has also been intensified.

### Close relations

Telenor R&D's units are located in Kjeller, Lysaker, Tromsø, Trondheim, Grimstad and Stavanger. The units collaborate extensively with universities and university colleges, other telecom companies and user environments. R&D's employees hold part-time positions at various educational institutions and as supervisors for postgraduate and PhD students, and university staff are offered part-time research positions at our research centres. Project collaboration is ongoing with universities and the higher education sector, particularly with international environments.

In 1999, Telenor R&D was involved in some 40 projects in Europe, particularly the EU programme ACTS and EURESCOM (the European Institute for Research and Strategic Studies in Telecommunications).



Telenor is also actively involved in the standardisation work that is being carried out in the field of Internet and telecommunications, via bodies such as ETSI, ITU, IETF and 3GPP (which standardises next generation mobile networks). In 1999, Telenor was one of the founders of 3G.IP, an organisation that aims to promote IP development for mobile systems. A close partnership with international players such as Cisco, Sun Microsystems, Microsoft, Ericsson, Alcatel and NEC provides the backdrop for new differentiating services from Telenor.

Research and development costs was NOK 528 mill. in 1999, an increase of NOK 114 mill. compared to 1998. Increased resources are used both to group R&D projects and to R&D activities in the business areas.

At the end of 1999 R&D had 323 man-years.

# Telenor International Centre



Vice President of  
International Centre:  
Terje Thon

## Telenor's International Centre

Telenor's International Centre will play a central role in the internationalisation of the group, initiating new ideas and taking care of practical considerations. The centre will draw on and strengthen the group's overall skills and resources in order to attain the market positions necessary for value creation outside the domestic market.

The International Centre is organised into market areas which distinguish between the EU/mature markets on the one hand and new markets on the other, in addition to a unit for international business development and the groupwide international units. The aim of the International Centre is to handle Telenor's activities outside Norway through setting up national offices in countries in which more than one business area has a presence.

Vice President Terje Thon is in charge of the International Centre.

Telenor's international strategy is based on developing profitable operations in high-priority international growth areas such as mobile telephony and the Internet, as well as making the most of promising business opportunities in the group's other business areas. It is the explicit aim of the company that half of the group's total turnover is to be generated outside Norway within five years. If this goal is to be reached, it is essential to secure the best possible operating conditions and resources for Telenor's international operations.



## Market areas

The objective for each market area is to establish and maintain local market know-how and relations with business partners. Their task is to work on local analyses and business projects, as well as taking the initiative for new business ideas in conjunction with the business areas. They are also responsible for

analysing and rating investment projects which could be of interest for Telenor. They represent the group as owners and board members of foreign companies in cooperation with the business areas, and help promote cooperation between different parts of the organisation.

## New markets

This market area includes Russia/CIS, the Baltic States and the rest of Eastern Europe. There are currently national offices in Russia, Ukraine, the Czech Republic and Slovakia. The group's expansion drive in Southeast Asia may necessitate a separate market area being set up for this geographical area.

## EU/mature markets

This market area is defined as the geographical area comprising the member states of the European Union. There are currently national offices in Ireland, the UK, Germany, Austria and Greece. This market area will be expanded in line with any expansion of the EU.

## International business development

The purpose of this market area is to develop and promote the group's international business development in close cooperation with the business areas and the local resources.

## National offices

The national offices have day-to-day responsibility for overseeing existing operations in each country, and for ensuring the good reputation of Telenor as a whole. They are also responsible for coordinating the various local operations, maintaining good relations with business partners and identifying potential synergies between the various business areas.

Over its many years of international operations, Telenor has discovered that having its employees based at local national offices is an important factor in achieving a uniform profile in the local market. Each national office has a national manager as well as local employees, with special expertise in adapting Telenor's international business strategy to the local market conditions. An important part of the work of the national offices is coordinating and realising synergy benefits between the business areas represented locally, helping Telenor to present a united front. Access to local know-how and networks is crucial in the start-up stage of new projects, and the national offices have an important role to play in this respect, paving the way for the business areas.

# The Nordic region's foremost workplace for new ideas

Telenor's new headquarter at Fornebu is set to become the group's prime location for innovative developments, based on inter-personal communications. Behind Telenor's investment at Fornebu is the vision of "The Nordic region's foremost workplace for new ideas" - a centre for the information age. The new development will offer great opportunities to work in different ways, to communicate better, and to stimulate product development and creativity.

The lay-out of the workplace allied to new technologies will make a vital contribution to Telenor's ability to compete in an area that demands innovation and vision. ICT solutions will be developed to underpin mobility and flexibility, which are vital to the swift sharing of information and increased productivity.

