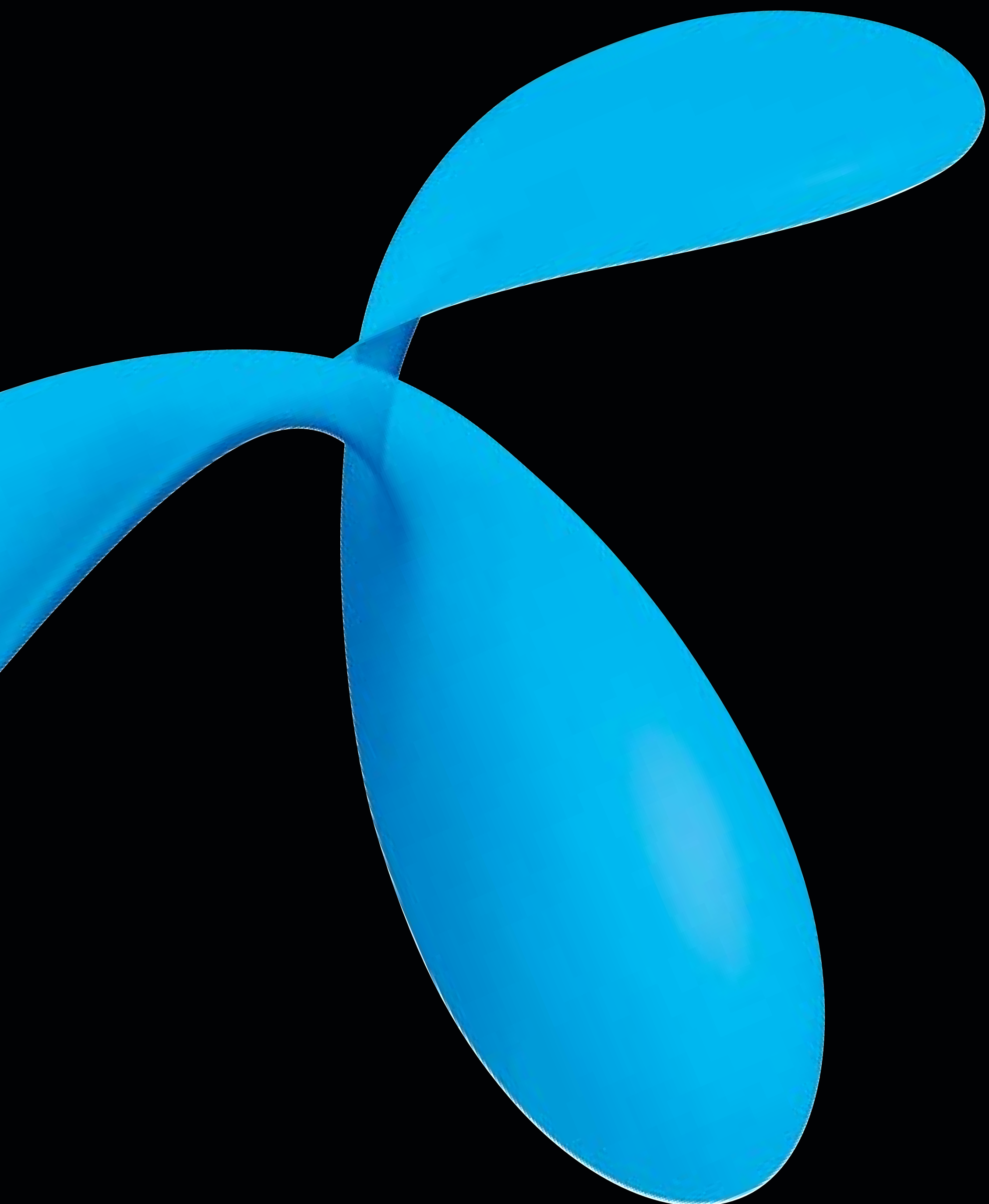
Annual report 2006

2006 was Telenor's best year ever. Our operations generated an overall revenue growth of 37 per cent. At year-end Telenor provided mobile communications to more than 115 million customers in 13 countries. We fully expect the underlying growth to continue in 2007.

telenor

CONTENTS

Telenor aims to reduce its consumption of resources and overall impact on the environment. In an effort to keep paper consumption at a minimum, we limit the scope of our printed annual report. However, we do not limit the amount of information we issue about our company. The Telenor Investor Relations website provides extensive information about the year 2006 and our current activities: **www.telenor.com/ir**



OUR DRIVE FOR CHANGE

2006 was another outstanding year for Telenor. Our operations generated an overall revenue growth of 37 per cent. During the year we added 32 million new mobile subscriptions, and at year-end Telenor provided mobile communications to more than 115 million customers in 13 countries. We fully expect the underlying growth to continue in 2007.

The launch of the new Telenor brand was one of the highlights of 2006. The iconic visual identity has now been adopted by ten operations in eight countries. The new brand is based on our solid platform of vision and values that we developed in 2005. We now observe that the new brand is making us more effective in each local market while it also builds strength at group level.

Our relentless efforts to coordinate activities across national operations enable us to leverage scale and scope as we continue to make the most of our strong local positions. Each team player has different qualities, and as we go forward we will continue to combine local understanding and know-how with the joint strengths that make us a global force in the telecommunications industry.

At our Swedish operation, acquired in 2005, cost levels are now significantly down and successful retention efforts have reduced churn and raised profitability. Once again, we have proven we are capable of turning businesses around fast. On 1 September 2006, we completed the acquisition of Serbia's number-two mobile operator. In a matter of weeks the operation was re-branded, relocated to new premises, and a dedicated new management was in place.

In 2006, we took further steps to bring value added services to new customers, including the financially constrained. In Bangladesh, where only a small percentage of the population enjoys access to regular banking, Grameenphone's BillPay allows customers to pay their electricity bills using mobile technology. Also, the interactive HealthLine service enables customers in Bangladesh to consult licensed physicians about any health-related issue over the mobile phone. This service was awarded "Best use of Mobile for Social and Economic Development" at this year's 3GSM conference in Barcelona.

New technology brings opportunities as well as challenges. The migration from traditional fixed-line to voice over IP and mobile will accelerate. We are confident that the mobile phone will be the main communication enabler in the future. We are working hard to empower customers – enabling them to perform previously time-consuming tasks quickly and efficiently on their mobiles. To be successful, we must not only stay abreast of developments; we must understand what people really want and drive the changes ourselves.

Jon Fredrik Baksaas
President and CEO

REPORT OF THE BOARD OF DIRECTORS

Telenor commands a strong financial position, and the Group delivered its best result ever in 2006. This strong performance was the result of rapid growth in Telenor's international mobile business and targeted efforts to strengthen its position in the Nordic market. The Company exceeded 115 million mobile subscriptions during the year, confirming its position as a leading international mobile operator.

Subsidiaries of Alfa Group (Storm and Alpren) have taken legal action in Ukraine to have Kyivstar's choice of auditor disallowed. To date, this has resulted in temporary injunctions preventing Kyivstar from sharing financial information with its auditor and shareholders. As far as Telenor's consolidated annual financial statements are concerned, this means that the results from Kyivstar are based on estimates. Although Telenor contests the decisions preventing Kyivstar from providing financial information to its auditor and shareholders, the Board has decided to deconsolidate Kyivstar temporarily with effect from 29 December 2006, as the prevailing conditions prevent Telenor from controlling or exercising significant influence over Kyivstar. Management is working hard to have these temporary injunctions lifted.

Telenor is changing. A growing percentage of the Group's earnings is generated by operations outside the Nordic region. In 2006, the Board continued to pursue the adopted strategy of developing Telenor as an international mobile operator with a strong growth profile. Telenor has also retained its leading position in the Nordic region with respect to both mobile and broadband services as well as TV distribution.

In the Telenor model, each company builds local competitiveness through cooperation and competence-sharing between operations, countries and regions. A common management structure has been introduced for the Group's mobile operations. In February 2006, the Telenor Group presented its new logo and common visual profile. This makes Telenor a more powerful industry player and enables the Company to stand out from the growing international competition. Most of Telenor's operations have now introduced the new logo, while local brand names have been retained. The new logo is a symbol of Telenor changing and signals the ongoing effort to strengthen customer focus in every part of the business. It also contributes to profiling Telenor as a group of companies.

Telenor saw very strong customer growth within mobile in 2006, and is currently the world's 12th largest mobile operator. The number of mobile subscriptions within companies in which Telenor has ownership interests grew by 32 million to 115 million during the year. Total revenues grew by 37%, driven primarily by the international mobile operations' strong customer growth. The Board has evaluated new markets and mobile operations in regions where Telenor is already represented, with the aim of maintaining the Group's growth profile. Telenor acquired the mobile operations Vodafone Sweden and Mobi63 in Serbia, both of which have changed their brand to Telenor and introduced the Group's new visual profile and logo.

In the Nordic operations, efforts have been focused on creating a customer-oriented business and on improving cash flow and earnings. The Nordic markets were driven by the migration of voice traffic from traditional fixed-line telephony to mobile and broadband telephony. In the Norwegian market, Telenor focused on retaining its market share in mobile and broadband, and on increasing its market share in broadband telephony. At year-end, Telenor had 55% of the mobile market and 57% of the broadband market, which is comparable with the situation at the end of 2005. In June, Telenor launched second-generation broadband (ADSL 2+) in Norway. Telenor became market leader in broadband telephony in 2006, with a market share of 28% at year-end. The Norwegian fixed-line operation is generating decreasing revenues. Constant efforts to reduce costs are undertaken to stabilise the annual cash flow in the fixed-line operation.

In the Swedish market, Telenor looked to strengthen its mobile operation through the acquisition of Vodafone. With the takeover of broadband provider Glocalnet in February 2006, Telenor also gained a stronger presence in the Swedish broadband market. With its position in the low-cost segment, Glocalnet is a good supplement to Bredbandsbolaget. Telenor now offers broadband services to all market segments.

In Denmark, work on coordinating the mobile operation Sonofon and the broadband operation Cybercity continued, and a common transmission network for use by both operations was completed. Sonofon opened its UMTS network for commercial use in September, nine months after it was awarded a UMTS licence.

Broadcast retained its leading position in the Nordic market for distribution of TV services in 2006. Through a jointly-owned company – Norges televisjon (NTV) – Telenor, TV2 Gruppen and the Norwegian Broadcasting Corporation were awarded a licence in June 2006 for development and operation of a digital TV terrestrial network in Norway. Norkring will be responsible for developing the transmitter network, and the outphasing of the analogue network will commence in autumn 2007.

The Board endeavours to simplify the Company's organisation in order to strengthen its core business. In 2006, Telenor opened a regional office in Bangkok for its Asian operations, entered into an agreement for the sale of Telenor Satellite Services, and sold its minority interests in Bravida and Inmarsat. Telenor also stepped up its research and innovation efforts during the year. The R&D (Research and Development) and New Business departments were brought together under a single management team and renamed R&I (Research and Innovation). In January 2006, Telenor opened a new research and innovation centre in Malaysia in order to gain market expertise in Asia and boost the competitiveness of Telenor's mobile operations.

Telenor's shares are listed on the Oslo Stock Exchange and Nasdaq, and were among the most heavily traded shares in Oslo in 2006. The share price climbed 76% during the year, which is more than the average for the sector and the OSE Benchmark Index. The Dow Jones European Telecom Index gained 16% in 2006, while the OSE Benchmark gained 32%. Telenor's share price was NOK 117.25 on 31 December 2006, which corresponds to a market value of NOK 197 billion.

At year-end 2006, Telenor's share capital was NOK 10.1 billion, divided into 1,680,274,570 shares held by 40,253 shareholders. The ten largest shareholders held 71.1% of the shares in issue. Telenor ASA shall create value for its shareholders. Given Telenor's financial position and anticipated capital needs, it is Telenor's policy to pay an annual dividend to shareholders of 40–60% of normalised annual profits. The Company's aims to generate relatively stable growth in annual ordinary dividend per share.

The Board proposes to the AGM that a dividend of NOK 2.50 per share be paid for the 2006 financial year, against NOK 2.00 per share for 2005. The dividend will be approved by the AGM on 15 May 2007, and will be paid on 29 May 2007 to shareholders in the company. As from Wednesday 16 May, Telenor shares will be quoted ex-dividend on the Oslo Stock Exchange.

Telenor was active in channelling information to the financial markets and shareholders in 2006, thus ensuring that all significant information material required for an external evaluation of the Company was published in accordance with applicable rules and guidelines.

The Board kept a close eye on the Company's strategic work during 2006. The Board also paid particular attention to monitoring performance, initiatives to reduce costs, internal controls and investment-related issues. Previous investments were followed up through separate evaluation reports.

RESULTS

Telenor's net income in 2006 was NOK 15,920 million, corresponding to NOK 9.44 per share. The corresponding figures for 2005 were NOK 7,646 million and NOK 4.47 per share. Net income was positively affected by a tax receipt of NOK 2.4 billion and sales gains of around NOK 2.3 billion.

In 2006, profit before taxes and minority interests was NOK 21,528 million, compared to NOK 12,319 million in 2005. The 2006 figure was positively affected by special items (gains and losses on disposals, costs related to workforce reductions, loss contracts and write-downs) amounting to NOK 1.8 billion. In 2005, special items had an adverse effect on profit before taxes and minority interests of NOK 0.5 billion. Excluding special items, profit before taxes and minority interests grew by NOK 6.9 billion to NOK 19.7 billion in 2006. The increase was largely related to the growth in revenues in 2006 and the effects of acquisitions made in 2005 and 2006. DTAC was consolidated from November 2005, while Vodafone Sweden and Mobi63 were consolidated from January and September 2006, respectively.

Operating profit in 2006 was NOK 17.7 billion, compared to NOK 11.4 billion in 2005.

Cash flow from operating activities grew by NOK 8.3 billion in 2005 to NOK 30.6 billion in 2006. The increase is related to the growth in operating revenues and the acquisition of Vodafone Sweden and Mobi63 in Serbia. In 2006, Telenor's total investments amounted to NOK 41.2 billion, of which NOK 22.1 billion was investments in businesses. Capital expenditure increased by NOK 2.6 billion to NOK 19.0 billion. The increase was due largely to extensive network rollout in the international mobile operations in order to meet strong customer growth.

At year-end 2006, Telenor's total assets amounted to NOK 148.4 billion, and the equity ratio (including minority interests) was 42.3%, compared to NOK 124.3 billion and 43.1%, respectively, at year-end 2005. Net interest-bearing liabilities were NOK 43.3 billion, which represents an increase of NOK 12.4 billion during the year, caused by high levels of capital expenditure and new acquisitions. The Board is of the opinion that Telenor's financial position is satisfactory.

Pursuant to section 3-3 of the Norwegian Accounting Act, we confirm that the financial statements have been prepared on a going concern basis.

TELENOR'S OPERATIONS

Mobile Operations

Revenue growth was high in 2006, driven primarily by growth in subscriptions and usage in emerging markets. Grameenphone in Bangladesh and Kyivstar in Ukraine saw a revenue growth of 45% and 51%, respectively. In mature markets, Telenor Mobile in Norway generated a growth of 7% in 2006, against 4% in 2005, while Sonofon in Denmark posted a growth of 8% in 2006.

All mobile operations increased their operating profit in 2006, with the exception of a slight decrease for the Swedish operation.

Fixed

Total revenues grew by 3% in 2006, due largely to the acquisition of operations in Sweden and Denmark in July 2005. The Norwegian operation generated decreasing revenues as a result of reduced revenues from telephony. The Swedish and Danish operations generated good growth in 2006, driven by growth in broadband customers.

Operating profit increased by NOK 0.9 billion in 2006, due mainly to write-downs undertaken in 2005.

Broadcast

Total revenues grew by 12% in 2006, as a result of subscriber growth. Operating profit was NOK 966 million, against NOK 1,015 million in 2005. The decrease was due to increased costs relating to new content rights, and to costs relating to the introduction of HDTV.

Other Units

Total revenues grew by NOK 668 million to NOK 8,274 million in 2006, due primarily to acquisitions at EDB Business Partner.

ALLOCATIONS

Following the receipt of group contributions of NOK 1,500 million, Telenor ASA generated a net profit for the year of NOK 2,796 million. The Board proposes the following allocation:

Transferred to retained earnings: NOK 2,796 million

Following this allocation, Telenor ASA's distributable equity was NOK 18,515 million on 31 December 2006.

At the AGM, the Board will propose a dividend for 2006 of NOK 2.50 per share to be paid out in 2007. In total, the proposed dividend will amount to NOK 4.2 billion.

NON-FINANCIAL INFORMATION

Health, environment and safety (HES)

In 2006, Telenor again worked proactively and systematically to ensure continuous improvements in the working environment at all levels in the Group. Special attention was given to absence due to illness and rehabilitation, ergonomics, personal safety and crisis management.

A total of 34 HES reviews were carried out, including 19 in the Norwegian part of the business, as part of the follow-up of these areas in the Group's operations. During the year, 538 employees took part in HES training programmes, including 282 in the Norwegian part of the business.

Absence due to illness in the Norwegian part of Telenor's operation was 4.70%, an increase of 0.17 percentage points from 2005. At the other companies abroad, sickness absence ranged from 0.5% to 2.9%. A total of 35 injuries resulting in absence from work, none of them serious, were registered in 2006. A further 14 injuries which did not involve any absence from work and 11 near-accidents were also registered. The corresponding figures for the Norwegian part of the business were ten injuries involving absence, five other injuries and six near-accidents.

In April 2003, together with a number of other major enterprises in Norway, Telenor entered into an agreement relating to a more inclusive working life. The purpose of this agreement is to reduce the extent of absence due to illness, ensure better adaptation of working conditions for employees with special needs, and increase the actual retirement age within the Group. Telenor has renewed the agreement for the period 2006–2009.

External environment

Telenor is taking active steps to reduce the Group's environmental impact, with a special focus on energy consumption, travel and installations.

Telenor's environmental accounts show total energy consumption, excluding transport, of 1,040 GWh in 2006. Of this, 490 GWh was related to the management of buildings and facilities and 550 GWh to network operation. Energy consumption, excluding transport, per man-year was 40,000 kWh. Additionally, there was energy consumption related to transport and business travel of 180 GWh. Emissions of CO2 from Telenor's stationary activities totalled 9,000 tons. Business travel generated an additional 45,000 tons.

In 2006, an environmental bonus scheme was introduced for employees with company cars. This is an incentive scheme which rewards those who choose cars with low emissions, and more than half of those choosing a new company car in Telenor's Norwegian operations have made use of the scheme.

Corporate responsibility

Telenor's activities and commitment to ethics, the environment and society – our corporate responsibility – resulted in an even stronger position among the world's top performers in 2006 according to Dow Jones Sustainability Indexes, which ranked Telenor as the number two mobile operator.

Diversity and equal opportunities

Telenor is keen to promote diversity and has achieved good results in this area. Our work on diversity includes women, ethnic minorities, older people and those with disabilities.

Telenor has developed requirements for diversity in both recruitment and our management development programmes. We believe that a good balance between work and private life is becoming increasingly important for today's talents and managers, male and female. In Norway, Telenor's Handicapped Programme is pioneering in it's securement of employment for the disabled.

Experience from this programme will also help support Telenor's work to increase the proportion of employees from different ethnic backgrounds.

Equal opportunities statistics show that, in the Norwegian part of the Group's operations, women accounted for 40% of the overall workforce and 27% of managerial staff. In both cases, this represents an increase of three percentage points from 2005. Telenor ASA's Board of Directors consisted of 40% women and 60% men in 2006. Based on the principles for equal opportunities adopted by the Board, steps have been taken to improve the composition of the boards of the Group's companies in terms of both gender and competence. All representatives appointed to Telenor's various boards are offered training in board work.

Competence and training

Telenor recognises the importance of attracting and retaining talented and motivated managers and other employees who display a strong passion for business in line with Telenor's Codes of Conduct and who are capable of motivating their colleagues to give their best. Two global processes – Telenor Development Process (TDP) and Internal Value Creation (IVC) – were developed further in 2006. TDP is a tool for systematic evaluation, development and remuneration of employees, while IVC measures the capacity of both the individual and the organisation to create value for customers.

ORGANISATION AND PERSONNEL

At the end of 2006, Telenor had 35,600 employees (34,350 man-years), of whom 11,100 were employed in Norway and 24,500 abroad. This is an increase of 7,100 employees since the end of 2005. The increase in the number of employees is due primarily to strong growth in our international operations and significant acquisitions in Sweden and Serbia.

At the beginning of 2005, Telenor adjusted its organisational structure with the aim of reinforcing and developing its activities in the Nordic region and ensuring continued international growth in the mobile market. In order to simplify and strengthen its position in the Nordic market, Telenor established a separate management area for mobile and fixed-line services in the Nordic region with effect from 26 January 2005. At the beginning of 2006, the international mobile business was split into two regional areas of responsibility: one for Asia and one for Central and Eastern Europe. The heads of each regional area are members of Telenor's Group Management.

Based on the Group's strategy for long-term industrial development, Telenor has given greater priority to the process of extracting synergies and developing its mobile operations across the Group through the Global Coordination programme. In view of the great importance of this work, the head of Global Coordination joined the Group Management at the outset of 2006.

It is also important to Telenor that each operation builds up local competitive strength through cooperation and exchange of competence between companies, countries and regions. To provide the necessary support for this work, the head of Human Resources also joined the Group Management in 2006.

REGULATORY ASPECTS

Telenor's companies operate in compliance with the regulatory conditions that apply to the Group in individual markets, both within and outside Norway. The development of equal and fair competition is a key challenge for authorities in all countries, and Telenor seeks to play an active role in the development of robustly competitive markets.

At the same time, changing regulatory conditions and market intervention could potentially affect Telenor's revenues and profitability, and thus represent a regulatory risk.

The authorities are very interested in the telecoms sector, both with a view to influencing the structure of the industry and as a source of taxation. We are now seeing a growing interest in security issues in all our markets, and requirements for storage of data and registration of customers are introduced in more and more countries.

In 2002, the EU introduced a new regulatory framework. We are now seeing the full effect of its implementation in our European markets. In Norway, the authorities have adopted new prices for key access products in the fixed-line and mobile networks. In the Norwegian mobile market, Telenor operates under different terms than those imposed on smaller operators. This practice is different from that in other markets where we are present, which are moving towards equal terms for all operators, partly by making interconnect prices symmetrical.

All of our Asian markets are enjoying very strong growth, and the sector will attract increased attention from the authorities. This may lead to greater regulation, for example when it comes to universal service obligations in Norway, mobile number portability and the regulation of interconnections. Several of our Asian markets have allocated, or are about to allocate, 3G spectrum.

RISK FACTORS

Telenor's activities are exposed to a number of commercial, operational, regulatory, legal, financial and political risks. If Telenor's growth strategy in emerging markets in Central and Eastern Europe as well as Asia is to be successful and inspire the necessary confidence among shareholders and investors, then risk assessments and risk management must form part of the Group's core expertise. Work on this was stepped up in 2006 through the creation of a dedicated Risk Manager function in the Group.

From the Board's perspective, it is important that the Group and its operations take the necessary steps to manage and reduce risk factors, thereby ensuring that the overall risk is always kept within acceptable commercial limits.

Risk factors of this kind are thoroughly assessed by the Board and Management in connection with new investments, and they are an ongoing consideration in relation to existing investments. The Group has gradually acquired considerable practical experience in the establishment and operation of activities in economically less-developed areas. Combined with a broad network of contacts, including authorities at home and abroad, the Board believes that this provides a sound basis for undertaking proper risk assessments. The Group has also carried out systematic reviews and evaluations of the Company's investments in order to assess the development of individual activities in light of an updated risk scenario.

Telenor has sought to balance the risk associated with its investments outside Norway by dividing its portfolio between mature and emerging markets.

Telenor is exposed to financial market risks related to changes in interest and exchange rates. Financial instruments are used to hedge against risks of this kind. The Group has taken the necessary steps to maintain adequate financial flexibility.

CORPORATE GOVERNANCE

The Board places great emphasis on maintaining good corporate governance in all parts of Telenor, in line with Norwegian and international rules and recommendations. For further information on corporate governance, please refer to Telenor's website.

COMPOSITION AND WORK OF THE BOARD

Telenor's Board of Directors has a diverse composition and competence tailored to the Company's needs. None of the members of the Board, other than those elected by Telenor's employees, are employed by the Company or have performed services for Telenor. The Board's work complies with Telenor's Instructions for Board Members and applicable guidelines and procedures. The Board has also performed a self-assessment of its activities and competence. A total of 11 Board meetings were held in 2006.

OUTLOOK FOR 2007

This outlook for 2007 is based on the current organisational structure and assumes that Kyivstar is not consolidated in 2007:

- We expect reported revenues to be 0–5% higher than in 2006.
- We expect the EBITDA margin before other income and expenses to be around 32%.
- We expect capital expenditure to amount to around 20% of revenues in 2007, due largely to customer growth in our international mobile operations.
- The effects of the implementation of an interconnect regime in Thailand, in terms of both timing and scope, are the greatest source of uncertainty in the outlook for 2007.
- A growing share of Telenor's operating revenues and earnings are being generated by operations outside Norway. Fluctuations in exchange rates may increasingly affect the figures reported in NOK. Political risks, including regulatory conditions, may also affect earnings, and we anticipate seasonal variations from quarter to quarter.

Fornebu, 28 March 2007

Thorleif Enger
Chairman of the Board of Directors

Bjørg Ven
Vice-chairman of the Board of Directors

Hanne de Mora
Board member

Jørgen Lindegaard
Board member

Liselott Kilaas
Board member

John Giverholt
Board member

Harald Stavn
Board member

Per Gunnar Salomonsen
Board member

Irma Tystad
Board member

Paul Bergqvist
Board member

Jon Fredrik Baksaas
President & CEO

CONSOLIDATED INCOME STATEMENT

Telenor Group 1 January – 31 December

NOK in millions, except per share amounts	Note	2006 Unaudited Group	2006 Unaudited Kyivstar	2006 Group excl. Kyivstar	2005	2004
Revenues	2	91 077	10 956	80 121	66 566	58 265
Operating expenses						
Costs of materials and traffic charges	4	22 605	1 466	21 139	16 432	14 710
Own work capitalized	5	(611)	(14)	(597)	(704)	(557)
Salaries and personnel costs	6, 7	11 738	569	11 169	9 917	9 659
Other operating expenses	8	24 353	2 405	21 948	17 391	13 644
Other (income) and expenses	9	305	14	291	228	(158)
Depreciation and amortization	15	14 721	1 585	13 136	11 281	10 366
Write-downs	15, 17	258	31	227	583	3 527
Operating profit		**17 708**	**4 900**	**12 808**	11 438	7 074
Associated companies	18	2 353	-	2 353	1 227	975
Financial income and expenses						
Financial income		903	146	757	440	455
Financial expenses		(2 306)	(312)	(1 994)	(1 636)	(1 558)
Net currency gains (losses)		(301)	3	(304)	89	(84)
Change in fair value of financial instruments		1 293	(31)	1 324	243	-
Net gains (losses and write-downs) of financial items		1 878	-	1 878	518	2 673
Net financial items	13	**1 467**	**(194)**	**1 661**	(346)	1 486
Profit before taxes		**21 528**	**4 706**	**16 822**	12 319	9 535
Taxes	14	(3 148)	(1 266)	(1 882)	(3 370)	(2 371)
Profit from continuing operations		**18 380**	**3 440**	**14 940**	8 949	7 164
Profit (loss) from discontinued operations	36	155	-	155	185	249
Profit from total operations		**18 535**	**3 440**	**15 095**	9 134	7 413
Attributable to:						
Non-controlling interests (Minority interests)		**2 615**	**1 518**	**1 097**	1 488	1 320
Equity holders of Telenor ASA (Net income)		**15 920**	**1 922**	**13 998**	7 646	6 093
Earnings per share in NOK						
From continuing operations						
Basic	25	9.35	1.14	8.21	4.36	3.34
Diluted	25	9.35	1.14	8.21	4.36	3.34
From total operations						
Basic	25	9.44	1.14	8.30	4.47	3.49
Diluted	25	9.44	1.14	8.30	4.47	3.48

CONSOLIDATED BALANCE SHEET

Telenor Group as of 31 December			
NOK in millions	Note	2006	2005
Assets			
Deferred tax assets	14	**1 848**	3 052
Goodwill	16	**30 583**	20 700
Intangible assets	16	**27 331**	21 245
Property, plant and equipment	16	**46 093**	43 958
Associated companies	18	**8 826**	7 424
Investment in Kyivstar (unaudited)	37	**4 759**	-
Financial non-current assets	20	**3 068**	2 129
Total non-current assets		**122 508**	98 508
Current tax assets		**18**	110
Inventories		**1 053**	695
Trade and other receivables	19	**16 924**	13 852
Other financial current assets	20	**1 126**	3 619
Assets classified as held for sale	36	**2 119**	667
Cash and cash equivalents	29	**4 628**	6 806
Total current assets		**25 868**	25 749
Total assets		**148 376**	124 257
Equity and liabilities			
Equity attributable to equity holders of Telenor ASA		**57 993**	46 399
Non-controlling interests (Minority interests)		**4 735**	7 134
Total equity		**62 728**	53 533
Liabilities			
Non-current interest-bearing financial liabilities	22	**39 509**	27 139
Non-current non-interest-bearing financial liabilities		**702**	580
Deferred tax liabilities	14	**4 305**	2 669
Provisions etc.	21	**3 339**	3 230
Total non-current liabilities		**47 855**	33 618
Current interest-bearing financial liabilities	22	**9 952**	11 908
Trade and other payables	24	**22 726**	20 931
Current tax liabilities		**2 024**	853
Current non-interest-bearing financial liabilities	24	**1 503**	2 210
Liabilities classified as held for sale	36	**722**	287
Provisions etc.	21	**866**	917
Total current liabilities		**37 793**	37 106
Total equity and liabilities		**148 376**	124 257

Fornebu, 28 March 2007

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Board member

Irma Tystad
Board member

Paul Bergqvist
Board member

Jon Fredrik Baksaas
President & CEO

CONSOLIDATED CASH FLOW STATEMENT

Telenor Group 1 January – 31 December

NOK in millions	Note	2006 Unaudited Group	2006 Unaudited Kyivstar	2006 Group excl. Kyivstar	2005	2004
Proceeds from sale of goods and services		92 956	11 340	81 616	69 853	61 107
Payments to suppliers of goods and services and of other operating expenses		(48 610)	(3 872)	(44 738)	(35 461)	(30 639)
Payments to employees, pensions, social security tax and tax deductions		(11 864)	(541)	(11 323)	(9 635)	(9 280)
Proceeds from interest income		868	136	732	347	323
Proceeds from other financial income		226	-	226	162	590
Payments of interest expenses		(2 524)	(219)	(2 305)	(1 563)	(1 361)
Payments of other financial expenses		(131)	(9)	(122)	(49)	(67)
Other proceeds and payments related to operating activities		(91)	31	(122)	4	(22)
Payment of income taxes and public duties		(189)	(1 115)	926	(1 318)	(1 660)
Net cash flow from operating activities [1]		**30 641**	**5 751**	**24 890**	22 340	18 991
Proceeds from sale of property, plant and equipment (PPE) and intangible assets		134	-	134	539	263
Purchases of PPE and intangible assets		(19 224)	(3 631)	(15 593)	(14 213)	(11 613)
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed of	29	1 037	-	1 037	740	849
Purchases of subsidiaries and associated companies, net of cash acquired	29	(21 964)	-	(21 964)	(8 128)	(6 281)
Proceeds from sale of other investments		3 810	-	3 810	1 539	3 960
Payments for other investments		(288)	-	(288)	(475)	(209)
Net cash flow from investment activities		**(36 495)**	**(3 631)**	**(32 864)**	**(19 998)**	**(13 031)**
Proceeds from borrowings		48 643	-	48 643	11 775	2 541
Repayments of borrowings		(36 065)	-	(36 065)	(7 600)	(6 852)
Proceeds from issuance of shares, inclusive from minority interests		110	-	110	74	47
Shares buy back		(953)	-	(953)	(2 267)	(2 020)
Repayment of equity and dividends paid to minorities in subsidiaries		(976)	-	(976)	(219)	(207)
Dividends paid to shareholders of Telenor ASA		(3 389)	-	(3 389)	(2 595)	(1 764)
Net cash flow from financing activities		**7 370**	**-**	**7 370**	**(832)**	**(8 255)**
Effects of exchange rate changes on cash and cash equivalents		(179)	(145)	(34)	215	(268)
Reclassified cash and cash equivalents to Investment in Kyivstar		(3 221)	-	-	-	-
Net change in cash and cash equivalents		**(1 884)**	**1 975**	**(638)**	**1 725**	**(2 563)**
Cash and cash equivalents at 1 January		6 806	1 246	5 560	5 081	7 644
Cash and cash equivalents at 31 December		**4 922**	**-**	**4 922**	**6 806**	**5 081**
Of which cash and cash equivalents in discontinued operations at 31 December		294	-	294	-	-
Cash and cash equivalents in continuing operations at 31 December	29	4 628	-	4 628	6 806	5 081
[1] Reconciliation						
Profit before taxes including profit from discontinued operations		**21 764**	**4 706**	**17 058**	12 591	9 874
Income taxes paid		(357)	(1 148)	791	(1 369)	(1 516)
Net (gain) loss including write-downs and change in fair value of financial items		(3 277)	45	(3 322)	(929)	(3 161)
Depreciation, amortization and write-downs		15 241	1 616	13 625	12 131	14 168
Associated companies		(2 362)	-	(2 362)	(1 233)	(986)
Changes in inventories		(363)	38	(401)	(37)	(79)
Changes in trade accounts receivable and prepayments from customers		(519)	391	(910)	1 659	95
Changes in trade accounts payable and prepaid expenses		203	(70)	273	407	237
Difference between expensed and paid pensions		(166)	-	(166)	211	267
Currency (gains) losses not relating to operating activities		219	(3)	222	(18)	57
Change in other accruals		258	176	82	(1 073)	35
Net cash flow from operating activities		**30 641**	**5 751**	**24 890**	22 340	18 991

The statement includes cash flows from discontinued operations prior to their disposal. Value added tax is regarded as collection of tax on behalf of the authorities and reported net. Received dividends are included in line item "Proceeds from other financial income".

The cash and cash equivalents in Kyivstar at the time of deconsolidation were reclassified to the balance sheet line item Investment in Kyivstar. Hence the cash and cash equivalents of Kyivstar are not included in the closing balance of cash and cash equivalents in any of the three 2006 columns. In the cash flow statement this reclassification is reflected in the column "Unaudited Group". As a consequence the amounts reported as net change in cash and cash equivalents in the two columns "Unaudited Kyivstar" and "Group excl. Kyivstar" do not add up to the corresponding amount reported in the column "Unaudited Group".

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Telenor Group for the years ended 31 December 2004, 2005 and 2006							
	Attributable to equity holders of Telenor ASA						
NOK in millions	Total paid capital *)	Other reserves *)	Retained earnings	Cumulative translation differences *)	Total	Minority interest	Total equity
Balance as of 1 January 2004 – Restated according to IFRS	29 311	(732)	9 084	–	37 663	3 420	41 083
Translation differences	–	–	–	(321)	(321)	(419)	(740)
Business combinations and increased ownership interests in subsidiaries	–	871	–	–	871	–	871
Equity adjustments in associated companies	–	62	–	–	62	–	62
Tax on items taken directly to or transferred from equity	–	(253)	–	(284)	(537)	–	(537)
Net income (loss) recognized directly in equity	**–**	**680**	**–**	**(605)**	**75**	**(419)**	**(344)**
Profit for the year 2004	–	–	6 093	–	6 093	1 320	7 413
Total recognized income and expense for the period	**–**	**680**	**6 093**	**(605)**	**6 168**	**901**	**7 069**
Dividends	–	–	(1 764)	–	(1 764)	(373)	(2 137)
Share buy back	(2 020)	–	–	–	(2 020)	–	(2 020)
Sale of shares, share issue, and share options to employees	59	16	–	–	75	3	78
Transactions with minorities in subsidiaries	–	–	–	–	–	(5)	(5)
Balance as of 31 December 2004	**27 350**	**(36)**	**13 413**	**(605)**	**40 122**	**3 946**	**44 068**
Total changes in accounting policy (IAS 32 and 39)	–	661	(208)	–	453	8	461
Balance as of 1 January 2005	**27 350**	**625**	**13 205**	**(605)**	**40 575**	**3 954**	**44 529**
Translation differences	–	–	–	525	525	441	966
Business combinations and increased ownership interests in subsidiaries	–	1 829	–	–	1 829	–	1 829
Available-for-sale investment	–	1 052	–	–	1 052	(4)	1 048
Cash flow hedges	–	24	–	–	24	3	27
Equity adjustments in associated companies	–	1	–	–	1	–	1
Tax on items taken directly to or transferred from equity	–	(459)	–	(12)	(471)	(1)	(472)
Net income (loss) recognized directly in equity	**–**	**2 447**	**–**	**513**	**2 960**	**439**	**3 399**
Profit for the year 2005	–	–	7 646	–	7 646	1 488	9 134
Total recognized income and expense for the period	**–**	**2 447**	**7 646**	**513**	**10 606**	**1 927**	**12 533**
Dividends	–	–	(2 595)	–	(2 595)	(171)	(2 766)
Share buy back	(2 267)	–	–	–	(2 267)	–	(2 267)
Sale of shares, share issue, and share options to employees	74	6	–	–	80	5	85
Transactions with minorities in subsidiaries	–	–	–	–	–	1 419	1 419
Balance as of 31 December 2005	**25 157**	**3 078**	**18 256**	**(92)**	**46 399**	**7 134**	**53 533**
Translation differences	–	–	–	1 672	1 672	(204)	1 468
Business combinations and increased ownership interests in subsidiaries	–	(25)	–	–	(25)	–	(25)
Available-for-sale investments:							
– Valuation gains (losses) taken to equity	–	53	–	–	53	2	55
– Transferred to profit or loss on sale	–	(1 794)	–	–	(1 794)	(8)	(1 802)
Cash flow hedges:							
– Valuation gains (losses) taken to equity	–	(37)	–	–	(37)	(11)	(48)
– Transferred to profit or loss for the period	–	(1)	–	–	(1)	–	(1)
Tax on items taken directly to or transferred from equity	–	(8)	–	31	23	3	26
Net income (loss) recognized directly in equity	**–**	**(1 812)**	**–**	**1 703**	**(109)**	**(218)**	**(327)**
Profit for the period excl. Kyivstar	–	–	13 998	–	13 998	1 097	15 095
Profit from Kyivstar [1]	–	–	1 922	–	1 922	1 518	3 440
Total recognized income and expense for the period [1]	**–**	**(1 812)**	**15 920**	**1 703**	**15 811**	**2 397**	**18 208**
Dividends	–	–	(3 389)	–	(3 389)	(287)	(3 676)
Share buy back	(901)	–	–	–	(901)	(28)	(929)
Sale of shares, share issue, and share options to employees	104	11	–	–	115	15	130
Equity adjustments in associated companies	–	(42)	–	–	(42)	–	(42)
Transactions with minorities in subsidiaries	–	–	–	–	–	(844)	(844)
Reclassified to investment in Kyivstar [1]	–	–	–	–	–	(3 652)	(3 652)
Balance as of 31 December 2006	**24 360**	**1 235**	**30 787**	**1 611**	**57 993**	**4 735**	**62 728**

[1] Unaudited

*) See note 35

Dividends	2006	2005
Dividend per share in NOK – paid	**2.00**	1.50
Dividend per share in NOK – proposed by the Board of Directors	**2.50**	2.00

Total dividends of NOK 3,389 million and NOK 2,595 million was paid in June 2006 and June 2005, respectively.

In respect of 2006, the directors propose that a dividend of NOK 2.50 per share will be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 15 May 2007, which is the date of the Annual General Meeting. The total estimated dividend to be paid is NOK 4.2 billion.

Equity available for distribution as dividends from Telenor ASA was NOK 18,515 million as of 31 December 2006.

NON-CONTROLLING (MINORITY) INTERESTS

NOK in millions	Minority share in % 31.12.06	Minority part of net income (loss) 2006	Minority part of net income (loss) 2005	Minority part of net income (loss) 2004	Minority interests in the balance sheet 31.12.06	Minority interests in the balance sheet 31.12.05
Kyivstar GSM JSC,	43.5	1 518 [1]	827	588	-	2 348
DiGi bhd	39.0	537	288	187	1 274	1 645
Grameenphone Ltd.	38.0	372	219	410	891	648
DTAC/UCOM	22.3/10.6	195	42	-	1 444	1 345
EDB Business Partner ASA	48.5	73	89	111	873	856
Telenor Venture IV AS	49.0	(24)	5	-	131	155
Other	-	(56)	18	24	122	137
Total		**2 615 [1]**	**1 488**	**1 320**	**4 735**	**7 134**
Total excluding Kyivstar		**1 097**				

[1] Unaudited

As of 29 December 2006 Kyivstar was temporarily deconsolidated, see also General Information below and note 26 "Commitments and Contingencies.

During the year of 2006, Telenor increased its direct ownership interest in DTAC and UCOM by 2.7% and 3.2% respectively. Telenor Venture II ASA, reported in the line "other", was sold during the fourth quarter in 2006.In connection with the sale of Telenor Venture II ASA, Telenor Broadcast Holding AS received an option to acquire the remaining 10% of the shares in Conax AS, for an amount of NOK 95 million. The option can be exercised in the period 1 October 2007 to 1 November 2007 (Telenor Broadcast Holding AS currently owns 90% of the shares in Conax AS).

In the third quarter of 2005, Telenor sold 29.0% of the shares in the subsidiary Telenor Venture IV AS. During the fourth quarter of 2005, Telenor increased its economic stake in the previously associated companies DTAC and UCOM. See note 1 for further information.

TELENOR GROUP

GENERAL INFORMATION

Telenor ASA (the Company) is a limited company incorporated in Norway on 21 July 2000. The Company is subject to the provisions of the Norwegian Act relating to Public Limited Liability Companies. The Company's principal offices are located at Snarøyveien 30, N-1331 Fornebu, Norway. Telephone number: +47 810 77 000. Telenor is a telecommunication company and the principal activities of the Company and its subsidiaries (the Group) are described under segments in note 3.

From 1 January 2005, as required by the European Union's IAS Regulation and the Accounting Act, the Company has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board ("IASB"). However, the consolidated financial statements for the periods presented would be no different had Company applied IFRS as issued by the IASB. References to "IFRS" hereafter should be construed as references to IFRS as adopted by the EU. The financial statements have been prepared on the historical cost basis, except for financial assets available for sale (primarily shares owned less than 20%) and derivative financial instruments, which are carried at fair value. The principal accounting principles adopted are set out below.

Treatment of Kyivstar

Telenor owns 56.5% of Kyivstar, a company established in the Ukraine. During 2005 and 2006 Storm LLC (the other shareholder in Kyivstar holding 43.5% of the shares) has in a number of instances failed to have at least one representative attend Kyivstar's shareholder and board meetings. For a valid quorum to be present at Kyivstar's shareholder meetings, Ukrainian law requires the attendance of shareholders holding more than 60% of a company's share capital and, for a valid quorum to be present at board meetings, Kyivstar's charter and shareholders agreement require the attendance of at least one director from Storm. As a result, there have been no valid quorums at any Kyivstar shareholder or board meetings in 2006, and accordingly it has not been possible for the board to approve formally the 2007 budget for Kyivstar. However, for most of this period Telenor remained in de facto control of the operations in Kyivstar, and the budget for 2006 was approved in a Board meeting at the end of 2005.