A wide-ranging study in the autumn of 1999 laid the foundations for pilot projects utilising unconventional approaches to the workplace within the current Telenor establishment, so that employees of the group can pinpoint the strengths and weaknesses of various designs and technical solutions prior to their implementation at Fornebu.

## The building

The Norwegian-American working partnership NBBJ-HUS-PKA are the architects responsible for the new headquarters. In design terms, the new building is characterised by two crescent-shaped buildings within which lies the Telenor square. This central area plays an important role not simply as an entrance to the building but also as a place for employees to meet. Once developed, the area will feature plants, reflective water surfaces, works of art, fountains, lights, seating and dining areas - all within a coherent and attractive frame.

In the middle of the square, and elsewhere, columns placed adjacently will offer light and air down to the two-storey car park below ground.

## Important surroundings

The suburban green belt around Fornebu will provide an attractive frame to the group's new building. At the same time, the development of a "high-tech knowledge cluster" at Fornebu will ensure an even stronger base for Telenor's activities.

Telenor has been involved in IT Fornebu since the very beginning, because the company recognises the advantages of creating in Norway one of Europe's most attractive centres of expertise and development.

## Environmental considerations

The development will be marked by the company's determination to contribute to sustainable develop-



ment. The project's environmental programme will ensure that knowledge about the impact on nature, resources, the environment and society are systematically incorporated in planning and implementation of the development at Fornebu. On the basis of this environmental programme, specific criteria have been drawn up to measure its success, requiring for instance that:

- Materials are chosen with consideration for their environmental impact.
- Current use of space is reduced by 40%.
- More than 50% of energy consumption comes from local renewable energy sources (seawater).
- 90% of construction waste is sorted.

Telenor has also decreed tough HSE standards for the project compared to the norm in the building and construction industry. Telenor feels, for example, that the personal injury frequency (F-value) should not exceed five injuries resulting in absence of 1 day or more per million man-hours worked.

## 3D

The new headquarters at Fornebu have already been built - several years before the building is due for completion. An advanced virtual reality model, has for the first time been created of a building project such as this. In the model, it is possible to move around inside and above the building.

The model is continually modified as the project progresses, and acts as a useful aid to design, decision-making and communication.

# Telenor Other Units

## Telenor Eiendom

Telenor Eiendom's main task is to ensure that the Telenor group has use of sufficient premises to enable its primary business activities to be carried out efficiently and at the right cost and with the right level of capital tie-up.

At the year-end, Telenor Eiendom had at its disposal 1,183,000 square metres in around 4,500 buildings. The usage of floor space increased by 4,300 square metres over the year. Of the floor space at its disposal, Telenor owned premises covering a total of 872,000 square metres with a book value of NOK 2,932 million. In 1999, 36 properties were sold, a total of 30,000 square metres.

Telenor's total floor space requirements, particularly for technical activities, continue to fall, albeit at a slower rate than in previous years. This has coincided with an increase in office space rented in Oslo.

During the course of the year, the company's three construction projects at Fornebu, in Bergen and in Trondheim have made good progress and a shared location scheme got underway in Kristiansand, Stavanger, Bodø and Tromsø.

Excavation work has commenced for Telenor's planned new head office at Fornebu and throughout the year several major contracts were awarded. The first building phase of the head office will comprise a total of 136,000 square metres and the second building phase up to 65,000 square metres.

The work on the new development at Kokstad in Bergen is progressing according to plan, and the offices will be ready for use in July 2000. The building will be an extremely modern and flexible office building of 24,000 square metres.

The first building phase at Tyholt in Trondheim was ready for use in autumn 1999 and the next stage of relocation is scheduled for April 2000.

## Teleservice

Teleservice is responsible for Directory Enquiries, telephone conferencing and call centre services. Directory Enquiries is both a manned service through Directory Enquiries 180 (domestic) and 181 (international) and an electronic service through Directory Enquiries Online. Directory Enquiries 180 has a high level of recognition in the market and is marketed as 'the whole of Norway's Directory Enquiry Service', which means that the service contains information

from other Norwegian telecom operators in addition to Telenor. In 1999 the total number of calls to this service increased, while the average call length dropped as a result of the introduction of advanced technology and a new call template.

The company has a subsidiary in Sweden that is a significant player in the Swedish call centre market. At the end of 1999 a letter of intent was signed with VIAG Interkom in Germany for establishing a directory enquiry service, starting in February 2000.

## Telenor Finans AS

During the course of 1999, Telenor Finans AS became the leading IT financing company in Norway. The company underwent strong growth in 1999 and now finances a substantial share of the product range on offer from the Telenor group to customers.