Storm and Alpren (a related party of Storm) commenced legal actions in Ukrainian courts in late December 2006 and in January and February 2007 disputing Kyivstar's authority to appoint auditors. In two of the actions, the injunctions that have been issued and remain in effect, among other things, purport to prohibit Kyivstar's management from providing financial information to Kyivstar's international auditors and its shareholders, including Telenor. Both injunctions purport to prohibit the use of financial information already provided by Kyivstar, and to prohibit Kyivstar's and Telenor's auditors from carrying out any audit work in relation to Kyivstar's year-end IFRS financial statements. The third injunction also purports to prohibit Kyivstar from disseminating any financial information that has not been approved by Kyivstar's board or shareholders, and to prohibit anyone from using any such financial information in their consolidated accounts. Telenor is contesting these actions in the context of its ongoing arbitration proceedings in New York, as well as, to the extent permitted by the Kyivstar shareholders agreement, by seeking alternative legal redress. Please see note 26 "Commitments and Contingencies" for a further description of the ongoing dispute and other disputes with Storm LLC.

Although Telenor are making every attempt to remedy this situation, Telenor have been obliged to recognise that the injunctions at present prevent us from being able either to control or exercise significant influence over Kyivstar. Accordingly, with effect from 29 December 2006, Telenor have temporarily deconsolidated Kyivstar and presented Telenor's interests in one line in the balance sheet as an investment in accordance with the cost method. Kyivstar has been consolidated in the income statement up to 29 December 2006.

Because it has not been able to obtain relevant audited financial information from Kyivstar, the information contained in Telenor's annual report regarding Kyivstar's income and cash flow statements for 2006 and the balance sheet as of 31 December 2006 is based on estimates. Therefore, Telenor has presented all financial information from Kyivstar separately from that pertaining to the rest of the group in the income statement, cash flow statement, statement of changes in equity and accompanying footnotes in our consolidated financial statements for 2006.

Since Telenor has not financial information from Kyivstar after 28 December 2006 Kyivstar has been presented in one line in the balance sheet as of 31 December 2006 under Investment in Kyivstar.

ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

In the current year, the Telenor has adopted all of the new and revised Standards and Interpretations issued by the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006.

Telenor has early adopted the following standards and interpretations:

IFRS 8 Operating segment (effective from 1 January 2009). This adoption has not lead to any changes in our definitions of segments.

IFRIC 9 – Reassessment of embedded derivatives (effective for periods beginning on or after 1 June 2006). This is according to Telenor practice and has not lead to any changes in accounting principles.

IFRIC 10 Interim Financial Reporting and Impairment (effective for periods beginning on or after 1 November 2006). According to this IFRIC any impairment of goodwill in one interim period can not be reversed in a later period within the same financial year. Telenor do not reverse impairment of goodwill.

IFRIC 12 Service Concession Arrangement (effective from 1 January 2008). Telenor adopted the draft to this interpretation already in 2005. No changes in accounting policies as a consequence of the final interpretation.

The IASB have issued an exposure draft of proposed amendment to IAS 23 Borrowing Costs (effective date not yet set, but final IAS 23 is expected in first half of 2007). The exposure draft eliminates the option of recognising immediately as an expense borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Telenor have not utilized this option under IAS 23, and the amendment will have no effect on Telenor's financial statements.

At the date of authorization of these financial statements, the following Standards and Interpretations that could affect Telenor were issued but not effective:

IAS 1 Amendment (August 2005) – Capital Disclosures (shall be applied from the year beginning on 1 January 2007). The Group will have to disclose some additional information that enables users to evaluate entity's objective, policies and processes for managing capital.

IFRS 7 Financial Instruments – Disclosures (shall be applied from the year beginning on 1 January 2007) Upon adoption of IFRS 7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. Telenor disclose more information than required by IAS 32, and adoption of IFRS 7 will only result in minor changes in disclosures.

IFRIC 11 Group and Treasury Share Transactions – (shall be applied from the year beginning on 1 January 2008). No changes for Telenor are expected.

The management anticipates to adopt these Standards and Interpretations at the dates stated above and anticipate that the adoption in future periods will have no material impact on the financial statements of the Group.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation and non-controlling interests

The consolidated financial statements incorporate the financial statements of Telenor ASA and entities controlled by Telenor ASA (subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control normally exists when Telenor has more than 50% voting power through ownership or agreements, except where minority rights are such that a minority shareholder is able to prevent Telenor from exercising control. In addition control may exist without having 50% voting power through ownership or agreements, or in the circumstances of enhanced minority rights, as a consequence of de facto control. De facto control is control without the legal right to exercise unilateral control, and involves decision-making ability that is not shared with others and the ability to give directions with respect to the operating and financial policies of the entity concerned.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Inter-company transactions, balances, revenues and expenses are eliminated on consolidation.

Non-controlling (minority) interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the business combination (see below) and the non-controlling interests' share of changes in equity since the date of the combination. The Group accounts for the transactions with the minority following the modified parent company model (detailed policy is disclosed under "Business Combinations").

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, in exchange for control of the acquiree, plus any costs directly attributable to the business combination. If parts or whole of the purchase price has been hedged, and cash flow hedge accounting is applicable according to IAS 39, the gain or loss on the hedge instrument is included in the purchase price.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for non-current assets that are classified as held for sale. Goodwill arising on acquisition is recognized as an asset at the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceed the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of non-controlling shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Where the Group increases its stake in a subsidiary through a share purchase, goodwill is determined as the difference between the consideration given and the acquired additional interest in the subsidiary's net assets and contingent liabilities at fair value as the date of the additional purchase. The increase or decrease in the fair value for the portion of identifiable assets and liabilities acquired in the time between the date of consolidation and subsequent share purchase is recorded against the shareholders' equity.

Increases in non-controlling interests from a subsidiary's equity transactions and sale of shares in a subsidiary are recorded at fair value as non-controlling interests. The difference between the non-controlling interests measured at fair value and the recorded equity in the subsidiary is amortized or written-down through allocating results to the non-controlling interests.

Investments in associated companies

An associate is an entity over which the Group has significant influence and that is not a subsidiary. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. Significant influence normally exists when Telenor has 20% to 50% voting power through ownership or agreements.

The results and assets and liabilities of associated companies are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associated companies are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associated companies (ie profit or loss and equity adjustments), less any impairment in the value of individual investments. Losses of associated companies in excess of the Group's interest in such companies, including any non-current interests that, in substance, form part of the Group's net investment in the associated companies are not recognized unless the Group has incurred legal or constructive obligations or made payments on behalf of the associated companies.

Any goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Where a Group entity transacts with an associate of the Group, profits or losses are eliminated to the extent of the Group's interest in the relevant associated company.

The net result of associated companies, including amortization, write-downs, reversal of write-downs and gains and losses on disposals, are included as a separate line item in the income statement between operating profit (loss) and financial items. For some associated companies, especially those that are listed (see note 18), financial statements as of the Group's balance sheet date are not available. In such instances, the most recent financial statements (as of a date not more than three months prior to the Group's balance sheet date) are used, and estimates for the last period are made based on publicly available information.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. That is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see below). Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Goodwill and cash generating units

IFRS 3 has been adopted for business combinations for which the agreement date is on or after 1 January 2004.

Goodwill (see business combinations) is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In identifying whether cash inflows from an asset (or group of assets) are largely independent of the cash inflows from other assets (or groups of assets), the Group considers various factors including how management monitors the entity's operations (such as by product or service lines, businesses, geographical areas). The Group has identified that a CGU often will be the separate networks in the separate geographical areas (countries), distinguishing between different technologies (mobile, fixed and broadcast).

Goodwill does not generate cash flows independently of other assets or groups of assets and is allocated to the CGUs expected to benefit from the synergies of the combination that gave rise to the goodwill. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount (the higher of fair value less cost to sell and value in use) of the CGU is less than the carrying amount of the CGU, the impairment loss does first reduce the carrying amount of any goodwill and then reduce the carrying amount of the other assets of the unit pro-rata on the basis of the carrying amount of the individual assets. The carrying amount of any individual asset is not reduced below its individual recoverable amount or zero. An impairment loss recognized for goodwill cannot be reversed in a subsequent period if the fair value of the CGU recovers. Any impairment is included in write-downs in the income statement.

On disposal of businesses, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale according to IFRS 5 if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Profit after tax results of discontinued operations are excluded from continuing operations and reported separately as results from discontinued operations. Prior period's results of discontinued operations are reclassified to be comparable. Assets and liabilities classified as held for sale are presented on separate line items in the balance sheet as current assets and current liabilities.

Revenue recognition and measurement

Revenues are measured at the fair value of the consideration received or receivable, net of discounts and sales related taxes. These taxes are regarded as collected on behalf on the authorities.

Revenues primarily comprise sale of

- Services: traffic fees, subscription and connection fees, interconnection fees, fees for leased lines and leased networks, fees for data network services, fees for TV distribution and satellite services, IT-operations,
- customer equipment: Telephony handsets, PCs, terminals, set-top boxes etc.

Revenues from subscription fees are recognized over the subscription period while delivery of other services is normally recognized based on actual usage.

Revenues from sale of customer equipment are normally recognized when products are delivered to customers.

Connection fees

Revenues from connection that do not represent a separate earnings process are deferred and recognized over the periods that the fees are earned which is the expected period of the customer relationship. The expected period of the customer relationship is based on past history of churn and expected development in the Group companies.

When connection fees are charged in arrangements where discounts is provided on other elements in the transaction (including multiple element transactions) connection fee has been allocated to sale of the rebated equipment or services, limited to the amount of the discount, and therefore recognized as revenue at the same time the equipment or services is recognized as revenue.

Multiple element arrangements

Revenue arrangements with multiple deliverables like when we deliver services and equipment as part of one contract are divided into separate units of accounting if the delivered item has value to the customer on a standalone basis and there is objective and reliable evidence of the fair value of undelivered items. Arrangement consideration is allocated based on their relative fair values, with the amount allocated to the delivered item being limited to the amount that is not contingent on the delivery of additional items or other specified performance criteria, which most often is the amount received in cash at the time of sale. In most instances the delivered element is equipment, and the equipment is recorded with low revenue, potentially including connection fee, due to discounts provided. The subsequent services are recorded at the normal selling price or at a discounted value, depending on the facts and circumstances.

Sale of software

Revenue from sale of software licenses and software upgrades is deferred and recognized as revenue over the remaining software maintenance period when the customer does not have the right to use the software without software maintenance from the Group. In addition, in conjunction with these contracts, the Group may develop additional applications that are not essential to the use of the software. These development fees are also deferred and recognized as revenue over the remaining software maintenance period.

Discounts

Discounts are often provided in the form of cash discount, free products or services delivered by the Group or by external parties. Discounts are recorded on a systematic basis over the period the discount is earned. Cash discounts or free products are recorded as revenue reductions. Free products or services delivered by external parties are recorded as expenses.

For discount schemes (loyalty programs etc), if the Group has past history to be able to make a reliable estimate the accrued discount is limited to the estimated discount that will actually be earned. The exact amount and earnings period of the discount often must be based on estimation techniques, with potentially changes recorded in the period the estimate changes or the final outcome is known.

Presentation
Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost. Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis and represents the margin earned.

License fees paid to telecommunication authorities calculated on the basis of revenue share arrangements are treated as license costs and, hence, revenue is reported gross. In such situations Telenor is considered to be the primary obligor.

Interest and dividend income
Interest income is accrued on a time basis. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Pensions

Defined benefit plans are valued at the present value of accrued future pension benefits at the balance sheet date. Pension plan assets are valued at their fair value. Changes in the pension obligations due to changes in pension plans are recognized over the estimated average remaining service period. Accumulated effects of changes in estimates, changes in assumptions and deviations from actuarial assumptions (actuarial gains or losses) that are less than 10% of the higher of pension benefit obligations and pension plan assets at the beginning of the year is not recorded. When the accumulated effect is above 10% the excess amount is recognized in the income statement over the estimated average remaining service period. The net pension cost for the period is classified as salaries and personnel costs.

Payments to defined contribution plans are expensed as incurred. When sufficient information is not available to use defined benefit accounting for a multi-employer plan that is a defined benefit plan, the plan is accounted for as if it were a defined contribution plan.

The Group recognized all cumulative actuarial gains and losses on pension obligations against equity at the date of transition to IFRS (1 January 2004).

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized through profit and loss when the curtailment or settlement occurs. A curtailment occurs when the Group either is demonstrably committed to make a material reduction in the number of employees covered by a plan or amends the terms of a defined benefit plan such that a material element of future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The evaluation is based on the substance of the transaction. However, situations that individually would normally lead the Group to classify a lease as a finance lease is if the lease term is more than 75 percent of the estimated economic life or the present value of the minimum lease payments exceeds 90 percent of the fair value of the leased asset.

The Group may enter into an arrangement that does not take the legal form of a lease but conveys a right to use an asset in return for a payment or series of payments. Determining whether an arrangement is, or contains, a lease are based on the substance of the arrangement and requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset; and (b) the arrangement conveys a right to use the asset.

The Group as lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee
Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term. Prepaid lease payments made on entering into operating leases or acquiring leaseholds are amortized over the lease term in accordance with the pattern of benefits provided and included in the line item "depreciation and amortization" in the income statement.

Foreign currency translation

The consolidated financial statements are presented in Norwegian Krone, which is the Telenor ASA's functional and presentation currency. The Group has foreign entities with functional currency other than Norwegian Krone. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, or monetary items that are regarded as a part of the net investments. These are taken directly to a separate component of equity until the disposal of the net investment, at which time they are recognized in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions.

As at the reporting date, the assets and liabilities of foreign entities with functional currencies other than Norwegian Krone are translated into Norwegian Krone at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The translation differences arising on the translation are taken directly to a separate component of equity until the disposal of the net investment, at which time they are recognized in profit or loss. Cumulative translation differences are deemed to be zero at the date of transition to IFRS, and are kept permanently in equity.

Derivative financial instruments and hedging

The group uses derivative financial instruments such as forward currency contracts, interest rate swaps, cross currency interest rate swaps and interest rate options to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative, as long as Telenor has no intention or ability to settle the contracts net. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken to profit or loss under financial income and expenses.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss. Currency derivatives embedded in committed purchase or sales contracts are not separated and fair valued if the currency in the contract is either the functional currency of one of the parties to the contract or is a commonly used currency for purchase or sales in the relevant country.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to change in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges
Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedge item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term to maturity.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation.

The Group use fair value hedge primarily to hedge interest rate risk of fixed-rate interest-bearing liabilities and currency risk for interest-bearing liabilities.

Cash flow hedges
A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in profit or loss.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs.

Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

The Group uses cash flow hedges primarily to hedge interest rate risk of variable-rate interest-bearing liabilities and highly probable transactions such as purchase of a foreign entity and significant investments in foreign currency.

Hedges of a net investment
Hedge of a net investment in a foreign entity is accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in equity while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of the foreign entity, the cumulative value of any such gains or losses recognized directly in equity is transferred to profit or loss.

Income taxes
Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. Deferred tax assets and liabilities are calculated using the liability method 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. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Telenor includes deductions for uncertain tax positions when it is probable that the tax position will be sustained in a tax review. Telenor make provisions to cover in full all changes in Telenor's tax assessments, pending the final outcome of Telenor's appeal against the disallowed deductions. Legal disputes concerning tax positions that are not finally settled in the Group's favour is also fully provided for. The provision is reversed when tax position disputed is settled in favour of Telenor and can no longer be appealed. Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilized. The enacted tax rates at the balance sheet date and undiscounted amounts are used.

Deferred tax assets that will be realized upon sale or liquidation of subsidiaries or associated companies are not recorded until a sales agreement has been entered into or liquidation is decided. Deferred taxes are calculated on undistributed earnings in foreign subsidiaries and associated companies based on the estimated taxation on transfer of funds to the parent company, based on the enacted tax rates and regulation as of the date of the balance sheet.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Group intends to settle its current tax assets and liabilities on a net basis.

Current/non-current
An asset/liability is classified as current when it is expected to be realized/settled or is intended for sale or consumption in, the Group's normal operating cycle, it is held primarily for the purpose of being traded, or it is expected/due to be realised or settled within twelve months after the balance sheet date. Connection revenues and related costs for connection limited to the deferred connection revenues are deferred over the

estimated customer relationship. Deferred revenues and costs for connection are classified as current as they relate to the Group's normal operating cycle. Other assets/liabilities are classified as non-current.

Trade receivables

Trade receivables are measured on initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts taking account of the historic evidence of the level of bad debt experienced for customer types are recognized in profit or loss when there is a loss event and objective evidence that the asset is impaired.

Investments

Investments are initially measured at fair value, plus directly attributable transaction costs.

Investments, primarily shares owned less than 20%, are classified as available-for-sale as non-current or current financial assets in the balance sheet and are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Cash and cash equivalents

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

Interest-bearing liabilities

Interest-bearing bonds and commercial paper, bank loans and overdrafts are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost, using the effective interest-rate method. In addition, where fair value hedge accounting is applied the hedged liability is also adjusted for gains and losses attributable to the risk being hedged. On extinguishment of debt in whole or in part the difference between the carrying amount of the liability extinguished and the consideration paid is recognized in profit or loss.

Costs related to connection fees

Initial direct costs incurred in earning connection fees are deferred over the same period as the revenue, limited to the amount of the deferred revenue. Costs incurred consist primarily of the first payment of distributor commission, costs for credit check, cost of the SIM card, the cost of the printed new customer information package, costs of installation work and expenses for order handling. In most instances costs associated with connection fees exceed such revenues.

Inventories

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

Advertising costs, marketing and sales commissions

Advertising costs, marketing and sales commissions are expensed as incurred, unless they form part of the costs that are deferred in relation to deferral of connection fees.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated to reduce the cost of assets, other than land, to their estimated residual value, if any, over their estimated useful lives. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised. Depreciation commences when the assets are ready for their intended use.

Assets held under finance leases and leasehold improvements are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the other (income) expense line as part of operating profit or loss.

Estimated useful life, depreciation method and residual value are evaluated at least annually. The straight-line depreciation method is used for most assets as this best reflects the consumption of the assets, which often is the passage of time. Residual value is estimated to be zero for most assets, except for commercial buildings and vehicles that the Group do not expected to use for the remaining economic life.

Repair and maintenance is expensed as incurred. If new parts are capitalized, replaced parts are derecognized and any remaining net book value is charged to operating profit (loss) as loss on disposal.

Research and development costs

Development costs associated with internal-use software are capitalized and amortized over their expected useful life to the extent that they satisfy the criteria for recognition as assets. Costs incurred during the preliminary project stage, as well as maintenance and training costs are expensed as incurred.

Other research and development costs are expensed as incurred, when they do not meet the criteria of capitalization.

Impairment of property, plant and equipment and intangible assets excluding goodwill

If there are identified indications that property, plant and equipment or intangible assets have suffered an impairment loss, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Intangible assets not yet brought into use (assets under construction) are assessed annually. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment loss is recognized in the profit and loss. Where an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Assets retirement obligations

An asset retirement obligation exists where Telenor has a legal or constructive obligation to remove an asset and restore the site. Where Telenor is required to settle an asset retirement obligation, Telenor has estimated and capitalized the net present value of the obligations and increased the carrying value of the related long-lived asset, with an amount equal to the depreciated value of the asset retirement obligation. Subsequent to the initial recognition, an accretion expense is recorded relating to the asset retirement obligation, and the capitalized cost is expensed as ordinary depreciation in accordance with the related asset. The effect on net present value of any subsequent changes to gross removal costs or discount rates adjust the carrying value of assets and liabilities, and are expensed over the remaining estimated useful life of the related assets.

Share options and employee stock ownership program

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group also has provided employees with the ability to purchase the Group's ordinary shares at a discount to the current market value. The Board of Directors decides such employee stock ownership grants from time to time. Discounts in the employee stock ownership program are recorded as salaries and personnel costs when the discount is given to the extent that the discount is vested. Non-vested discounts, including bonus shares, are recorded as an expense based on the estimate of the discount related to shares expected to vest, on a straight-line basis over the vesting period.

Social security tax on options and other share-based payments is recorded as a liability and is recognized over the estimated option period. The social security tax is calculated with the appropriate tax rate on the difference between marked price and exercise price at the measurement date.

Payments from employees for shares, which are issued by Telenor ASA under the option plan or the employee stock ownership program, are recorded as an increase in shareholders equity. Payments from employees for shares, which are issued under the non-wholly owned subsidiaries' option plans (EDB Business Partner ASA), are recorded as an increase in non-controlling interests.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Cash Flow Statement

The Group presents Cash Flow Statement using the direct method. Cash inflows and outflows are shown separately. Interest received and paid and dividends received are reported as a part of operating activities. Dividends distributed (both by Telenor ASA and by subsidiaries with minority interests) are included as a part of financial activities. Value Added Tax and other similar taxes are regarded as collection of tax on behalf of authorities, and is reported net.

CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments in applying the entity's accounting policies

In the process of applying the entity's accounting policies, which are described above, judgments made by the management that have the most significant effect on the amounts recognized in the financial statements are discussed in the relevant notes below.

Key sources of estimation uncertainty – critical accounting 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, as well as the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts included in or affecting our financial statements and related disclosure must be estimated, requiring us to make assumptions with respect to values or conditions which cannot be known with certainty at the time the financial statements are prepared. A "critical accounting estimate" is one which is both important to the portrayal of the company's financial condition and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. We evaluate such estimates on an ongoing basis, based upon historical results and experience, consultation with experts, trends and other methods we consider reasonable in the particular circumstances, as well as our forecasts as to how these might change in the future.

Revenue recognition

The main part of our revenues is based on usage, such as traffic or periodic subscriptions. We have many subscribers and offer a number of different services with different price plans. We provide discounts of various types, often in connection with different campaigns. We also sell wholesale products to other operators and vendors within the different countries and across borders. We have to make a number of estimates related to recognizing revenues. To some extent, we have to rely on information from other operators on amounts of services delivered. For some services, the other parties may dispute the prices we charge. We then make estimates of the final outcome. Some revenue is recorded in the balance sheet as deferred revenue, e.g. some connection fee. We have to estimate the average customer relationship as the deferral period.

Impairment

We have made significant investments in property, plant and equipment, intangible assets and goodwill, associated companies and other investments. These assets and investments are tested for impairment when circumstances indicate there may be a potential impairment. Factors we consider important which could trigger an impairment review include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of our assets or the strategy for our overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use, significant negative industry or economic trends; significant regulatory decisions and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets and companies must in part be based on management evaluations, including estimates of future performance, revenue generating capacity of the assets, assumptions of the future market conditions and the success in marketing of new products and services. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

Depreciation and amortization

Depreciation and amortization is based on management estimates of the future useful life of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortization or depreciation charges. Technological developments are difficult to predict and our views on the trends and pace of development may change over time. Some of our assets and technologies, in which we invested several years ago, are still in use and provide the basis for our new technologies. For example, our copper cables and infrastructure in our fixed networks are used as the basis for the rollout of our ADSL technology and lines. In our mobile business, the development and launch of UMTS technology and services have been slower than the telecommunications industry anticipated a few years ago. We review the future useful life of property, plant and equipment and intangible assets periodically taking into consideration the factors mentioned above and all other important factors. Estimated useful life for similar type of assets may vary between different entities in the Group due to local factors as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate and quality of components used. In case of significant changes in our estimated useful lives, depreciation and amortization charges are adjusted prospectively.

Business combinations

We are required to allocate the purchase price of acquired companies to the assets acquired and liabilities assumed based on their estimated fair values. For our larger acquisitions, we have engaged independent third-party appraisal firms to assist us in determining the fair values of the assets acquired and liabilities assumed. Such valuations require management to make significant judgements in selecting valuation methods, estimates and assumptions. The significant purchased intangible assets recorded by Telenor include customer contracts, brands, licenses, service concession rights, roaming agreements and software. Critical estimates in the evaluations of useful lives for such intangible assets include, but are not limited to, estimated average customer relationship based on churn, remaining license or concession period, expected developments in technology and markets. The significant tangible assets include primarily networks. Critical estimates in valuing certain assets include, but are not limited to, future expected cash flows for customer contracts, licenses and roaming agreements replacement cost for brands and property, plant and equipment. Management's estimates of fair value and useful lives are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Income taxes

We write down deferred tax assets to an amount that is more likely than not to be realized. Our write-downs related primarily to losses carried forward in some of our foreign operations. While we have considered future taxable income and feasible tax planning strategies in determining the write-downs, any difference in the amount that we ultimately may realize would be included as income in the period in which such a determination is made.

When new rules are introduced there may be disagreements on the interpretation of the new rules and the transitional rules. You should read note 14 for additional information on the Groups uncertain tax positions.

Pension costs, pension obligations and pension plan assets

Calculation of pension costs and net pension obligations (the difference between pension obligations and pension plan assets) are made based on a number of estimates and assumptions. Changes in, and deviations from, estimates and assumptions (actuarial gains and losses) affect fair value of net pension liabilities. Changes in the discount rate has individually most significant impact, see note 7 where we have included a sensitivity analysis for changes in certain actuarial assumptions and how they effect the pension obligations and the pension costs. How the assumptions are determined is described in this note as well.

Legal proceedings, claims and regulatory discussions

We are subject to various legal proceedings, claims and regulatory discussions, the outcomes of which are subject to significant uncertainty. We evaluate, among other factors, the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require us to increase or decrease the amount we have accrued for any matter or accrue for a matter that has not been previously accrued because it was not considered probable or a reasonable estimate could not be made.

01 BUSINESS COMBINATIONS AND DISPOSALS

The following acquisitions and disposals have taken place in 2006 and 2005. Each business combination is recorded using the acquisition method of accounting. The summary does not include capital increases or other types of financing by Telenor.

Acquisitions in 2006

NOK in millions Company	Country	Change in interest %	Business	Purchase price
Europolitan Vodafone AB [1]	Sweden	100.0	Mobil telecommunications	7 506
Mobi63 d.o.o [2]	Serbia	100.0	Mobil telecommunications	11 981
Glocalnet AB [3]	Sweden	62.2	Broadband/Telphony	539
Guide Konsult AB, Sweden	Sweden	100.0	Operation and application services	585
Spring Consulting AS	Norway	100.0	Operation and application services	211
Tag Systems AS	Norway	100.0	Operation and application services	245
Drop IT AB	Sweden	100.0	Operation and application services	49
IT-operation [4]	Norway/Sweden	100.0	Operation and application services	244
Oy Comsel System AB	Finland/Sweden	100.0	Automatic Meter Reading	103
Maritim Communication Partner AS [5]	Norway	61.3	Mobil telecommunications	162
ABC Startsiden [5]	Norway	16.6	Internet operation	81
UCOM [6]	Thailand	3.2	Mobil telecommunications	116

[1] Subsequently named Telenor Mobile Sweden.
[2] Subsequently named Telenor Serbia.
[3] Telenor owned 98.8% of the sharesin the company as of 31 December 2006.
[4] Assets purchased by EDB Business Partner ASA.
[5] Telenor owned 100% of the shares in the company as of 31 December 2006.
[6] Telenor owned 89.4% of the shares in the company as 31 December 2006. The indirect ownership in DTAC increased by 1.3% in this transaction.

Business Combinations

Of the acquisitions two have been defined as material business combinations in 2006.

Telenor Mobile Sweden, Sweden

On 5 January 2006, Telenor acquired 100% of the issued share capital of Europolitan Vodafone AB, Sweden. The aggregate cost of the business combination was approximately NOK 7.5 billion of which NOK 7.2 billion was paid in cash for the shares and liabilities of NOK 0.3 billion assumed from the former owner. The value was set based on fair value after negotiations between the parties. The transaction is accounted for by the acquisition method of accounting.

Telenor Mobile Sweden offers mobile services to residential and business customers in Sweden.

The purchase price allocation, which is performed by independent financial experts, is final. The carrying values before transaction in Telenor Mobile Sweden are reported according to IFRS. The net assets acquired in the transactions, and the goodwill arising, are as follows:

NOK in millions	Telenor – Mobile Sweden's (Vodafone's) carrying amount before transaction	Fair value adjustments	Fair values	Estimated fair values 2005 [1]
Deferred tax assets	-	-	-	41
Customer Base	-	1 252	1 252	-
Roaming Agreementss	-	690	690	584
Terminal Supply Contracts	-	-	-	337
Software	286	525	811	965
Property, Plan & Equipment	6 392	(535)	5 857	5 251
Long-term financial assets	1	-	1	148
Currents Assets excl. Cash	1 682	-	1 682	1 808
Bank and cash balances	163	-	163	176
Deferred tax liability	(681)	(541)	(1 222)	(1 075)
Long-term liabilities	(852)	-	(852)	(1 168)
Short term liabilities	(1 439)	-	(1 439)	(1 142)
Net assets	**5 552**	**1 391**	**6 943**	**5 925**
Goodwill			244	1 612
Total consideration for the shares, satisfied by cash			**7 187**	**7 537**
Liabilities assumed			319	
Total consideration for shares and liabilites, satisfied by cash			**7 506**	

[1] The estimated fair values 2005 was not consolidated in 2005, but was disclosed in the 2005 financial statement.

Useful lives of intangible assets at the date of consolidation were estimated on average to: customer base of 5 years, roaming agreements of 11 years and administrative software systems of 2 years. The goodwill arising on the acquisition of Telenor Mobile Sweden is a residual value and is attributable to the anticipated profitability of its operations.

The change in net fair values with approximately NOK 1 billion since 2005 is mainly due to changed model for valuing customer base and roaming agreements where we reduced the contributing assets charge for the 3G network and changes in remaining lifetime of the fixed assets.

Goodwill amounted to NOK 701 million kroner has been reallocated from Telenor Fixed Sweden to Telenor Mobile Sweden of which NOK 529 million was reallocated fro Bredbandsbolaget and NOK 172 million was reallocated from Glocalnet. This is due to estimated increased margin in Telenor Mobile Sweden because of combination of mobile/fixed products and using of brand owned by Telenor Fixed Sweden. Total goodwill after the reallocation is NOK 963 million kroner inclusive translation differences.

Telenor Mobile Sweden contributed NOK 5,810 million in revenues and NOK 367 million negative to the Telenor Group's profit from total operations for the period between the date of consolidation and December 31, 2006. This does not include Telenor's interest expenses related to the financing of the acquisition.

Telenor Serbia, Serbia

On 31 August 2006, Telenor acquired 100% of the issued share capital of Mobi63 d.o.o, Serbia for a cash consideration of approximately NOK 12 billion. The value was set based on fair value after negotiations between the parties. The transaction is accounted for by the acquisition method of accounting.

Telenor Serbia offers mobile services to residential and business customers in Serbia.

The initial purchase price allocation, which is performed by independent financial experts, has been determined to be provisional pending the completion of the final valuation of the fair values of assets acquired and liabilities assumed. The carrying values before transaction in Telenor Serbia are reported according to IFRS. The preliminary net assets acquired in the transaction, and the goodwill arising, are as follows:

NOK in millions	Telenor Serbia carrying amount before transaction	Estimated fair value adjustments	Estimated fair values
Deferred tax assets	10	-	10
Customer Base	-	406	406
Roaming Agreements	-	1 024	1 024
Licence	2 573	-	2 573
Software	54	-	54
Property, Plant & Equipment	916	-	916
Current Assets excluding cash and cash equivalents	117	-	117
Bank and cash balances	-	-	-
Deferred tax liability	-	(143)	(143)
Non-Current Liabilities	(17)	-	(17)
Current Liabilities	(88)	-	(88)
Net assets	**3 565**	**1 287**	**4 852**
Goodwill			7 129
Total consideration, satisfied by cash			**11 981**

Useful lives of intangible assets at the date of consolidation were estimated on average to: customer base of 7 years, roaming agreements of 20 years, licence of 20 years and administrative software of 3 years. The goodwill arising on the acquisition of Telenor Serbia is a residual value and is attributable to the anticipated profitability of its operations.

Telenor Serbia contributed NOK 726 million in revenues and NOK 116 million to the Telenor Group's profit from total operations for the period between the date of consolidation and 31 December 2006. This does not include Telenor's interest expenses related to the financing of the acquisition.

Individually immaterial acquisitions during 2006

During 2006 Telenor has consolidated Glocalnet, Guide, Spring, DropIT, Avenir, Datarutin, TAG System, Comsel and Maritime Communication Partner.

The carrying values before transactions are reported according to IFRS. The transactions are accounted for by acquisition method of accounting. The net assets acquired in the transactions, and the goodwill arising, are as follows:

NOK in millions	Carrying amount before transaction	Estimated fair value adjustments	Estimated fair values
Deferred tax assets	15	–	15
Customer Base	–	393	393
Licence	8	–	8
Contracts	–	73	73
Technology	1	13	14
Trademarks	–	54	54
Software	27	21	48
Property, Plan & Equipment	105	44	149
Long-term financial assets	67	1	68
Current Assets excluding cash and cash equivalents	334	–	334
Bank and cash balances	232	–	232
Deferred tax liability	(1)	(159)	(160)
Non-Current Liabilities	(122)	–	(122)
Current Liabilities	(475)	–	(475)
Net assets	**191**	**440**	**631**
Goodwill			1 676
Total			**2 307**
Total consideration, satisfied by cash			2 134
Book value as an associated company at the date of consolidation			89
Increased values in business combination recorded against equity			84
Total			**2 307**

Useful life of intangible assets at the date of consolidation were estimated on average to: customer base of 3–5 years, licence of 3 years, trademarks 15 years, contracts of 5 years, technology of 10 years and administrative software of 3–5 years. The goodwill arising on the acquisition of the minor companies are attributable to the anticipated profitability of its operations.

The companies contributed NOK 1,768 million in revenues and NOK 30 million negative to the Telenor Group's profit from total operations for the period between the date of consolidation and 31 December 2006. This does not include Telenor's interest expenses related to the financing of the acquisition.

Disposals in 2006

On 29 December 2006 Telenor sold its 50.1% ownership interest in Telenor Venture II ASA for a consideration of NOK 86 million, which has resulted in a gain before taxes of NOK 62 million. Telenor Venture II ASA was a venture company seeking to create value through active ownership by investing in companies in the fields of telecommunications and IT.

Telenor Venture II ASA and Telenor Venture IV AS have sold minor companies during 2006, which resulted in a gain of NOK 54 million. Both Telenor Venture II ASA and Telenor IV AS are reported under the segment Other operations.

The disposals are not regarded as discontinued operations according to IFRS 5 as they do not, separately or in aggregate, represent a major line of business or geographical area of operations.

Discontinued Operations

Telenor Satellite Services

On 25 October 2006, Telenor entered into an agreement with Apax Partners France for the sale of Telenor Satellite Services (TSS) to funds managed by Apax Partners for a cash consideration of USD 400 million. The agreement is expected to be closed during the first half year of 2007. The post tax results from external transactions in TSS are excluded from Continuing Operations and reported separately as results from Discontinued Operations. Prior period's profit and loss statements have been reclassified to be comparable. The gain will be recognised when the agreement is closed. For further details, see note 36.

Pro forma Information (unaudited)

The following unaudited pro forma financial information presents results as if the acquisition of Telenor Mobile Sweden and Telenor Serbia had occurred at the beginning of the respective periods

NOK in millions, except per share amounts	2006	2005
Pro forma revenues	92 842	77 843
Pro forma profit before taxes and minority interest	21 431	10 964
Pro forma net income	15 912	6 467
Pro forma net income per share in NOK	9.44	3.78

The pro forma results are adjusted for Telenor's interest expenses and the results in the period prior to acquisition. These pro forma figures have been prepared for comparative purposes only and are not necessarily indicative of the result of operations which actually would have resulted had the acquisitions been in effect in the respective periods or of future results.

Significant acquisitions in 2005

NOK in millions Company	Country	Change in interest %	Business	Purchase price
DTAC/UCOM	Thailand	3.5%/61.3%	Mobil telecommunications	2 664
Bredbandsbolaget	Sweden	100%	Broadband operation	4 452
Cybercity	Denmark	100%	Broadband operation	1 320

Business Combinations

Three significant business combinations were effected in 2005.

Total Access Communication Ltd (DTAC) and United Communication Industry Pcl (UCOM).
Prior to 26 October 2005, Telenor owned 29.9% of the issued shares in DTAC. UCOM owned 41.6% of the issued shares in DTAC. On 26 October 2005 Telenor's subsidiary Thai Telco Holding Ltd purchased shares in UCOM and increased Telenor's economic stake in UCOM by 39.9 to 64.7% for a cash consideration of NOK 1.5 billion.

As of 31 December 2005, after the tender offers for DTAC and UCOM shares expired, Telenor's direct and indirect voting interests in UCOM increased by 21.5% to 86.2% and the direct and indirect voting interests in DTAC by 18.2% to 75%, for a total cash consideration of NOK 1.2 billion. The only operations in UCOM to be continued are the ownership in DTAC and the holding of interest bearing liabilities. The minority interests in DTAC as of 31 December 2005 were 25% directly and 5.7% indirectly through UCOM.

As of 31 December 2005 net interest-bearing debt in the companies was NOK 7.3 billion. The companies were consolidated from the date of acquisition, and the operations in UCOM, excluding the ownership in DTAC and the holding of interest bearing liabilities, were reported as a discontinued operation in the financial statements as of 31 December 2005.

DTAC is one of the leading mobile operators in Thailand and offers GSM mobile services. The value was set based on a fair value after negotiations between relevant parties and stock exchange regulations in Thailand and Singapore.

The purchase price allocation, which is performed by independent financial experts, is final. The net assets acquired in the transactions, and the goodwill arising, are as follows:

NOK in millions	DTAC's carrying amount before transaction	Fair value adjustments	Final fair values	Provisional fair values 2005
Deferred tax assets	241	572	813	799
Customer Base	–	1 278	1 278	1 278
Consession Rights	11 025	(4 777)	6 248	6 118
Trademarks	–	1 030	1 030	1 030
Software	251	(4)	247	247
Roaming agreements	–	738	738	753
Property, Plant & Equipment	752	–	752	738
Long-term financial assets	295	–	295	147
Current Assets excluding cash and equivalents	1 727	–	1 727	1 639
Assets classified as held for sale	531	–	531	531
Cash and cash equivalents	200	–	200	200
Deferred tax liability		–	–	(43)
Long-term liabilities	(6 210)	(9)	(6 219)	(5 752)
Short-term liabilities	(3 484)	–	(3 484)	(3 473)
Liabilites classified as held for sale	(285)	–	(285)	(285)
Net assets	**5 043**	**(1 172)**	**3 871**	**3 927**
Goodwill			2 128	2 243
Total			**5 999**	**6 170**
Total consideration, satisfied by cash			2 664	2 664
Book value as an associated company at the date of consolidation			882	940
Increased excess value in business combination recorded against equity			1 246	1 274
Minority fair values			1 207	1 292
Total			**5 999**	**6 170**

Useful life of intangible assets at the date of consolidation were estimated on average to: customer base of 3 years, concession rights of 13 years, trademarks of 13 years, administrative software systems of 3 years and roaming-agreements of 13 years. The goodwill arising on the acquisition of DTAC is a residual value and is attributable to the anticipated profitability of its operations. DTAC is involved in several disputes, most of which commenced several years ago. Only insignificant values were attributed to these contingent liabilities in the purchase price allocation.

The change in fair values is, from provisionally to final purchase price allocation, is mainly due to updated IFRS corrections and revaluation of financial derivatives.

DTAC/UCOM contributed NOK 1,191 million in revenues and NOK 29 million to the Telenor Group's profit from total operations for the period between the date of consolidation and 31 December 2005. This does not include Telenor's interest expenses related to the financing of the acquisition.

In the period 1 January 2005 to the acquisition date, when DTAC/UCOM were accounted for as associated companies, they contributed to a profit from total operations of NOK 94 million.

Bredbandsbolaget, Sweden

On 8 July 2005, Telenor acquired 100% of the issued share capital of Bredbandsbolaget (Bredbandsbolaget Holding AB and its subsidiaries) for a cash consideration of NOK 4.5 billion. The value was set based on fair value after negotiations between the parties. The transaction has been accounted for by the acquisition method of accounting.

Bredbandsbolaget offers high-speed broadband for Internet access, telephony, digital-TV and add-on broadband services.

The purchase price allocation, which is performed by independent financial experts, is final. The net assets acquired in the transaction, and the goodwill arising, are as follows:

NOK in millions	Bredbandsbolaget's carrying amount before transaction	Fair value adjustments	Final fair values	Provisional fair values 2005
Customer Base	-	313	313	313
Trademarks	-	140	140	140
Software/Other immaterial assets	287	34	321	321
Property, Plant & Equipment	529	(360)	169	205
Long-term financial assets	11	-	11	-
Current Assets excluding cash and equivalents	458	(91)	367	345
Cash and cash equivalents	239	-	239	239
Deferred tax liability	-	(11)	(11)	(11)
Long-term liabilities	(1 050)	-	(1 050)	(1 050)
Short-term liabilities	(458)	-	(458)	(459)
Net assets	**16**	**25**	**41**	**43**
Goodwill			4 411	4 409
Total consideration, satisfied by cash			**4 452**	**4 452**

The carrying amounts before transaction in Bredbandsbolaget are reported according to IFRS

Useful lives of intangible assets at the date of consolidation were estimated on average to: customer base of 5 years, trademark of 15 years and administrative software systems of 3 years.

The goodwill included deferred tax assets that did not meet recognition criteria to be capitalized in the balance sheet. In addition, the goodwill arising on the acquisition of Bredbandsbolaget is a residual value and is attributable to the anticipated profitability of its operations and to the anticipated synergies.

Change in fair values from provisionally to final purchase price allocation is immaterial. NOK 529 million kroner of the goodwill are reallocated to the mobile business in Sweden. This is due to estimated increased margin in Telenor Mobile Sweden because of bundling of mobile/fixed products.

Bredbandsbolaget contributed NOK 665 million in revenues and NOK 19 million to the Telenor Group's profit from total operations for the period between the date of acquisition and 31 December 2005. This does not include Telenor's interest expenses related to the financing of the acquisition.

Cybercity, Denmark

On 5 July Telenor acquired 100% of the issued share capital of Esplanaden Holding A/S for a cash consideration of NOK 1.3 billion. The value was set based on fair value after negotiations between the parties. Esplanaden Holding A/S owns 100% of the shares in Cybercity A/S. The transaction has been accounted for by the acquisition method of accounting.

Cybercity develops, manages and sells broadband solutions and network-based products such as security and VPN products for residential and business customers in Denmark.

The purchase price allocation, which is performed by independent financial experts, is final. The net assets acquired in the transaction, and the goodwill arising, are as follows:

NOK in millions	Cybercity's carrying amount before transaction	Fair value adjustments	Final fair values	Provisional fair values 2005
Customer Base	-	235	235	235
Trademarks	-	90	90	90
Software/Other immaterial assets	50	40	90	91
Property, Plant & Equipment	131	(62)	69	45
Current Assets excluding cash and equivalents	186	(24)	162	186
Cash and cash equivalents	42	-	42	42
Deferred tax liability	-	(78)	(78)	(78)
Long-term liabilities	(155)	-	(155)	(155)
Short-term liabilities	(200)	-	(200)	(200)
Net assets	**54**	**201**	**255**	**256**
Goodwill			1 065	1 057
Total consideration, satisfied by cash			**1 320**	**1 313**

The carrying amounts before transaction in Cybercity are reported according to IFRS

Useful lives of intangible assets at the date of consolidation were estimated on average to: customer base of 5 years, trademark of 15 years and administrative software systems of 3 years.