The healthy growth recorded in the company in the home PC market towards the end of 1998 continued in 1999, and Telenor Finans AS signed important financing contracts in this segment with leading players in Norway's private and public sectors.

The company's success is a result of the Telenor group's strategic commitment to becoming the leading supplier of IT services where product mix, delivery, financing and administration form part of an integrated solution. The company has become the Telenor group's natural centre of expertise in the financing and administration of the group's sales of solutions to private businesses (primarily in Norway, but also internationally) as well as to the public sector and private individuals in Norway.

Telenor Finans AS offers the market everything from simple standardised finance packages to project financing of more complex telecommunications and data solutions. The goal is to offer customers the flexibility they need to be able to invest in IT solutions within the framework of the requirements continuously set by technological developments.

The company develops its products and services in close collaboration with the operating companies in the Telenor group and their customers. We demand professionalism and reliability at all levels of the company's operations. Our products and services are thus seen as satisfying the group's requirements for comprehensive, customised and reliable solutions in Norway and internationally.

## Telenor FoU

Telenor Eiendom

Teleservice

Telenor Finans AS

Telenor Forsikring AS

Telenor Inkasso AS

Telenor Venture AS

ND Holding Ltd

Telnor Renhold og Kantine AS

Telenor Svalbard AS

Telenor Innovation AS

Telenor AB

Administrative Units

At the end of 1999, the company had 18 employees. Demand for the company's services is increasing and further growth is expected in 2000.

### **Telenor Forsikring AS**

Telenor Forsikring AS is a wholly-owned subsidiary of Telenor AS and is the group's own insurance company. The company's main object is to secure satisfactory insurance terms and premiums for Telenor's subsidiaries. The company is used when there are obvious advantages to be gained from insuring in our own company rather than externally, depending on the insurance market at any given time. It also makes it possible to insure values that are uninsurable elsewhere.

Insurance is to be regarded as an extension of the group's risk management. Telenor Forsikring AS is to secure efficient management of the Telenor group's considerable risks, both at home and abroad.

1999 was the company's first year of operations with both direct and indirect policies, covering material damage, downtime and transport as well as personnel insurance. The company takes out reinsurance in the international reinsurance market so that the maximum losses that the company itself could incur are known at all times.

### **Telenor Inkasso AS**

Telenor Inkasso AS is responsible for securing professional and efficient handling of customer credit in the volume market, from credit ratings to writing off debts. The company's main areas of operation in this process are TIAS Kredittservice, which provides access to Telenor's default database including credit rating and scoring as services, and TIAS Betalservice once the debt has fallen due for payment.

Telenor Inkasso AS has entered into agreements with most of the Telenor companies and aims to reduce costs for the business areas, as well as providing expertise and added value in debt administration services. The company has the requisite licences, and services the internal market as well as the external market.

### **Telenor Venture AS**

Telenor Venture's objective is to be the driving force behind the development of new profitable business units in the areas of telecommunications and information technology by forging links between industrial sectors and entrepreneurs in the industry. The company's business concept is to contribute to value creation through active ownership in profitable projects and

companies, by providing access to venture capital and networks as well as technological and commercial expertise. The Venture company exploits the opportunities for the commercialisation and industrialisation of product concepts and research that are derived from Telenor's operations outside its core activities. The Telenor group owns 68.22% of the shares in Telenor Venture AS. The other owners are Storebrand Liv AS with 13.70%, Vital Forsikring AS with 10.51%, Gjensidige Livsforsikring AS with 3.52%, Gjensidige Skadeforsikring with 1.51% and the Company's managing director Rune Rinnan with 2.55%. Book equity totalled NOK 434 million at 31 December 1999, against NOK 361 million in 1998.

The company's largest disposal in 1999 was the sale of shares in the listed Swedish company Cell Networks AB (publ.), which gave a gain of NOK 130 million.

Telenor Venture AS receives a substantial influx of ideas from entrepreneurs offering interesting projects.



On 30 December 1999, Telenor Venture AS signed an agreement with TeleVenture Management AS for the management of its portfolio investments. In conjunction with this, all employees and business assets were transferred to TeleVenture Management AS from Telenor Venture AS, which became a fund.