The goodwill included deferred tax assets that did not meet recognition criteria to be capitalized in the balance sheet. In addition the goodwill arising on the acquisition of Cybercity is a residual value and is attributable to the anticipated profitability of its operations and to the anticipated synergies.

Change in fair values from provisionally to final purchase price allocation is immaterial.

Cybercity contributed NOK 306 million in revenues and NOK 26 million to the Telenor Group's profit from total operations for the period between the date of acquisition and 31 December 2005. This does not include Telenor's interest expenses related to the financing of the acquisition.

Disposals in 2005

At the end of 2005, the Group entered into agreements to sell 100% of the shares in Fixed Czech and Slovakia for a consideration of Euro 18.1 million in cash. The transactions were effected on 30 January 2006. Losses on disposal of NOK 63 million were recorded in 2005 due to reduction of the disposal group to fair value less costs to sell. The assets and liabilities are reported as current assets and liabilities held for sale as of 31 December 2005. The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

NOK in millions	
Intangible assets	34
Property, plant & equipment	71
Current assets excluding cash and cash equivalents	37
Cash and cash equivalents	23
Total assets	**165**
Non-current liabilities	29
Current liabilities	3
Total liabilities	**32**

As of 18 September 2005 the Group sold the remaining part of EDB Business Partner ASA's Telecom business for a consideration of NOK 133 million. Gains on disposal of NOK 37 million before taxes were recorded in 2005.

None of these disposals are regarded as discontinued operations according to IFRS 5 as they do not, separately or in aggregate, represent a major line of business or geographical area of operations.

Discontinued Operations

At the same time as the Group increased its shareholding in UCOM, UCOM received irrevocable purchase offers for the company's core assets from parties external to the Group. These assets and liabilities are primarily organized in separate subsidiaries of the company, and are regarded as disposal groups that meet the criteria to be classified as held for sale and discontinued operations on acquisition according to IFRS 5. The disposals were approved by the General Meeting of UCOM in January and effected in February 2006.

Pro forma Information (unaudited)

The following unaudited pro forma financial information presents results as if the acquisition of DTAC, Bredbandsbolaget and Cybercity had occurred at the beginning of the respective periods

NOK in millions, except per share amounts	2005	2004
Pro forma revenues	75 532	68 435
Pro forma profit before taxes and minority interest	12 563	9 460
Pro forma net income	7 473	5 900
Pro forma net income per share in NOK	4.37	3.37

The pro forma results are adjusted for Telenor's interest expenses and the results in the period prior to acquisition. These pro forma figures have been prepared for comparative purposes only and are not necessarily indicative of the result of operations which actually would have resulted had the acquisitions been in effect in the respective periods or of future results.

02 REVENUES

NOK in millions	2006				
	Unaudited Group	Unaudited Kyivstar	Group excl. Kyivstar	2005	2004
Analog (PSTN)/digital (ISDN, ADSL and BBT)	14 821	-	14 821	14 125	14 284
Mobile telephony	58 531	10 892	47 639	36 972	28 775
Leased lines	842	-	842	959	1 015
Satellite and TV-distribution	5 946	-	5 946	5 382	5 087
Other network based activities	2 429	-	2 429	2 096	2 234
Customer equipment	1 778	11	1 767	1 380	1 540
IT operations and sale of software	5 300	-	5 300	4 473	4 045
Other	1 430	53	1 377	1 179	1 285
Revenues	**91 077**	**10 956**	**80 121**	**66 566**	**58 265**

Analog (PSTN)/digital (ISDN, ADSL and Broadband telephony (BBT)) includes revenues from traffic, subscription and connection for analog (PSTN), digital (ISDN, ADSL and BBT) and Internet subscriptions. Further, it includes revenues from incoming traffic from other telephone operators.

Mobile telephony includes revenues from traffic, subscription and connection for mobile telephones, paging, incoming traffic from other mobile operators, text messages and content.

Leased lines include revenues from subscription and connection for digital and analog circuits.

Satellite includes revenues from satellite broadcasting and distribution of TV channels to the Nordic market. TV-distribution includes revenues from subscription, connection and distribution of TV channels through cable and satellite, and sale of program cards.

Other network-based activities include revenues from leased networks, data network services, etc.

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

IT operations and sale of software includes revenues from sales and operation of IT-systems, together with consultancy services and sale of software.

Other includes revenues from contracting, lease of properties etc.

Telenor has only limited operating lease revenues. These are primarily lease of some copper accesses and lease of dark fiber to other operators, co-location, lease of equipment, primarily in the satellite business and lease of properties. Telenor has to a very limited extent finance lease revenues (sales-type-lease). These revenues are included in the different revenue categories in the table above and not shown separately due to their immateriality and because they in substance do not differ from the relevant revenue categories. Most agreements have a short minimum lease term, and future minimum lease revenues are immaterial.

03 KEY FIGURES SEGMENTS

The segment information for the period 2004 to 2006 are reported in accordance with Telenor's accounting principles, and was used by the chief operating decision-makers for assessing performance and allocating resources.

The Group's primary format for reporting segment information is business segments. The primary products and services are mobile communication, fixed line communication ("Fixed") and TV-based activities ("Broadcast"). In addition the Group reports Other operations as a separate segment. Secondary reporting format is geographical segment information.

The Group's mobile communication business includes voice, data, Internet, content services, customer equipment and electronic commerce. Due to the size of the different operations, the Group's mobile operations in Norway, Denmark, Sweden, Ukraine, Hungary, Thailand, Malaysia and Bangladesh are shown as separate segments. Mobile operations in Pakistan, Montenegro and Serbia are reported as "Other Mobile Operations". At the end of 2005 the Group increased its economic stake in the mobile operation in Thailand. In January 2006, the Group increased its mobile operations in Sweden by the purchase of an existing mobile operation. In October 2006 Telenor acquired an existing mobile operation in Serbia. In addition the Group has ownership interests in mobile operations in associated companies, of which Vimpelcom in Russia is one of the larger interests.

Fixed comprises the Group's fixed network operations in Norway, Sweden and Denmark, which deliver services including analog PSTN, digital ISDN, Broadbandtelephony, xDSL, Internet and leased lines, as well as communication solutions. During 2005, the Group increased its operations in Sweden and Denmark through purchase of existing businesses, primarily within Broadband operations. In March 2006, the Group expanded its operations in Sweden through purchase of Glocalnet AB. In January 2006 Telenor disposed the fixed operations in Czech and Slovakia.

Broadcast comprises the Group's TV-based activities within the Nordic region. This includes satellite dish, cable TV-networks and satellite master antenna TV-networks systems. Broadcast operate the national terrestrial broadcast network in Norway and provide satellite broadcasting services in the Nordic region, utilizing three geo-stationary satellites.

Other operations consist of several companies and activities that separately are not significant enough to be reported as separate segments. The main companies are EDB Business Partner ASA (51.5%-owned), Venture and Corporate functions and Group activities. EDB Business Partner ASA is an Oslo Stock Exchange listed IT group, which delivers solutions and operating services. The main activity in Venture is Opplysningen AS, which is responsible for the Group's Directory Enquiries products in Norway. Corporate functions and Group activities comprise activities such as real estate, research and development, strategic Group projects, Group treasury, international services, the internal insurance company and central staff and support functions.

Deliveries of network-based regulated services within the Group are based on cost oriented prices based on negotiations between the units. For contract-based services, product development etc., prices are negotiated between the parties based on market prices. All other deliveries between the segments are to be based on market prices.

Gains and losses from internal transfer of businesses, group contribution and dividends are not included in the profit and loss statements for the segments. Segment revenue and expense includes transactions eliminated on consolidation, including fixed payments under the Mobile Virtual Network Operator (MVNO) agreements with the same counterparty but entered into by different segments, Telenor Mobile Norway and Telenor Mobile Sweden. For segment reporting, the fixed prepayments were recognized in the balance sheet and amortized to revenue and expense, respectively, based upon the actual to expected usage. During 2004 and 2005, impairment losses were recorded on the prepayments (onerous contracts) in Sweden due to revised expectations of the usage of capacity of the MVNO agreement. For the consolidation, the fixed prepayments were eliminated and related amortization and loss provisions were reversed. Telenor Mobil Norway segment revenues of NOK 347 million in 2006, NOK 210 million in 2005 and NOK 110 million in 2004 were eliminated to reach consolidated revenues. Expenses in Mobile Sweden (including onerous contracts) of NOK 20 million in 2006, NOK 293 million in 2005 and NOK 688 million in 2004 were also eliminated on consolidation. The large amounts for assets and liabilities in "Other operations" activities were due to Group internal receivables and payables. Balance sheet eliminations are primarily Group internal receivables and payables.

Profit and loss 2006

NOK in millions	Revenues	External revenues	EBITDA [2]	Depreciation, amortization and write-downs	Operating profit (loss) [3]	Associated companies	Net financial items	Profit (loss) before taxes
Telenor Mobile – Norway	13 062	12 103	5 494	890	4 604	-	94	4 698
Sonofon – Denmark	5 601	5 405	1 380	1 128	252	1	(401)	(148)
Mobile – Sweden	5 898	5 739	1 108	1 599	(491)	-	(43)	(534)
Kyivstar – Ukraine [1]	10 956	10 956	6 516	1 616	4 900	-	(194)	4 706
Pannon – Hungary	5 951	5 937	2 205	1 137	1 068	-	77	1 145
DTAC – Thailand	8 124	8 088	2 944	1 413	1 531	19	(431)	1 119
DiGi – Malaysia	6 373	6 367	2 945	1 110	1 835	-	47	1 882
Grameenphone – Bangladesh	4 314	4 313	2 516	680	1 836	-	(96)	1 740
Other mobile operations	2 637	2 614	288	782	(494)	1 857	(153)	1 210
Fixed	19 874	17 955	6 066	3 165	2 901	268	(406)	2 763
Broadcast	6 309	6 145	1 590	624	966	(57)	1 623	2 532
Other operations	8 274	5 811	(49)	841	(890)	265	1 354	729
Eliminations	(6 296)	(356)	(316)	(6)	(310)	-	(4)	(314)
Total Group [1]	**91 077**	**91 077**	**32 687**	**14 979**	**17 708**	**2 353**	**1 467**	**21 528**
Kyivstar – Ukraine [1]	10 956	10 956	6 516	1 616	4 900	-	(194)	4 706
Group excluding Kyivstar	**80 121**	**80 121**	**26 171**	**13 363**	**12 808**	**2 353**	**1 661**	**16 822**

[1] Unaudited.

[2] See table below for definition and reconciliation of EBITDA.

[3] The segment result is the operating profit (loss).

Definition and reconciliation of EBITDA

NOK in millions	2006				
	Unaudited Group	Unaudited Kyivstar	Group excl. Kyivstar	2005	2004
Profit from total operations	**18 535**	**3 440**	**15 095**	**9 134**	**7 413**
Profit from discontinued operations	155	-	155	185	249
Profit from continuing operations	**18 380**	**3 440**	**14 940**	**8 949**	**7 164**
Taxes	(3 148)	(1 266)	(1 882)	(3 370)	(2 371)
Profit before taxes	**21 528**	**4 706**	**16 822**	**12 319**	**9 535**
Net financial items	1 467	(194)	1 661	(346)	1 486
Associated companies	2 353	-	2 353	1 227	975
Operating profit	**17 708**	**4 900**	**12 808**	**11 438**	**7 074**
Depreciation and amortization	(14 721)	(1 585)	(13 136)	(11 281)	(10 366)
Write-downs	(258)	(31)	(227)	(583)	(3 527)
EBITDA	**32 687**	**6 516**	**26 171**	**23 302**	**20 967**

Balance sheet items and investments as of 31 December 2006

NOK in millions	Other non-current assets	Associated companies	Current assets	Total assets	Non-current liabilities incl. provisions	Current liabilities	Invest-ments
Telenor Mobile – Norway	3 415	-	5 322	8 737	1 327	2 829	760
Sonofon – Denmark	7 492	5	1 147	8 644	15 752	967	698
Telenor Mobile – Sweden	9 124	1	2 693	11 818	2 863	1 685	9 650
Kyivstar – Ukraine [1]	4 759	-	-	4 759	-	-	3 631
Pannon – Hungary	8 434	-	2 237	10 671	59	1 171	619
DTAC – Thailand	15 668	41	2 203	17 912	5 699	4 859	2 400
DiGi – Malaysia	5 895	-	2 000	7 895	1 240	2 904	1 309
Grameenphone – Bangladesh	5 057	-	946	6 003	1 584	2 196	2 023
Other mobile operations	19 205	6 519	1 788	27 512	965	1 674	15 024
Fixed	26 600	1 472	11 018	39 090	15 667	5 938	2 968
Broadcast	7 152	747	5 882	13 781	8 882	2 816	617
Other operations	36 118	38	4 240	40 396	32 306	25 356	2 448
Eliminations	(35 237)	3	(13 608)	(48 842)	(38 489)	(14 602)	(18)
Total	**113 682**	**8 826**	**25 868**	**148 376**	**47 855**	**37 793**	**42 129**

[1] Unaudited

Profit and loss 2005

NOK in millions	Revenues	External revenues	EBITDA [1]	Depreciation, amortization and write-downs	Operating profit (loss) [2]	Associated companies	Net financial items	Profit (loss) before taxes
Telenor Mobile – Norway	12 243	11 072	4 471	905	3 566	32	65	3 663
Sonofon – Denmark	5 191	5 059	1 176	1 285	(109)	1	(175)	(283)
Telenor Mobile – Sweden	244	120	(476)	-	(476)	-	(26)	(502)
Kyivstar – Ukraine	7 272	7 266	4 050	1 224	2 826	-	(144)	2 682
Pannon – Hungary	6 061	6 051	2 185	1 178	1 007	-	107	1 114
DTAC – Thailand	1 191	1 185	445	220	225	97	(68)	254
DiGi – Malaysia	4 932	4 928	2 142	1 043	1 099	-	(24)	1 075
Grameenphone – Bangladesh	2 970	2 969	1 559	439	1 120	-	(109)	1 011
Other mobile operations	784	771	(312)	391	(703)	1 258	26	581
Fixed	19 313	17 140	5 885	3 823	2 062	(142)	(517)	1 403
Broadcast	5 649	5 518	1 516	501	1 015	73	190	1 278
Other operations	7 606	4 699	557	776	(219)	(93)	124	(188)
Eliminations	(6 890)	(212)	104	79	25	1	205	231
Total	**66 566**	**66 566**	**23 302**	**11 864**	**11 438**	**1 227**	**(346)**	**12 319**

Balance sheet items and investments as of 31 December 2005

NOK in millions	Other non-current assets	Associated companies	Current assets	Total assets	Non-current liabilities incl. provisions	Current liabilities	Invest-ments
Telenor Mobile – Norway	3 611	38	4 618	8 267	1 036	3 436	1 218
Sonofon – Denmark	7 688	5	1 090	8 783	5 585	856	1 063
Telenor Mobile – Sweden	-	-	97	97	549	232	-
Kyivstar – Ukraine	8 459	-	2 313	10 772	3 578	1 728	3 654
Pannon – Hungary	8 672	-	2 951	11 623	164	1 184	763
DTAC – Thailand	13 523	23	2 592	16 138	3 983	5 831	12 452
DiGi – Malaysia	5 758	-	2 519	8 277	1 253	2 334	1 170
Grameenphone – Bangladesh	4 277	-	698	4 975	1 520	1 828	2 596
Other mobile operations	4 298	5 227	672	10 197	809	2 822	1 882
Fixed	16 961	1 374	9 100	27 435	15 770	5 777	9 525
Broadcast	7 061	625	5 247	12 933	8 849	2 184	453
Other operations	40 723	(1)	3 664	44 386	18 017	20 920	1 014
Eliminations	(29 947)	133	(9 812)	(39 626)	(27 495)	(12 026)	(67)
Total	**91 084**	**7 424**	**25 749**	**124 257**	**33 618**	**37 106**	**35 723**

Profit and loss 2004

NOK in millions	Revenues	External revenues	EBITDA [1]	Depreciation, amortization and write-downs	Operating profit (loss) [2]	Associated companies	Net financial items	Profit (loss) before taxes
Telenor Mobile – Norway	11 730	10 504	4 305	1 077	3 228	10	64	3 302
Sonofon – Denmark	4 404	4 351	681	4 480	(3 799)	-	(164)	(3 963)
Telenor Mobile – Sweden	223	136	(725)	124	(849)	-	(30)	(879)
Kyivstar – Ukraine	4 219	4 217	2 581	555	2 026	-	(159)	1 867
Pannon – Hungary	5 907	5 901	2 093	1 316	777	-	50	827
DTAC – Thailand	-	-	-	-	-	-	-	-
DiGi – Malaysia	3 946	3 943	1 732	901	831	-	(110)	721
Grameenphone – Bangladesh	2 186	2 186	1 313	218	1 095	-	1	1 096
Other mobile operations	200	199	13	67	(54)	789	(31)	704
Fixed	19 256	17 433	6 338	3 613	2 725	69	(442)	2 352
Broadcast	5 346	5 211	1 498	748	750	46	(475)	321
Other operations	7 214	4 285	546	743	(197)	60	4 049	3 912
Eliminations	(6 366)	(101)	592	51	541	1	(1 267)	(725)
Total	**58 265**	**58 265**	**20 967**	**13 893**	**7 074**	**975**	**1 486**	**9 535**

[1] See the table on the previous page for definition and reconciliation of EBITDA.

[2] The segment result is the operating profit (loss).

Geographic distribution of revenues based on customer location

NOK in millions	2006				
	Unaudited Group	Unaudited Kyivstar	Group excl. Kyivstar	2005	2004
Norway	32 140	11	32 129	31 268	30 885
Other Nordic	18 766	13	18 753	10 800	9 372
Western Europe	1 121	47	1 074	733	688
Central Europe	7 602	127	7 475	6 903	6 448
The Ukraine	10 510	10 509	1	6 972	4 224
Other Eastern Europe	415	214	201	263	99
Asia	20 126	15	20 111	9 420	6 228
Other countries	397	20	377	207	321
Total revenues	**91 077**	**10 956**	**80 121**	**66 566**	**58 265**

Geographic distribution of revenues based on company location

NOK in millions	2006				
	Unaudited Group	Unaudited Kyivstar	Group excl. Kyivstar	2005	2004
Norway	33 239	–	33 239	32 426	32 345
Other Nordic	19 254	–	19 254	10 482	8 954
Western Europe	228	–	228	247	241
Central Europe	7 307	–	7 307	6 764	6 324
The Ukraine	10 956	10 956	–	7 266	4 217
Asia	20 058	–	20 058	9 339	6 131
Other countries	35	–	35	42	53
Total revenues	**91 077**	**10 956**	**80 121**	**66 566**	**58 265**

Assets by geographical location of the company

NOK in millions	Property, plant and equipment		Total assets		Investments	
	2006	2005	2006	2005	2006	2005
Norway	18 491	19 171	38 982	40 735	4 496	4 241
Other Nordic	9 450	3 612	33 153	20 453	12 579	8 827
Western Europe	32	56	637	604	33	52
Central Europe	3 625	2 604	24 639	11 376	13 000	837
The Ukraine	–	6 580	4 759 [1)]	10 771	3 631 [1)]	3 654
Other Eastern Europe	–	–	7 593	6 076	–	–
Asia	14 492	11 662	37 969	33 490	8 390	18 058
Other countries	3	273	644	752	–	54
Total assets	**46 093**	**43 958**	**148 376**	**124 257**	**42 129**	**35 723**

[1)] Unaudited

04 COSTS OF MATERIALS AND TRAFFIC CHARGES

NOK in millions	2006				
	Unaudited Group	Unaudited Kyivstar	Group excl. Kyivstar	2005	2004
Traffic charges – network capacity	15 163	1 331	13 832	10 581	8 850
Traffic charges – satellite capacity	71	–	71	23	105
Costs of materials etc	7 371	135	7 236	5 828	5 755
Total costs of materials and traffic charges	**22 605**	**1 466**	**21 139**	**16 432**	**14 710**

Traffic charges include some operating lease costs, primarily the lease of some dedicated network and satellite capacity. These costs are included in the different cost categories in the table above and not shown separately because they in substance do not differ from the relevant cost categories.

05 OWN WORK CAPITALIZED

NOK in millions	2006				
	Unaudited Group	Unaudited Kyivstar	Group excl. Kyivstar	2005	2004
Costs of materials etc	58	–	58	216	161
Salaries and personnel costs	369	14	355	349	311
Other operating expenses	184	–	184	139	85
Total own work capitalized	**611**	**14**	**597**	**704**	**557**

06 SALARIES AND PERSONNEL COSTS

NOK in millions	2006				
	Unaudited Group	Unaudited Kyivstar	Group excl. Kyivstar	2005	2004
Salaries and holiday pay	9 116	461	8 655	7 547	7 318
Social security tax	1 342	73	1 269	1 097	1 102
Pension costs including social security tax	627	8	619	751	814
Share-based payments, excluding social security tax [1]	38	–	38	20	28
Other personnel costs	615	27	588	502	397
Total salaries and personnel costs	**11 738**	**569**	**11 169**	**9 917**	**9 659**

[1] Include share options and employee share ownership program, excluding social security tax on these.

The average number of man-years employed was 31,500 in 2006, 23,200 in 2005 and 20,350 in 2004. This includes approximately 540, 540 and 510 man-years related to discontinued operations for 2006, 2005 and 2004 respectively.

07 PENSION OBLIGATIONS

The Norwegian companies in the Group are obligated to follow the Act on Mandatory company pensions and the company's pension scheme follows the requirement as set in the Act.

The Group provides pension plans for substantially all employees in Norway. In addition, the Norwegian government provides social security payments to all retired Norwegian citizens. Such payments are calculated by reference to a base amount annually approved by the Norwegian parliament (G-regulation). Benefits are determined based on the employee's length of service and compensation. The cost of pension benefit plans is expensed over the period that the employee renders services and becomes eligible to receive benefits.

In 2005 Telenor decided to close the defined benefit plan for new members of Telenor Pension Fund in Norway from 1 January 2006, and to offer existing members to switch to a defined contribution plan from 3 July 2006. More than 2000 employees chose to switch to a defined contribution plan. The voluntarily change of pension plan resulted in a one-time cost reduction for Telenor of NOK 193 million in the third quarter of 2006, which were allocated to the different companies affected. The cost reduction is mainly related to the difference between pension obligations recognised for these employees for accounting purposes and the paid up policy received by the employees accepting the plan.

3,083 of the Group's employees were members of the new contribution plan as of 31 December, 2006. 7,726 of the Group's employees were covered through the defined benefit plans in Telenor Pension Fund. In addition the Telenor Pension Fund paid out pensions to 1,709 persons. Plan assets consisting primarily of bonds, shares and properties fund pension plans. For employees outside of Norway, contribution plans are dominant. When acquiring Telenor Mobile Sweden AB a defined benefit plan consisting of 765 employees as of 31 December, 2006 was included in the Group.

In Norway, the Group has agreement-based early retirement plans (AFP) which are defined benefit multi-employer plan. In 2004, Telenor ASA and most Norwegian subsidiaries changed their employers' organization membership from NAVO to NHO. Consequently, the agreement-based early retirement plan (AFP) was transferred to NHO. For this plan, the administrator is not able to calculate the Group's share of assets and liabilities and this plan is consequently accounted for as a defined contribution plan For 2006 pension contributions of NOK 48 million were expensed in this plan. For 2005 and 2004, NOK 49 million and NOK 18 million were expensed respectively,

Actuarial gains in 2006 were primarily due to higher turnover than estimated and change in assumptions.

In 2006 updated versions of the risk tables were implemented. This gave a minor positive effect which is included in actuarial gains/loss. The mortality table, K2005, is based on best estimates for the population in Norway. The disability table, KU, developed by Storebrand (insurance company), aligns with the actual disability risk for Telenor. The average expected lifetime in the risk tables as of 31 December 2006 are 81 years for men and 85 years for women. Below is shown a selection from the risk tables as of 31 December, 2006. The table below shows the probability of an employee in a certain age group becoming disabled or dying, within one year, as well as expected lifetime.

	Disability %		Death %		Expected lifetime	
Age	Men	Women	Men	Women	Men	Women
20	0.12	0.15	-	-	79.00	83.34
40	0.21	0.35	0.09	0.05	79.35	83.60
60	1.48	1.94	0.75	0.41	80.94	84.57
80	N/A	N/A	6.69	4.31	87.04	88.97

1 January 2006 the defined benefit plan (spouse pension) in Norway was terminated. The net effect of the settlement and curtailment was recorded in 2005 with a gain of NOK 63 million (excluding social security tax). The Group revised its risk tables for death and disability, when it measured the effect of the termination of the part of the plan that was terminated as the risk tables used were interrelated to a large extent.

The plan assets were measured at 31 December, 2006, 2005 and 2004. The projected benefit obligations (PBO; net present value of pension benefits earned at the balance sheet date based on expected pension qualifying income at the time of retirement) were measured at 24 October 2006 and adjusted for the best estimate of the financial assumptions at 31 December. 2005 and 2004 were measured at 30 September and adjusted for the best estimate of the financial assumptions at 31 December. The actuarial calculations for the Telenor Pension Fund obligations were carried out by independent actuaries. The present value of the projected defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. The discount rate for the defined benefit plan in Norway was estimated based on the interest-rate on Norwegian government bonds. Average time before the payments of earned benefits was calculated at 26 years, and the discount rate was projected to a 26-year rate based on reference to European non-current interest rates, as the longest duration in Norway is 10 years. The assumption for salary increase, increase in pension payments and G-regulation are tested against historical observations and the relationship between different assumptions. The Norwegian Standard Accounting Board published in November 2006 guidelines on how to determine assumptions. Based on this the expectation regarding prospective salary increase is adjusted.

Employees that leave the company before the age of retirement receive a paid-up policy. Telenor Pension Fund administers some of these policies. This is at the discretion of the Telenor Pension Fund and does not affect Telenor. At the time of issuance of paid-up policies Telenor is relieved of any further obligations towards the related employees. The Funds and obligations are valued at the time of issuance of paid-up policies, and are derecognized from pension obligations and plan assets.

At the time when Telenor AS (now Telenor ASA) was incorporated in 1995, the employees received paid-up policies in the Norwegian Public Service Pension Fund. Employees which have been members of the Norwegian Public Service Pension Fund will have an accrued pension right covered by this fund as a part of total payments. The payments from this pension fund will be adjusted by the increase of the base amount annually approved by the Norwegian parliament. The Norwegian Public Service Pension Fund has a project for updating the correct values of these paid-up policies, and the values have not been adjusted in the period up to 2004. Telenor expects that the outcome of the updating and adjustments may reduce Telenor's share of pension benefits for the affected employees, which may reduce Telenor's liabilities at the time of the adjustments.

NOK in millions	2006	2005	2004
Change in projected benefit obligation			
Projected benefit obligation at the beginning of the year	5 789	5 835	5 323
Service cost	446	569	526
Interest cost	230	253	259
Actuarial (gains) and losses	157	(218)	(80)
Curtailments and settlements	(179)	(438)	-
Acquisitions and sale	40	(78)	(43)
Benefits paid/paid-up policies	(305)	(150)	(166)
Reclassified as held for sale	(67)	16	16
Benefit obligations at the end of the year	**6 111**	**5 789**	**5 835**
Change in plan assets			
Fair value of plan assets at the beginning of the year	3 896	3 811	3 288
Actual return on plan assets	122	312	239
Curtailments and settlements	-	(375)	-
Acquisitions and sale	(70)	(56)	20
Pension contribution	436	350	426
Benefits paid/paid-up policies	(289)	(146)	(162)
Reclassified as held for sale	(53)	-	-
Fair value of plan assets at the end of the year	**4 042**	**3 896**	**3 811**
Funded status	**2 069**	**1 893**	**2 024**
Unrecognized net actuarial gains (losses) [1]	53	285	(6)
Accrued social security tax [1]	238	263	278
Reclassified as held for sale	(9)	-	-
Total provision for pensions including social security tax	**2 351**	**2 441**	**2 296**
Total provision for pensions as of 01.01	**2 441**	**2 296**	**2 147**
Acquisitions and sale	149	(43)	(59)
Net periodic benefit costs	305	580	683
Pension contribution	(436)	(350)	(426)
Benefits paid paid-up policies	(16)	(4)	(4)
Social security tax on pension contribution	(62)	(49)	(58)
Reclassified as held for sale	(30)	11	13
Total provision for pensions as of 31.12. including social security tax (Note 21)	**2 351**	**2 441**	**2 296**

[1] Social security tax is the funded status multiplied with the average social security tax rate. Unrecognized net actuarial gains (losses) include social security tax.

The accumulated benefit obligation, which is the net present value of pension obligations earned at the balance sheet date based on the current salary (pension qualifying income) for the defined benefit pension plans, was NOK 4,795 million in 2006. It was NOK 4,839 million as of 31 December, 2005.

Information for pension plans with an accumulated benefit obligation in excess of plan assets

NOK in millions	2006	2005
Projected benefit obligation	6 021	5 722
Accumulated benefit obligation	4 795	4 839
Fair value of plan assets	4 022	3 879

Assumptions used to determine benefit obligations as of 31 December

	2006	2005	2004
Discount rate in %	4.5	3.9	4.5
Future salary increase in %	4.0	3.0	3.0
Future increase in the social security base amount in %	4.0	3.0	3.0
Future turnover in %	10.0	10.0	6.0
Expected average remaining service period in years	9.0	9.0	12.0
Future pension increases in %	3.1	2.5	3.0

Assumptions used to determine net periodic benefit costs for years ended 31 December

	2006 [1]			
	1. half year	2. half year	2005	2004
Discount rate in %	3.9	4.6	4.5	5.1
Expected return on plan assets in %	4.7	6.0	5.4	6.1
Future salary increase in %	3.0	3.8	3.0	3.4
Future increase in the social security base amount in %	3.0	3.8	3.0	3.4
Future turnover in %	10.0	10.0	6.0	6.0
Expected average remaining service period in years	9.0	9.0	12.0	12.0
Future pension increases in %	2.5	3.3	3.0	3.4

[1] Normally the cost is calculated based on assumptions as of 31 December previous year. Due to the introduction of the new contribution plan a new calculation was performed as of July 3 and a more updated population was available. Hence the second half of the year is calculated based on assumptions as of June 30 (except for EDB Business Partner).

The experience adjustments from actuarial gains and losses (the effects of differences between the previous actuarial assumptions and what has actually occurred) were -1.8% of the benefit obligation (PBO) as of 31 December 2006. The corresponding figure for 2005 was 0.4%.

The expected turnover assumption increased as of 31 December, 2005 based on observations over the later years that turnover has been higher than previously expected. This change also affected estimated remaining service period.

Components of net periodic benefit cost

NOK in millions	2006	2005	2004
Service cost	446	569	526
Interest cost	230	253	259
Expected return on plan assets	(185)	(194)	(186)
Losses/gains on curtailments and settlements	(229)	(60)	(4)
Amortization of actuarial gains and losses	(15)	(72)	(8)
Social security tax	58	84	96
Net periodic benefit costs	**305**	**580**	**683**
Contribution plan costs	322	171	131
Total pension costs charged to profit (loss) for the year	**627**	**751**	**814**
Kyivstar (unaudited)	8		
Total pension costs charged to profit (loss) for the year excl. Kyivstar	**619**		

Telenor Pension Fund's weighted average asset allocations as of 31 December, 2004, 2005 and 2006, by asset category were as follows:

Asset category

	2006	2005	2004
Bonds %	53	53	70
Equity securities %	28	32	26
Properties %	11	12	-
Other %	8	3	4
Total	**100**	**100**	**100**

The plan assets are invested in bonds issued by the Norwegian government, Norwegian municipals, financial institutions and corporations. Bonds held in foreign currencies are to a large extent currency hedged. Investments in equity securities are restricted to a maximum of 35% of the plan assets. The plan assets are invested both in Norwegian and foreign equity securities. The currency hedging policy for foreign equity securities is evaluated per investment.

In 2005, land and buildings were sold from the Group to Telenor Pension Fund. The value was set based on evaluations made by an independent Project and Construction Management Company. Parts of the buildings are leased back from the Pension Fund. Approximately 40% of the buildings measured in market value are used by the Group though internal rental contracts.

The expected non-current return on plan assets as of 31 December, 2006 was 5.9%. Expected returns on plan assets are calculated based on the estimated Norwegian government bond yield at the balance sheet date, adjusted for the different investment categories of the plan assets. The expected long-term yield above government bonds is based on historical non-current yields.

Telenor expects to contribute approximately NOK 586 million to the Telenor Pension Fund in 2007.

NOK in millions	2007	2008	2009	2010	2011	2012 to 2016
Expected pension benefit payments from the Telenor Pension Fund	87	106	123	139	155	1 085

Telenor AB (including Utfors AB) and EDB Business Partner AB, have multi-employer plans. The plan is currently accounted for as a defined contribution plan and the cost was NOK 95 million in 2006. The cost was 63 million in 2005 and NOK 58 million in 2004 respectively.

As of 31 December, 2006, the estimated pension cost for 2007 for the defined benefit plans was estimated NOK 487 million.

The table below shows an estimate of the potential effects of changes in the key assumptions for the defined benefit plans in Norway.

The following estimates and the estimated pension cost for 2007 are based on facts and circumstances as of 31 December, 2006. Actual results may materially deviate from these estimates.

NOK in millions	Discount rate		Future salary increase		Social security base amount		Annual adjustments to pensions		Turnover	
	+1%	-1%	+1%	-1%	+1%	-1%	+1%	-1%	+4%	-4%
Changes in pension:										
Obligations	(759)	1 096	718	(623)	(265)	240	643	(535)	(136)	439
Unrecognized actuarial losses	(866)	1 251	819	(712)	(301)	273	734	(610)	(156)	501
Expenses due to amortization of actuarial losses	(65)	38	-	(46)	-	-	-	(34)	(20)	-
Net periodic benefit cost including effect due to amortization of actuarial losses (as shown above)	(161)	177	91	(126)	(34)	31	82	(102)	(17)	56

08 OTHER OPERATING EXPENSES

NOK in millions	2006 Unaudited Group	2006 Unaudited Kyivstar	2006 Group excl. Kyivstar	2005	2004
Operating leases of building, land and equipment	1 990	123	1 867	1 224	1 045
Other cost of premises, vehicles, office equipment etc	980	25	955	841	773
Operation and maintenance	5 469	328	5 141	4 292	3 606
Travel and travel allowances	560	33	527	455	446
Postage freight, distribution and telecommunication	508	12	496	380	286
Concession fees	2 563	109	2 454	848	572
Marketing and sales commission	6 244	966	5 278	4 858	3 715
Advertising	2 782	594	2 188	2 007	1 406
Bad debts [1)]	340	7	333	302	229
Consultancy fees and external personnel	2 213	40	2 173	1 729	1 307
Other	704	168	536	455	259
Total other operating expenses	**24 353**	**2 405**	**21 948**	**17 391**	**13 644**

[1)] See note 10 for more information.

09 OTHER INCOME AND EXPENSES

NOK in millions	2006 Unaudited Group	2006 Unaudited Kyivstar	2006 Group excl. Kyivstar	2005	2004
Gains on disposals of fixed assets and operations	(194)	-	(194)	(318)	(563)
Losses on disposals of fixed assets and operations	90	14	76	151	72
Expenses for workforce reduction and onerous (loss) contracts [1]	409	-	409	395	333
Total other (income) and expenses	**305**	**14**	**291**	**228**	**(158)**

[1] See note 12 for more information.

Gains on disposals in 2006, were primarily sale of properties and the sale of the subsidiary Telenor Venture II ASA. Gains on disposals in 2005 were primarily sale of properties, as well as some businesses. Gains on disposals in 2004 were primarily the sale of parts of the Telecom business of EDB Business Partner ASA and the sale of the subsidiaries Telenor Venture III AS, Securinet AS and Transacty AS.

Losses on disposal in 2005 were primarily related to disposal of properties and equipment and Fixed Czech and Slovakia.

Expenses for workforce reductions and onerous (loss) contracts in 2006 were primarily related to workforce reductions in Fixed, EDB Business Partner, mobile operations in Nordic and loss contracts in Fixed and mobile operations in Nordic. Expenses for workforce reduction and onerous (loss) contracts in 2005 were primarily related to the MVNO contract in Sweden and expenses for workforce reductions in Fixed. Expenses in 2004 were primarily workforce reductions related to the IT-operations, Fixed and the mobile operations in Nordic. See note 12 for more information.

10 BAD DEBTS

NOK in millions	2006 Unaudited Group	2006 Unaudited Kyivstar	2006 Group excl. Kyivstar	2005	2004
Provisions as of 1 January	950	49	901	720	592
Reclassified to held for sale	(35)	-	(35)	-	-
Reclassified to investment in Kyivstar	(52)	(52)	-		
Provisions as of 31 December	1 031	-	1031	950	720
Change in provisions for bad debts	**168**	**3**	**165**	**230**	**128**
Reclassified to held for sale	-	-	-	(9)	(19)
Other changes in provisions for bad debts [1]	(77)	4	(81)	(143)	(110)
Realized losses for the year	341	-	341	308	297
Recovered amounts previously written off	(92)	-	(92)	(84)	(67)
Total bad debts	**340**	**7**	**333**	**302**	**229**

[1] Includes effects of disposal and acquisition of businesses and translation adjustments.

11 RESEARCH AND DEVELOPMENT COSTS

Research and development costs that have been expensed amounted to NOK 495 million in 2006. In 2005 and 2004 it was NOK 401 million and NOK 372 million, respectively. Research and development activities relate to new technologies, new products, security in the network and new usages of the existing network.

12 WORKFORCE REDUCTIONS, ONEROUS CONTRACTS AND LEGAL DISPUTES

The following tables display roll forward of the provisions from 1 January 2005:

NOK in millions	Provisions in the balance sheet 01.01. 2005	2005 additions in income statement	2005 additions recorded directly in balance [2] & interest	2005 amounts utilized	Provisions reversed in 2005 income statement	Provisions in the balance sheet 31.12 2005
Workforce reductions:						
Mobile operations [3]	36	20	(1)	(36)	(3)	16
Fixed	95	151	1	(73)	-	174
Broadcast	4	-	-	(2)	-	2
Other operations and eliminations *)	165	48	(1)	(121)	-	91
Total workforce reductions	**300**	**219**	**(1)**	**(232)**	**(3)**	**283**
Onerous (loss) contracts:						
Mobile operations [3]	291	417	(24)	(509)	-	175
Fixed	13	8	-	(3)	-	18
Broadcast	9	-	-	(3)	-	6
Other operations and eliminations	(55)	(208)	1	442	(23)	157
Total onerous (loss) contracts	**258**	**217**	**(23)**	**(73)**	**(23)**	**356**
Total workforce reductions and onerous (loss) contracts	**558**	**436**	**(24)**	**(305)**	**(26)**	**639**
Legal disputes [1] *)	148	23	11	(21)	(34)	127
*) Includes items reclassified to Discontinued Operations in profit and loss 2005						
Workforce reduction		15			-	
Legal disputes		19			-	

NOK in millions	Provisions in the balance sheet 31.12. 2005	2006 additions in income statement	2006 additions recorded directly in balance [2] & interest	2006 amounts utilized	Provisions reversed in 2006 income statement	2006 Reclassified to held for sale	Provisions in the balance sheet 31.12 2006
Workforce reductions:							
Mobile operations [3]	16	65	49	(48)	(26)	-	56
Fixed	174	82	2	(151)	-	-	107
Broadcast	2	1	-	(1)	-	-	2
Other operations and eliminations **)	91	121	11	(111)	-	(2)	110
Total workforce reductions	**283**	**269**	**62**	**(311)**	**(26)**	**(2)**	**275**
Onerous (loss) contracts:							
Mobile operations [3]	175	41	35	(79)	(3)	-	169
Fixed	18	72	4	(7)	(2)	-	85
Broadcast	6	-	-	(3)	-	-	3
Other operations and eliminations	157	62	8	(77)	-	-	150
Total onerous (loss) contracts	**356**	**175**	**47**	**(166)**	**(5)**	**-**	**407**
Total workforce reductions and onerous (loss) contracts	**639**	**444**	**109**	**(477)**	**(31)**	**(2)**	**682**
Legal disputes [1] **)	127	11	-	(11)	(125)	-	2
**) Includes items reclassified to Discontinued Operations in profit and loss 2006							
Workforce reduction		4			-		
Legal disputes		5			-		

[1] Does not include disputes relating to tax issues. See note 14 and 26.

[2] Additions recorded directly in the balance principally relate to acquisitions and currency translation effects. In 2006 the effect is mainly due to the acquisition of Telenor Mobile Sweden.

[3] Mobile operations consist of Telenor Mobile – Norway, Telenor Mobile – Sweden, Sonofon, Kyivstar, Pannon, DiGi, Grameenphone and other mobile operations.

Provisions as of 31 December:

NOK in millions	2006	2005
Expected to be paid within 1 year		
Workforce reductions	256	268
Onerous contracts	242	222
Legal disputes	2	127
Total short term (note 21)	**500**	**617**
Expected to be paid after 1 year		
Workforce reductions	19	15
Onerous contracts	165	134
Legal disputes	-	-
Total long term (note 21)	**184**	**149**
Total	**684**	**766**

Onerous contracts relate mainly to estimated losses on the MVNO contract in Sweden and estimated losses on property leases. Estimated losses on property leases are based on assumptions of future subleases based on facts and circumstances as of the balance sheet dates. The actual outcome may differ from the estimates.

Provision for onerous contracts in the balance sheet related to the MVNO contract amounts to NOK 133 million as of 31 December 2006 (NOK 238 million as of 31 December 2005). This loss is the net present value of payments up to and including the first quarter of 2008.

Provisions for workforce reductions as of 31 December 2006 included approximately 650 employees and approximately 850 employees as of 31 December 2005.

Provisions for legal disputes represent the management's best estimates of the actual outcome. The actual outcome of amount and timing may differ significantly from the estimates. See note 26 for more information regarding legal disputes.

Amounts taken to income in 2005 were primarily due to favourable development for property leases and legal disputes. For 2006 this is mainly related to favourable outcome of Sense Communications legal proceeding against Telenor Mobil and change in estimate of provision for workforce reduction in Telenor Mobile Sweden.