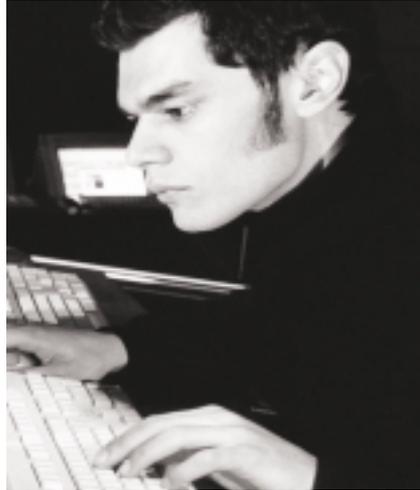
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# Proactive, commercially

Proactive strategies and commercial innovation in relation to the market and the business area: these two factors, combined with advanced technological expertise, have been crucial in allowing Telenor to roll out the world's most advanced terrestrial telecoms network, with the highest percentage of ISDN subscriptions per capita of any country in the world. The group

also has a 70% share of the domestic Internet market. Globally we are among the most competitive players in terms of price, and the third largest player in terms of mobile penetration. In the area of satellite communications, Telenor is the third largest player in Europe, and the group also has a strong foothold in markets for IT products, software and system integration.



innovative



# Elected officers and management

## **CORPORATE ASSEMBLY**

### **Members elected by the shareholders**

Leder: Mona Røkke, Tønsberg  
Nestleder: Gisle Handeland, Fedje  
Brit Seim Jahre, Oslo  
Hilde Kinserdal, Bergen  
Ragnar Klevaas, Bærum  
Anne Cathrine Høeg Rasmussen, Oslo  
Eystein Gjelsvik, Ski  
Björg Simonsen, Rana  
Kristian Zachariassen, Arendal  
Erna Beate Støren, Porsgrunn

### **Alternates elected by the shareholder**

Ove Andersen, Arendal  
Inger-Grethe Solstad, Stavanger

### **Members elected by the employees**

Svein Åge Samuelsen, Trondheim  
Björg Fagnastøl, Bergen  
Anne Bjerk, Sarpsborg  
Irma Ruth Tystad, Trysil  
Jan Riddervold, Lillehammer

### **Alternates elected by the employees**

Arnt-Johann Christensen, Bergen  
Reidunn Wahl, Oslo  
Hildegunn Øvretveit, Bergen  
Per Erik Uthus, Skedsmo  
Helge Enger, Kongsvinger  
Arne Bjørnsen, Notodden  
Wenche Aannestad, Tønsberg  
Arne Jenssen, Trondheim  
Anny Solvik, Oslo  
Helge Nilsen, Skånland  
Brian Anders Gundersen, Asker

### **Observers for the employees**

Karstein Rystad, Bodø  
Ole-Morten Olsen, Steinkjer

## **BOARD OF DIRECTORS**

### **Members elected by the shareholders**

Styreleder: Arnfinn Hofstad, Levanger  
Nestleder: Eivind Reiten, Oslo  
Siri Teigum, Oslo  
Kari Broberg, Østre Toten

### **Members elected by the employees**

Synnøve Lohne-Knudsen, Lunner  
Svein Eivind Solheim, Askvoll  
Anne Sørli, Oslo

### **Alternates elected by the employees**

Harald Stavn, Kongsberg  
Berit Elisabet Kopren, Stavanger  
Ellen Sande, Oslo  
Hans Henning Mikalsen, Tromsø  
Dag Fredriksen, Oslo  
Liv-Ann Steffensen Altunay, Oslo  
Hjørdis Henriksen, Sortland

## **GROUP MANAGEMENT**

President and CEO:  
Tormod Hermansen  
CFO (Chief Financial Officer):  
Torstein Moland  
CTO (Chief Technical Officer):  
Ole Petter Håkonsen  
EVP and head of International Centre:  
Terje Thon  
EVP and head of Telenor Norge:  
Jon Fredrik Baksaas  
EVP and head of Telenor Mobile Communication:  
Arve Johansen  
SVP:  
Gun Bente Johansen  
SVP and head of Telenor Telecom Solutions:  
Jan Edvard Thygesen  
SVP and head of Telenor Internet:  
Morten Lundal  
SVP and head of Telenor Broadband Services:  
Stig Eide Sivertsen  
SVP and head of Bravida:  
Jan Kåre Pedersen  
SVP and head of Telenor Media:  
Peter Darpö

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### **Mobile Communications**

Managing Director Arve Johansen

### **Internet**

Managing Director Morten Lundal

### **Broadband Services**

Managing Director Stig Eide Sivertsen

### **Telecom Solutions**

Managing Director Jan Edvard Thygesen

### **Bravida**

Managing Director Jan Kåre Pedersen

### **Media**

Managing Director Peter Darpö

### **EDB Business Partner ASA**

Managing Director Bjørn Trondsen

### **Auditor**

Arthur Andersen & Co, Oslo  
Price Waterhouse Coopers DA (for Telenor Mobil)

# Glossary and definition of terms

**ADSL:** Asymmetrical Digital Subscriber Line. Mode of transmission which utilises existing copper-cable networks for services that require higher capacity in one direction than in the other, e.g. video-on-demand.

**ASP:** Application Service Provider.

**ATM:** Asynchronous Transfer Mode. ATM is a switching and transmission mode for high-speed services based on dividing the bit-stream into cells of a fixed length (a given number of 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 mobile subscribers and the rest of the telecommunications network.

**Basic subscription:** The basic ISDN subscription (GT) consists of two B channels (64 kbit/s) and one D channel (16 kbit/s).

**Bit/s:** Bits per second (binary digits per second). A unit of information speed when transmitting digital signals.

**Call Centre:** Call Centre services are outsourcing of customer service and switchboard services.

**CRM:** Customer Relations Management.

**CSP:** Communications Service Provider.

**DCS 1800:** European mobile telephone service (equivalent of 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.

**DSMP:** Directory System Multi Platform is a fully integrated directory production system.

**ETSI:** European Telecommunications Standard Institute. Its members include network operators, regulators, manufacturers, research institutes and consumer organisations.

**FMC:** Fixed-Mobile Convergence. Combines services in the fixed and mobile networks.

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

**HSCSD:** High-Speed Circuit Switched Data. Technology for high-speed data transmission in mobile networks.

**ICT:** Information and Communications Technology.

**IN:** Intelligent Network. Telecommunications network in which parts of the software for the services are extracted from the exchanges and put into a few nodes, making it easier to change services as required, and enabling users to be offered customised services.

**INMARSAT:** International Maritime Satellite Organisation. An operator company that establishes and operates satellite systems for maritime land mobile and aeronautical mobile communication.

**INTELSAT:** International Telecommunication Satellite Organisation, which primarily operates intercontinental telecommunications via satellite.

**IP:** Internet Protocol

**ISDN:** Integrated Services Digital Network. Digital network that integrates several types of service: voice, text, data and image. The standard ISDN speed is 64 kbit/s.

**ISDN GT:** The basic ISDN subscription (GT) consists of two B channels (64 kbit/s) and one D channel (16 kbit/s).

**ISDN UT:** Advanced ISDN subscription (UT) (2 Mbit/s, 30 lines).

**ISP:** Internet Service Provider.

**LAN:** Local Area Network. Local network for data transmission, e.g. using Ethernet/Token Ring standard.

**LMDS:** Local Multipoint Distribution System. High-speed radio access system.

**Node:** A connection or switching point in a network.

**ONP:** Open Network Provision. EEA regulations that ensure that customers and competitors are allowed access to specified services with defined interfaces on equal terms and at cost-based prices.

**PSTN:** Public Switched Telephone Network. Name for the conventional analogue telecom network.

**Radio access:** Radio access means that the subscriber is connected to the telecommunications network via radio systems.

**SDH:** Synchronous Digital Hierarchy. Synchronous transmission and multiplex system for telecommunication networks. It operates at speeds of between 155 Mbit/s and (to date) 2.54 Gbit/s.

**SMATV:** Satellite Master Antenna Television.

**UMTS:** Universal Mobile Telecommunications System. Third-generation mobile network.

**VDSL:** Very high-speed Digital Subscriber Line. Mode of transmission which utilises the existing copper cable network for services which require extremely large capacity in one direction or the other.

**VPN:** Virtual Private Network. Business communication service in which geographically dispersed units with PABX and Centrex solutions are connected in a corporate network via switched connections in the public telecommunication network.

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

**WAP:** Wireless Application Protocol. A standard that links GSM and the Internet.

**WDM:** Wavelength Division Multiplexing. Transmission over several wavelengths via optical fibres.

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**Published by:** Telenor AS, Universitetsgt 2, PO Box 6701 St. Olavs plass, Phone: +47 22 77 60 60 Fax: +47 22 77 87 20

**Editorship:** Investor Relations

**Design:** Burson-Marsteller, Production: 4+4 AS

**Photo:** Ole Walter Jacobsen (inside cover, black/white portraits and page 104, 107, 114, 115, 117),

Steven Hunt/Image Bank (page 93), Stuart Hunter/NPS (page 4, 99), John H Hamilton/NPS (page 5, 103)

Bald Headed Pictures/NPS (M) (page 8, 11) D. Noton/NPS (page 74, 76)

Ed Pritchard/Tony Stone Images (page 82, 84) Neil Robinson/Tony Stone Images (page 5, 99)

Chris Thomaidis/Tony Stone Images (page 109) Stuart McClymont/Tony Stone Images (page 89)

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