13 FINANCIAL INCOME AND EXPENSES

NOK in millions	2006				
	Unaudited Group	Unaudited Kyivstar	Group excl. Kyivstar	2005	2004
Interest income on liquid assets	745	146	599	281	377
Other financial income	158	-	158	159	78
Total financial income	**903**	**146**	**757**	**440**	**455**
Interest expenses on interest-bearing liabilities	(2 555)	(326)	(2 229)	(1 665)	(1 582)
Other financial expenses	148	(9)	157	(117)	(93)
Capitalized interest	101	23	78	146	117
Total financial expenses	**(2 306)**	**(312)**	**(1 994)**	**(1 636)**	**(1 558)**
Net foreign currency (loss)	**(301)**	**3**	**(304)**	**89**	**(84)**
Total change in fair value of financial instruments	1 293	(31)	1 324	243	-
Gains on disposal of financial assets	1 891	-	1 891	521	2 652
Losses on disposal of financial assets	(4)	-	(4)	(2)	(17)
Write-downs and reversal of write-downs of financial Assets [1)]	(9)	-	(9)	(1)	38
Net gains (losses and write-downs) of financial assets	**1 878**	**-**	**1 878**	**518**	**2 673**
Net financial items	**1 467**	**(194)**	**1 661**	**(346)**	**1 486**

[1)] As from 1 January 2005, impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

As of 1 January 2005 Telenor implemented IAS 39.

Increased financial income was mainly due to interest income of NOK 280 million related to the tax settlement in the Sonofon case against the Kingdom of Norway.

Increased financial expenses were mainly related to increased long-term interest-bearing liabilities following the acquisition of companies, partly offset by the reversal of the provision for interest expenses of NOK 304 million related to the Sonofon case.

Borrowing costs included in the cost of qualifying assets (capitalized interest) during the year arose in Norway on the general borrowing pool and outside Norway based on the relevant subsidiaries' borrowing costs. Wholly owned subsidiaries are financed by Telenor. See note 22 Interest Bearing Liabilities for more information about interest rates on external borrowings.

The change in fair value of financial instruments was primarily related to the total return swap agreement in the underlying VimpelCom share as well as derivatives used for economic hedge of interest-bearing liabilities that do not fulfil the requirements for hedge accounting according to IAS 39.

Gains on disposal in 2006 were primarily the gain on sale of Telenor's remaining shareholding in Inmarsat and Eutelsat. Gains on disposal in 2005 were primarily gain on sale of Telenor's shares in Intelsat. Gains on disposal in 2004 were primarily the gain on sale of Telenor's remaining shareholding in Cosmote SA.

14 TAXES

NOK in millions	2006				
	Unaudited Group	Unaudited Kyivstar	Group excl. Kyivstar	2005	2004
Profit before taxes					
Norway	10 034	-	10 034	6 468	9 122
Outside Norway [1]	11 494	4 706	6 788	5 851	413
Total profit before taxes	**21 528**	**4 706**	**16 822**	**12 319**	**9 535**
Current taxes [2]					
Norway	(1 539)	-	(1 539)	385	(63)
Outside Norway	3 244	1 277	1 967	1 556	1 109
Total current taxes	**1 705**	**1 277**	**428**	**1 941**	**1 046**
Deferred taxes					
Norway	1 377	-	1 377	974	1 425
Outside Norway	66	(11)	77	455	(100)
Total deferred taxes	**1 443**	**(11)**	**1 454**	**1 429**	**1 325**
Total income tax expense	**3 148**	**1 266**	**1 882**	**3 370**	**2 371**

[1] Includes associated companies and subsidiaries outside Norway. Gains and losses from disposal of companies are related to the countries in which the disposed companies were located.

[2] Current tax in Norway in 2005 was positively affected by the liquidation of Dansk Mobil Holding AS, as described below. The tax losses in Norway have been utilized during 2006 and the companies within the Norwegian tax group are now in a current tax position. In 2006 Telenor was repaid NOK 2.409 million in taxes which is recognized as a reduction in current taxes.

Effective tax rate

The table below reconciles the reported income tax expense to the expected income tax expense according to the corporate income tax rate of 28% in Norway. It also shows major components of tax expense (income).

NOK in millions	2006				
	Unaudited Group	Unaudited Kyivstar	Group excl. Kyivstar	2005	2004
Profit before taxes:					
Expected income taxes according to corporate income tax rate in Norway (28%)	6 028	1 318	4 710	3 449	2 670
Tax rates outside Norway different from 28%	(217)	(141)	(76)	(81)	(34)
Associated companies	(680)	-	(680)	(350)	(267)
Non-taxable income	(187)	-	(187)	(128)	(102)
Non-deductible expenses	365	61	304	265	195
Non-taxable gains/losses on sales of shares	(554)	-	(554)	(30)	(152)
Changes in tax law – previously recognized tax assets not realized	-	-		-	257
Deferred taxes on retained earnings in subsidiaries and associated companies	414	100	314	292	(375)
Tax assets not recognized current year	487	-	487	634	220
Change in previous years' valuation allowance	(49)	-	(49)	(12)	(434)
Previously not recognized deferred tax assets in business combinations	(67)	-	(67)	(162)	(30)
Write-downs of goodwill that are not tax deductible	19	-	19	12	842
Conversion of inter-company debt	-	-	-	(249)	-
Significant disputed transactions	(2 409)	-	(2 409)	(263)	(438)
Other	(2)	(72)	70	(7)	19
Income tax expense (income)	**3 148**	**1 266**	**1 882**	**3 370**	**2 371**
Effective tax rate in %	**14.6**	**-**	**11.2**	**27.4**	**24.9**

Comments on selected line items in the preceding table

Tax rates outside Norway different from 28%

The tax rates for subsidiaries outside Norway are both higher and lower than the Norwegian 28% tax rate. The most significant effects were that Pannon GSM Rt. (Hungary) and Kyivstar GSM JSC (Ukraine) had tax rates lower than 28% and GrameenPhone Ltd. (Bangladesh) and Telenor Pakistan had higher tax rates. For 2006 this reconciliation line also includes an effect of NOK 65 million related to change in tax rate in Malaysia.

Associated companies

Results from associated companies are reflected after tax and therefore do not impact the Group level taxes. Tax on undistributed earnings in Golden Telecom Inc and VimpelCom is included in a separate line item (Deferred taxes on retained earnings in subsidiaries and associated companies).

Non-taxable gains/losses on sales of shares

In 2006 the shares in Inmarsat were realized with a non-taxable gain of NOK 1,785 million, due to the Exemption Method that were introduced in Norway in 2004.

Changes in tax law – previously recognized tax assets not realized

Following the introduction of the Exemption Method in Norway in 2004, Telenor reversed some previously recognized deferred tax assets. These were primarily related to the future liquidation of dormant subsidiaries of EDB Business Partner ASA, which had not been formally decided by the appropriate corporate body prior to March 26, 2004.

Deferred taxes on retained earnings in subsidiaries and associated companies

Telenor has recognized deferred tax liability (primarily withholding tax) for undistributed earnings in subsidiaries and associated companies. This because it is expected that dividends will be distributed in the foreseeable future and, for associated companies, because Telenor is not able to control the timing of the distribution of dividends.

Deferred taxes are calculated to the extent dividends will be subject to taxation, either in Norway or as withholding taxes at source. Following the introduction of the Exemption Method in Norway and the abolishment of withholding taxes in Hungary, for dividends that will be distributed to companies resident within the EEA area subsequent to January 1, 2006, Telenor reversed NOK 639 million of deferred taxes on undistributed earnings in 2005 due to these changes.

Tax assets not recognized current year

The main effect on this line is related to tax losses in subsidiaries outside Norway. Deferred tax assets are not recognized for deductible temporary differences (primarily carry forward of unused tax losses) in subsidiaries outside Norway when we cannot demonstrate probable taxable profits that will be available against such deductible temporary differences. For the years presented this issue is primarily related to Fixed Sweden and Pakistan.

Change in previous years' valuation allowance

This line relates to deferred tax assets previously not recognized, and derecognition of previously recognized deferred tax assets. In 2004 the effect on this line was mainly related to realization of tax losses on shares in subsidiaries and associated companies on which deferred tax assets not previously had been recognized. These deferred tax assets were recognized when the sale or liquidation of shares or loans allowed for the realization of tax losses on these shareholdings and loans.

Previously not recognized tax assets in business combinations

In 2004 and 2005 Telenor realized taxable income and recorded deferred tax assets previously not recognized in business combinations for Canal Digital Group and Utfors AB (only 2004). In 2006 Cybercity (Fixed Denmark) and Canal Digital Denmark (Broadcast) have been able to demonstrate probable taxable profits and deferred tax assets have been recognised related to these business combinations. The corresponding tax income was recognized in the income statement. As a result, the carrying amount of goodwill was reduced to the amount that would have been recognized if the deferred tax asset had been recorded at the acquisition date. Recognised tax assets in excess of the goodwill write-down are presented on the line "Change in previous years' valuation allowance".

Write-downs of goodwill that are not tax deductible

Write-downs of goodwill deriving from purchase of shares are generally not tax deductible. In 2004 this primarily related to write-down of goodwill on Sonofon.

Conversion of intercompany debt

In 2005 Telenor ASA converted inter-company loans to operating subsidiaries, rendered in connection with the business activities of Telenor ASA. The conversion was carried out to remove negative equity in these subsidiaries. Through these conversions, Telenor recognized a tax loss and correspondingly reduced the income tax expense for 2005.

Significant and disputed transactions

NOK in millions	2006	2005	2004
Sale of Telenor Business Solutions AS	–	(701)	–
Internal sale of Sonofon shares	(2 409)	–	–
Liquidation of Dansk Mobil Holding AS	–	438	(438)

Sale of Telenor Business Solutions AS

In 2003, Telenor Eiendom Holding AS realized a tax loss of approximately NOK 2.8 billion in connection with the sale of shares in Telenor Business Solutions AS to Telenor Business Solutions Holding AS. This sale was carried out as part of the overall restructuring of the Telenor Group. Due to the challenge of Telenor's tax return regarding the tax loss in connection with the sale of shares in Sonofon in 2001, as discussed below, Telenor did not reflect the tax benefit derived from the loss on this sale in the financial statements for 2003. Following discussions with the Norwegian tax authorities, the loss was accepted as tax deductible, in March 2006. However, there was a reduction of the loss to approximately NOK 2.5 billion. Consequently, Telenor recorded a tax benefit of NOK 701 million and a deferred tax asset in 2005.

Internal sale of Sonofon shares

In 2002, the Norwegian tax authorities disallowed the tax loss from the disposal of the shares in Sonofon Holding A/S claimed by Telenor Communication AS (now Telenor Eiendom Holding AS) for the fiscal year 2001. As a result of this change, the current tax expense for 2001 was increased by NOK 2.4 billion, which was recorded in 2002. The Norwegian Supreme Court ruled on this case in October 2006. Telenor won the case and was awarded coverage of all legal fees, plus interest. In 2006 Telenor was repaid NOK 2,409 million in taxes which is recognized as a reduction in current taxes.

Liquidation of Dansk Mobil Holding AS

Dansk Mobil Holding AS, was the initial owner of Telenor "original" 53.5% shareholding in Sonofon Holding A/S. Following the acquisition of the remaining 46.5% shareholding from Bell South in February 2004, the Sonofon Holding A/S shares were sold to Telenor Mobile Holding AS. Dansk Mobil Holding AS was then liquidated.

This liquidation realised a tax loss of approximately NOK 1.6 billion, which Telenor claimed under the transition rules to the Exemption Method. The Norwegian tax authorities disallowed this loss. Therefore the tax expense for 2004 was increased by approximately NOK 438 million in 2005. Telenor will bring this case to Court.

Other uncertain tax positions not recognized

In connection with Telenor B-Invest AS' calculation of the gain on sale of shares in Cosmote SA in 2003 and 2004, a RISK adjustment of the tax base values of the shares with NOK 184 million and NOK 386 million respectively was claimed by Telenor. The Norwegian tax authorities disallowed such RISK adjustments for 2003. At the end of 2005 the Appeal assessment board accepted the RISK adjustment for 2003. However, the Central Tax Directorate has brought this decision before the County Assessment Board for a renewed hearing. Consequently, Telenor has not recorded the potential tax benefit. There is no Appeal Assessment Board decision on the RISK adjustment for 2004.

If Telenor should win the case regarding the liquidation of Dansk Mobil Holding AS, RISK adjustment on the Cosmote SA shares for 2004 will not have any effect under the transition rules to the Exemption Method as discussed above.

The Danish tax authorities have challenged Danal Digital Denmark's tax assessment for 2003. The challenge is based on a transaction where the previous tax losses were realized and a corresponding increased depreciable tax base of assets was established. The tax authorities disagreed with the valuation of the assets in this transaction. Consequently, the tax authorities have disallowed the step up in depreciable tax basis. As a consequence of the tax authorities' position, some of the previous tax losses have expired in the subsequent period and cannot be brought forward. The situation has been accounted for assuming the Danish tax authorities wins the case. The accumulated effect of this transaction 31 December 2006 is a reduced tax income of approximately NOK 70 million due to not recognized tax assets, and an increased current tax of approximately NOK 30 million due to reduced tax deductible depreciations.

Tax losses carried forward

Tax losses carried forward in selected countries expire as follows:

NOK in millions	Norway	Sweden	Other Nordic	Asia	Other	Total
2007	-	-	57	12	66	135
2008	-	-	27	26	47	100
2009	-	-	29	557	6	592
2010	-	-	49	-	7	56
2011	-	-	38	1 404	-	1 442
2012 and later	-	-	83	517	41	641
Not time-limited	147	4 642	292	2 653	44	7 778
Total tax losses carried forward	**147**	**4 642**	**575**	**5 169**	**211**	**10 744**
Of which not recognised as deferred tax assets (Valuation allowance)	119	4 539	525	3 492	211	886
Tax losses on which deferred tax asset has been recognised	**28**	**103**	**50**	**1 677**	**-**	**1 858**

Companies within the Norwegian tax group have utilized all tax losses in 2006. Deferred tax asset are not recognized for carry forward of unused tax losses when Telenor cannot demonstrate that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. This is the situation for most of the operations in the other Nordic countries, Thailand (UCOM) and Pakistan. In Pakistan the taxable losses in excess of the deferred tax liabilities are not recognized. In the balance temporary differences related to losses not utilized are set off against taxable temporary differences.

Tax effect of temporary differences and tax loss carry forwards as of December 31

NOK in millions	Deferred tax assets 2006	Deferred tax liabilities 2006	Of which assets not recognized (valuation allowance) 2006	Deferred tax assets 2005	Deferred tax liabilities 2005	Of which assets not recognized (valuation allowance) 2005
Tangible and intangible assets	4 435	(5 953)	(415)	4 405	(4 718)	(698)
Associated companies	-	-	-	-	-	-
Undistributed earnings in foreign subsidiaries and associated companies	-	(736)	-	-	(606)	-
Other non-current items	1 439	(2 310)	-	1 637	(1 245)	(1)
Total non-current assets and liabilities	**5 874**	**(8 999)**	**(415)**	**6 042**	**(6 569)**	**(699)**
Total current assets and liabilities	**807**	**(362)**	**-**	**1 406**	**(1 078)**	**(47)**
Tax losses carried forward	**3 280**	**-**	**(2 642)**	**2 871**	**-**	**(1 543)**
Deferred taxes	9 961	(9 361)	(3 057)	10 319	(7 647)	(2 289)
Net deferred tax assets/liabilities	**-**	**(2 457)**	**-**	**383**	**-**	**-**
Of which deferred tax assets	-	1 848	-	3 052	-	-
Of which deferred tax liabilities (note 21)	-	(4 305)	-	(2 669)	-	-

Recognized deferred tax assets mainly relate to Norway and Thailand. For both countries probable future taxable profits to offset these deductible temporary differences can be demonstrated.

Change in net deferred tax

NOK in millions	2006 Unaudited Group	2006 Unaudited Kyivstar	2006 Group excl. Kyivstar	2005	2004
As of January 1	383	(71)	454	1 065	3 626
Recorded to equity [1]	36	-	36	57	(284)
Recorded to profit or loss	(1 443)	11	(1 454)	(1 429)	(1 325)
Exchange differences	188	5	183	(84)	59
Acquisition of subsidiaries	(1 588)	-	(1 588)	707	(999)
Disposal of subsidiaries	(88)	-	(88)	67	(12)
As of December 31	(2 512)	(55)	(2 457)	383	1 065

[1] The effect of the implementation of IAS 32 and 39 at 1 January 2005 was NOK (16) million.

At the balance sheet date, Telenor has recognized deferred tax liabilities on undistributed earnings of subsidiaries and associated companies for which a tax charge will occur at the time dividends are distributed. The calculation is based on enacted and substantively enacted tax rates and tax rules at the balance sheet dates.

Changes in deferred tax assets not recognized (valuation allowances)

NOK in millions	2006	2005	2004
Balance at the beginning of the year	**2 289**	**1 685**	**6 900**
Changes in opening balance	133	(160)	(752)
Net losses from associated companies and subsidiaries outside Norway	515	618	151
Associated companies – changes in tax rules in Norway	-	-	(4 605)
Other not recognized tax assets this year	57	16	71
Acquisitions and disposals [1]	(13)	177	(55)
Currency adjustments	76	(47)	(25)
Balance at the end of the year	**3 057**	**2 289**	**1 685**

[1] of which Discontinued Operations (58) in 2006

The significant change in deferred tax assets not recognized (valuation allowances) during 2004 was related to associated companies, due to the Exemption Method being introduced in Norway, as explained above. This change implied that the deferred tax assets are no longer present because losses on realization of shares are no longer tax deductible in Norway.

15 AMORTIZATION, DEPRECIATION AND WRITE-DOWNS

Details of amortization, depreciation and write-downs:

NOK in millions	Property, plant and equipment			Goodwill			Intangible assets			Prepaid leases		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
Amortization and depreciation	8 938	7 854	7 503	-	-	-	5 603	3 373	2 863	180	54	-
Write-downs	150	486	278	67	44	3 129	38	53	120	3	-	-
Total	**9 088**	**8 340**	**7 781**	**67**	**44**	**3 129**	**5 641**	**3 426**	**2 983**	**183**	**54**	**-**
Whereof Kyivstar	1 140			-			476			-		
Total Group excl Kyivstar	**7 948**			**67**			**5 165**			**183**		

Estimated useful lives of property, plant and equipment and intangible assets are reviewed annually to insure consistency with the expected economic recovery period for these assets based on current facts and circumstances. During 2006 some changes were made in estimated useful lives, especially for some components in the different networks¸ including transmission equipment in the mobile operations and different platforms. The estimated useful lives for the majority of these assets were decreased, primarily due to a higher pace of replacements than previously expected, due to company or asset specific reasons. Expected useful lives were also increased for some of the assets. This was primarily based on recent experience that some assets are now being utilized over a longer economic life than previously expected. This is because they are not as affected by changes in technological developments as previously expected.

The change in useful lives during 2006 is estimated to have increased depreciation and amortization by approximately NOK 166 million in 2006, of which the highest impact was for DiGi.

Prepaid leases are payments made on entering into leases or acquiring leaseholds that are accounted for as operating leases. These prepaid lease payments are amortized over the lease term in accordance with the pattern of benefits provided. They relate primarily to access charges for lease of the copper cables of other operators (local loop unbundling etc), primarily in the Fixed operations in Sweden and Denmark that were acquired during 2005. The amortization period for access charges are the estimated customer relationship, based on past history.

Details of write-downs:

NOK in millions	2006				2005				2004			
	Property, plant and equip-ment	Good-will[1]	Other int angible assets	Prepaid leases	Property, plant and equip-ment	Good-will[1]	Other int-angible assets	Prepaid leases	Property, plant and equip-ment	Good-will[1]	Other int-angible assets	Prepaid leases
Telenor Mobile – Norway	28	–	9	–	14	2	–	–	6	–	9	–
Sonofon – Denmark	–	–	–	–	–	–	–	–	208	3 074	8	–
Telenor Mobile – Sweden	6	–	–	–	–	–	–	–	14	–	61	–
Kyivstar – Ukraine	31	–	–	–	15	–	–	–	–	–	–	–
Pannon – Hungary	58	–	1	–	6	–	1	–	21	–	–	–
DiGi – Malaysia	7	–	–	–	5	–	–	–	–	–	–	–
Grameenphone – Bangladesh	–	–	–	–	–	–	–	–	3	–	–	–
Fixed	10	56	12	3	571	(36)	52	–	13	27	–	–
Broadcast	7	11	–	–	(128)	75	–	–	12	25	7	–
Other operations	3	–	16	–	3	3	–	–	1	3	35	–
Group[2]	**150**	**67**	**38**	**3**	**486**	**44**	**53**	**–**	**278**	**3 129**	**120**	**–**
Kyivstar[2]	31	–	–	–								
Group excl. Kyivstar	**119**	**67**	**38**	**3**								

[1] See note 16 and 17

[2] Unaudited Kyivstar figures 2006

The write-downs of property, plant and equipment in 2006 were primarily related to various components of the network. The write-downs of goodwill in 2006 were due to recognition of not previously recognized deferred taxes in business combinations.

The write-downs of property, plant and equipment and intangible assets in 2005 were primarily related to Fixed Sweden to its estimated recoverable amount based on fair value less cost to sell. The write-down was due to increased competition and a general shift in product demand to lower priced products. The assessment of the fair value was based on various valuation methods, with assistance of an external valuation expert. In 2005 Broadcast reversed a previous write-down of satellites by NOK 133 million. The write-downs of goodwill were primarily due to previously not recognized deferred tax assets at acquisition of companies, partially offset by the excess of fair value of net assets over the cost of a business combination that was recognized immediately to income.

The write-downs of property, plant and equipment in 2004 were primarily on the transmission network in Sonofon Holding A/S due to the market situation. The recoverable amount was determined on the basis of the value in use. Write-downs of goodwill were primarily related to Sonofon, due to Sonofon's slower than expected growth and a review of the expectations of the company's growth potential as of 31 December 2004. Write-downs were also made due to previously not recognized deferred tax assets at acquisition of companies.

16 PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Accumulated Cost

NOK in millions	Local, regional & trunk networks	Mobile telephone network and switches	Subscriber equipment	Switches & equipment	Radio installa-tions	Cable TV equipment	Buildings	Land	Support-systems	Satellites	Work in progress [1]	Total
As of 1 January 2005	**34 207**	**15 594**	**1 227**	**16 694**	**4 598**	**1 529**	**11 307**	**750**	**7 419**	**2 420**	**2 404**	**98 149**
Additions	1 642	7 838	111	660	431	104	419	61	1 298	-	1 174	13 738
Acquisition of subsidiaries	-	266	-	220	-	34	118	183	193	-	4	1 018
Translation differences	72	1 260	(2)	(4)	-	(5)	(19)	8	9	-	53	1 372
Disposal	(102)	(189)	(196)	(238)	(604)	(15)	(989)	(116)	(1 366)	-	(2)	(3 817)
Reclassified as held for sale	(213)	-	(13)	-	-	-	(2)	-	(99)	-	(14)	(341)
As of 1 January 2006	**35 606**	**24 769**	**1 127**	**17 332**	**4 425**	**1 647**	**10 834**	**886**	**7 454**	**2 420**	**3 619**	**110 119**
Reclassifications [2]	(546)	(1 260)	551	(2 294)	912	2	406	(19)	1 716	-	35	(497)
Additions	1 420	5 913	50	1 175	888	168	633	35	1 294	-	2 098	13 674
Acquisition of subsidiaries	-	5 725	-	452	3	-	230	68	227	-	321	7 026
Translation differences	74	(721)	39	74	(44)	6	50	10	46	-	(150)	(616)
Disposal	(3 519)	(460)	(863)	(3 942)	(926)	(40)	(386)	(18)	(3 285)	(1)	(42)	(13 482)
Reclassified as held for sale	(22)	-	(156)	(875)	-	-	(98)	(3)	(589)	-	(66)	(1 809)
Reclassified to investment in Kyivstar	-	(7 694)	-	-	-	-	(302)	-	(386)	-	(1 685)	(10 067)
As of 31 December 2006	**33 013**	**26 272**	**748**	**11 922**	**5 258**	**1 783**	**11 367**	**959**	**6 477**	**2 419**	**4 130**	**104 348**
Accumulated depreciation and write-downs												
As of 1 January 2005	**25 045**	**4 555**	**1 085**	**14 378**	**2 797**	**755**	**4 500**	**6**	**6 184**	**1 301**	**-**	**60 606**
Depreciation	2 026	2 981	87	825	275	139	356	4	1 008	153	-	7 854
Write-downs	540	20	2	12	4	1	-	-	40	(133)	-	486
Translation differences	24	231	(1)	2	-	(1)	(5)	-	(48)	-	-	202
Eliminated on disposal	(65)	(160)	(196)	(229)	(600)	(14)	(406)	-	(1 319)	-	-	(2 989)
Reclassified as held for sale	(126)	-	2	134	-	-	3	-	(11)	-	-	2
As of 1 January 2006	**27 444**	**7 627**	**979**	**15 122**	**2 476**	**880**	**4 448**	**10**	**5 854**	**1 321**	**-**	**66 161**
Reclassifications [2]	(421)	516	524	(1 991)	415	13	15	-	632	-	-	(297)
Depreciation	1 741	3 629	62	680	529	148	420	26	1 230	180	293	8 938
Write-downs	7	68	-	15	-	-	6	-	15	-	39	150
Translation differences	56	(106)	36	34	7	3	19	2	50	-	(5)	96
Disposal	(3 518)	(380)	(861)	(3 936)	(925)	(39)	(305)	(10)	(3 215)	(1)	(15)	(13 205)
Reclassified as held for sale	(22)	-	(119)	(624)	-	-	(32)	(1)	(342)	-	-	(1 140)
Reclassified to investment in Kyivstar	-	(1 919)	-	-	-	-	(26)	-	(200)	-	(303)	(2 448)
As of 31 December 2006	**25 287**	**9 435**	**621**	**9 300**	**2 502**	**1 005**	**4 545**	**27**	**4 024**	**1 500**	**9**	**58 255**
Carrying amount												
As of 31 December 2006	**7 726**	**16 837**	**127**	**2 622**	**2 756**	**778**	**6 822**	**932**	**2 453**	**919**	**4 121**	**46 093**
As of 31 December 2005	8 162	17 142	148	2 210	1 949	767	6 386	876	1 600	1 099	3 619	43 958
Depreciation rates in %	3–33	3–20	20–33	10–33	6–14	8–33	1–20	-	14–33	10		

[1] Net additions.

[2] Including reclassifications to/from lines in the balance sheet which is not a part of this disclosure table.

The Group has entered into Cross Border QTE arrangements for telephony switches, GSM Mobile network and fixed-line network with a carrying amount as of 31 December 2006 of NOK 330 million (NOK 609 million as of 31 December 2005). The transactions have the legal form of leases. However, Telenor has according to SIC 27 determined that the substance of the transactions is that these are not leases as defined in IAS 17. The arrangements were entered into in 1998, 1999 and 2003 respectively. The agreement entered into in 1998 was terminated in January 2007. Their terms are for approximately 15 years with early termination options for Telenor. The 1998 lease arrangement was terminated in January 2007. Telenor has defeased all amounts due under these agreements with highly rated financial institutions and US Government related securities. The financial institutions then release the payments over agreement periods in accordance with their contractual terms. During the agreement periods, Telenor maintains the legal rights and economic benefits in Norway of ownership of the equipment. During the agreement periods, Telenor cannot dispose of the equipment but may make replacements. Telenor has received benefits of NOK 530 million since the parties can depreciate the equipment for tax purposes. The amounts are deferred over the periods for which the benefits are expected to be earned, and NOK 43 million was recorded as other financial income in 2006, 2005 and 2004.

Telenor had finance leases with carrying amounts of NOK 1,195 million as of 31 December 2006 (NOK 1,207 million as of 31 December 2005), primarily fibre optic Network in Grameenphone in Bangladesh (NOK 387 million as of 31 December 2006), properties in Sonofon Denmark and Mobile Sweden (NOK 178 million and NOK 225 million as of 31 December 2006) and satellites in Broadcast (NOK 361 million as of 31 December 2006).

As of 31 December 2006, future minimum annual rental commitments under finance leases were as follows:

NOK in millions	Within 1 year	2–5 years	More than 5 years
Future minimum lease payments	379	1 186	916
Less amount representing interest	117	339	317
Present value Finance lease obligations	**262**	**847**	**599**

The Group has buildings that have been acquired for the use by the Group. However, some space is vacant or rented to external parties. In evaluating if these parts of buildings are investment properties, the Group has evaluated if the floor in the building which is no longer used by the Group is separate or discrete from the rest of the building, and if the building is held for its investment potential and if this is not a short-term strategy. The Group has not identified any investment properties.

Intangible assets

NOK in millions Accumulated Cost	Customer base	Licenses	Trade-marks	Software acquired	Internal generated software	Other[1]	Work in progress[2]	Total
As of 1 January 2005	**4 291**	**4 433**	**1 430**	**5 600**	**2 108**	**1 311**	**422**	**19 595**
Additions	15	787	-	1 117	202	57	266	2 444
Internal generated	-	-	-	25	81	-	20	126
Acquisition of subsidiaries	1 849	6 133	1 256	469	-	958	-	10 665
Translation differences	(20)	385	8	133	(4)	(29)	2	475
Disposal	(2)	(23)	-	(31)	(2)	(103)	-	(161)
Reclassified as held for sale	(1)	(59)	-	(11)	-	(13)	(3)	(87)
As of 1 January 2006	**6 132**	**11 656**	**2 694**	**7 302**	**2 385**	**2 181**	**707**	**33 057**
Reclassifications[3]	4	(304)	-	1 030	(232)	(76)	58	480
Additions	4	1 987	-	2 021	438	53	240	4 743
Internal generated	-	22	-	10	103	26	8	169
Acquisition of subsidiaries	2 161	2 596	55	867	39	1 749	42	7 509
Translation differences	306	594	116	10	8	227	23	1 284
Disposal	(15)	(31)	(2)	(1 457)	(289)	(96)	-	(1 890)
Reclassified as held for sale	(111)	(70)	-	(99)	-	(4)	-	(284)
Reclassified to investment in Kyivstar	(467)	(354)	(57)	(2 156)	-	-	-	(3 034)
As of 31 December 2006	**8 014**	**16 096**	**2 806**	**7 528**	**2 452**	**4 060**	**1 078**	**42 034**
Accumulated amortization and write-downs								
As of 1 January 2005	**1 804**	**1 293**	**200**	**2 887**	**1 548**	**787**	**-**	**8 519**
Amortization	1 061	331	132	1 414	258	177	-	3 373
Write-downs	16	-	-	1	36	-	-	53
Translation differences	(12)	15	1	38	(1)	(31)	-	10
Disposal	-	(23)	-	(13)	-	(103)	-	(139)
Reclassified as held for sale	11	(13)	-	10	-	(12)	-	(4)
As of 1 January 2006	**2 880**	**1 603**	**333**	**4 337**	**1 841**	**818**	**-**	**11 812**
Reclassifications[3]	(2)	(117)	-	516	(74)	(53)	9	279
Amortization	1 737	904	210	2 161	266	320	5	5 603
Write-downs	-	1	-	14	5	-	18	38
Translation differences	122	23	14	46	3	44	-	252
Disposal	(9)	(30)	(2)	(1 440)	(291)	(86)	-	(1 858)
Reclassified as held for sale	(29)	(53)	-	(48)	-	(4)	-	(134)
Reclassified to investment in Kyivstar	(404)	(75)	(25)	(785)	-	-	-	(1 289)
As of 31 December 2006	**4 295**	**2 256**	**530**	**4 801**	**1 750**	**1 039**	**32**	**14 703**
Carrying amount								
As of 31 December 2006	**3 719**	**13 840**	**2 276**	**2 727**	**702**	**3 021**	**1 046**	**27 331**
As of 31 December 2005	3 252	10 053	2 361	2 965	544	1 363	707	21 245

[1] Mainly roaming agreements.
[2] Net additions.
[3] Including reclassifications to/from lines in the balance sheet which is not a part of this disclosure table.

Additions of intangible assets in 2006 from acquisition of subsidiaries were primarily related to Telenor Mobile Sweden and Telenor Serbia. In 2005, the additions were primarily due to the acquisition of DTAC, Bredbandsbolaget and Cybercity. See note 1 for further information. The additions of licenses in 2006 were primarily DTAC's investments in mobile networks, see "DTAC's concession right" in the next section for further information. In 2005 the main investments of licenses were mobile licenses in Mobile Norway and Sonofon Denmark. Changes in intangible assets due to final purchase price allocations have not any significant effect. For further details, see note 1.

The intangible assets included above have finite useful lives, over which the assets are amortized. Customer base, trademarks and roaming agreements (the major part of "other") were acquired as part of business combinations. Licenses consist primarily of mobile licenses that were acquired separately or as part of business combinations. The amortization period for customer base is the expected customer relationships based on historic experience of churn for the individual businesses, and varies primarily between 3 to 5 years. Licenses and roaming agreements are amortized over the license periods. Trademarks are amortized over their estimated useful lives, which is on average 15 years. Software is amortized over their estimated useful lives. Given the history of rapid changes in technology, computer software are susceptible to technological obsolescence. Therefore, their estimated useful life is normally 3 to 5 years.

DTAC's concession right

DTAC has a concession right to operate and deliver mobile services. The Communication Authority of Thailand (CAT) granted the concession to DTAC. CAT allows DTAC to arrange, expand, operate and provide the cellular system radio communication services in various areas in Thailand. The concession originally covered a 15 year period but the agreement was amended on 23 July 1993 and 22 November 1996, with the concession period being extended to 22 and 27 years, respectively.

The service rates and fees charged to customers are subject to approval by CAT. DTAC is obliged to pay fees in accordance with the concession. Fees are based on the greater of a minimum annual payment and a percentage of revenues from services:

Year	Percentage of revenues per annum	Minimum annual payment (NOK in millions [1])
1 to 4	12	4 to 27
5	25	62
6 to 15	20	67 to 106
16 to 20	25	132 to 136
21 to 27	30	132 to 211

[1] Converted from THB to NOK based on exchange rates as of 31 December 2006.

DTAC commenced commercial operations on 16 September 1991.

DTAC shall provide, at its own expense, all devices and equipment which must be sufficient for provision of the services at all times. All such devices and equipment becomes the property of CAT when they are put into use. At the end of the concession period, or if the contract is terminated earlier DTAC must deliver all devices and equipment to CAT in a good working condition.

The service concession of DTAC is accounted for under the Intangible Asset Model according to IFRIC 12 Service Concession Arrangements. The intangible asset is amortized on a straight line basis over the concession period. Enhancements and extensions are capitalized as incurred. Repair, maintenance and replacements are expensed as incurred. The concession in DTAC was valued based on an income approach under the assumption that DTAC would sell its concession to a hypothetical operator.

Estimated future amortization expenses

The estimated aggregated amortization expenses for intangible assets for the next five years are as follows:

NOK in millions	2007	2008	2009	2010	2011
Customer Base	1 382	1 014	562	424	81
Licenses	1 002	987	988	985	976
Trademarks	205	205	205	205	201
Software acquired	1 236	676	517	168	109
Software – internally generated	273	191	120	74	33
Other	285	268	257	260	247
Construction in progress	109	119	116	101	96
Total intangible assets	**4 492**	**3 460**	**2 765**	**2 217**	**1 743**

Goodwill

	Sonofon Denmark	Mobile Sweden	Pannon Hungary	Digi Malaysia	Kyivstar Ukraine	DTAC Thailand	Telenor Serbia	Other mobile operations	Fixed	Broad-cast	Other/ Elimi-nations	Total
At 1 January 2005	**6 233**	**-**	**5 228**	**514**	**264**	**-**	**-**	**102**	**30**	**2 059**	**2 053**	**16 483**
Translation differences 2005	(209)	-	(300)	66	47	45	-	(3)	68	(9)	(6)	(301)
Arising on acquisition of a subsidiaries	1	-	-	-	-	2243	-	1	5431	4	52	7732
Derecognised on disposal of a subsidiaries	-	-	-	-	-	-	-	-	(43)	-	(99)	(142)
At 31 December 2005	**6 025**	**-**	**4 928**	**580**	**311**	**2 288**	**-**	**100**	**5 486**	**2 054**	**2 000**	**23 772**
Translation differences 2006	99	18	178	(6)	(23)	152	630	3	386	7	51	1495
Arising on acquisition of a subsidiaries	-	244	-	-	-	(50)	7129	-	342	-	1346	9011
Reallocation of goodwill	-	701	-	-	-	-	-	-	(701)	-	-	-
Derecognised on disposal of subsidiaries	-	-	-	-	-	-	-	-	4	(2)	(24)	(22)
Reclassified as held for sale	-	-	-	-	-	-	-	-	-	-	(245)	(245)
Reclassified to investment in Kyivstar	-	-	-	-	(288)	-	-	-	-	-	(288)	-
At 31 December 2006	**6 124**	**963**	**5 106**	**574**	**-**	**2 390**	**7 759**	**103**	**5 517**	**2 059**	**3 128**	**33 723**
Accumulated impairment losses												
At 1 January 2005	**(3 074)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(27)**	**(24)**	**(4)**	**(3 129)**
Translation differences	103	-	-	-	-	-	-	-	-	-	-	103
Impairment loss and write-downs 2005	-	-	-	-	-	-	-	-	36	(75)	(7)	(46)
Impairment at 31 December 2005	**(2 971)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9**	**(99)**	**(11)**	**(3 072)**
Translation differences	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss and write-downs 2006	-	-	-	-	-	-	-	-	(56)	(11)	(1)	(68)
Impairment at 31 December 2006	**(2 971)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(47)**	**(110)**	**(12)**	**(3 140)**
Carrying amount of goodwill 2005	**3 054**	**-**	**4 928**	**580**	**311**	**2 288**	**-**	**100**	**5 495**	**1 955**	**1 989**	**20 700**
Carrying amount of goodwill 2006	**3 153**	**963**	**5 106**	**574**	**-**	**2 390**	**7 759**	**103**	**5 470**	**1 949**	**3 116**	**30 583**

Both goodwill write-downs and impairment loss in 2005 and 2006 was mainly due to recognition of not previously recognised deferred taxes in business combinations. According to IFRS, the acquirer shall write down the carrying amount of goodwill with the same amount as not previously recognised deferred tax assets are recognise as a tax income.

17 IMPAIRMENT TESTING OF GOODWILL

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The test is performed at year end. Telenor has not identified any intangible assets with an indefinite life.

Telenor has identified its mobile and fixed operations in different countries as its cash generating units, in addition to its IT operating company EDB Business Partner, Broadcast DTH operations as well as other units. In second quarter 2006 the fixed operation in Sweden was reorganised and the cash generating unit Fixed Sweden consists of Bredbandsbolaget, Glocalnet and Telenor AB. Goodwill amounting to NOK 701 million has been reallocated from Fixed Sweden to Mobile Sweden due to estimated increased margin in Telenor Mobile Sweden because of combination of mobile/fixed products and using of brand owned by Telenor Fixed Sweden.

Goodwill acquired through business combination has been allocated to individual cash-generating units for impairment testing as follows:

Carrying amount of goodwill

NOK in millions	2006	2005
Pannon, Hungary	5 106	4 928
Sonofon, Denmark	3 153	3 054
DTAC, Thailand	2 390	2 288
Bredbandsbolaget, Sweden	-	4 433
Telenor Fixed, Sweden	4 410	-
Cybercity, Denmark	1 051	1 066
Broadcast, DTH operation, Nordic	1 621	1 632
EDB Business Partner, Norway	3 088	1 897
Telenor Mobile, Sweden	963	-
Telenor Serbia	7 759	-
Other [1]	1 287	1 402
Reclassified as assets held for sale	(245)	-
Total carrying amount of goodwill	**30 583**	**20 700**

[1] Other includes primarily DiGi – Malaysia and the Broadcast cableTV operation in Norway and Sweden.

Telenor has used a combination of value in use and fair value less cost to sell to determine the recoverable amounts of the cash generating units.

Fair value less cost to sell has been derived from quoted market prices where available. DTAC is listed on the Stock Exchange in Singapore, UCOM, which owns shares in DTAC, is listed on the Stock Exchange in Thailand, DiGi is listed on the Stock Exchange in Malaysia and EDB Business Partner on the Oslo Stock Exchange and the fair value have been derived from the quoted market prices as of December 31, 2006. Currently, Telenor has not included any control premium to determine the fair value less cost to sell as there is significant headroom between the recoverable and carrying amount.

As Telenor recently acquired the business in Serbia and its performance is as expected, the purchase price remains an appropriate measure of the fair value taking into consideration costs to sell.

For the other entities we have used a discounted cash flow analysis based to determine the value in use. Value in use is based on cash flow projections reflecting the financial business plans approved by senior management covering a three-year period. In addition, the calculation includes estimated cash flows for the years 4 to 9 because some of the operations are in a growth phase and will not reach a stable cash flow within three years. Key assumptions used in the calculation of value in use are growth rates, markets shares, EBITDA-margins, capital expenditure and discount rates. Cash flows beyond the nine-year period are extrapolated with a long-term growth rate.

The recoverable amounts have been determined for the cash generating units based on the following key assumptions for the years ending 31 December 2005 and 2006:

	Discount rate after tax (WACC)		Growth rate revenues 4–9 years		Long-term growth rate (including inflation)	
	2006	2005	2006	2005	2006	2005
Pannon, Hungary	10.1%	10.8%	3%	3%	2%	2%
Sonofon, Denmark	7.8%	7.3%	3%–2%	3%	2%	2%
Bredbandsbolaget, Sweden [1]	-	7.9%	-	8%–2%	-	2%
Telenor Fixed Sweden, Sweden [2]	7.7%	-	6%–2%	-	2%	-
Cybercity, Denmark	7.8%	7.9%	8%–2%	8%–2%	2%	2%
Broadcast, Nordic DTH	7.3%	8.4%	2%	6%–3%	2%	2%
Telenor Mobile Sweden, Sweden	7.7%	-	4%–2%	-	2%	-
Telenor Serbia, Serbia	11.2%	-	10%–4%	-	2%	-

[1] In 2006 Bredbandsbolaget is included in the Telenor Fixed CGU

[2] Telenor Fixed Sweden consists of Bredbandsbolaget, Glocalnet and Telenor AB.

In the calculation we have used estimated cash flows after tax and discount rate after tax.

The 2006 pretax discount rates were: Pannon; 12.1% (2005; 12.9%), Sonofon 10.8% (2005:10.1%), Telenor Fixed Sweden 10.7%, Cybercity 10.8% (2005:11%), Broadcast DTH 10.2% (2005:11.7%), Telenor Mobile Sweden 10.7% and (Bredbandsbolaget 2005:11%). The recoverable amounts would not change if Telenor had used a pre tax rate.

The long term growth rates relates to the periods beyond nine years.

Discount rates – Discount rates are based on Weighted Average Cost of Capital (WACC).The cost of a company's debt and equity capital, weighted accordingly to reflect its capital structure, gives its weighted average cost of capital. The WACC rates used to discount the future cash flows are based on US 10 years risk free interest rate adjusted for inflation differential and country risk premium (0–1.7%) and take also into account the debt premium, market risk premium, gearing, corporate tax rate and asset beta.

Growth rates – Current financial business plans project that growth in cash flows are expected to decline in the time period up to nine years. Average growth rates in revenues in the period 4 to 9 years, are based on Telenor's expectation to the market development in which the business operates Telenor uses steady growth rates to extrapolate the cash flows beyond nine years. The long-term growth rate beyond nine years is not higher than the expected long-term growth in the economy in which the business operates. For the different business units the expected growth rates converges from its current level experienced over the last few years to the long-term growth level.

Average EBITDA margin – The EBITDA margin represents the operating margin before depreciation and amortization and is estimated based on the margin achieved in the period immediately before the budget period and on estimated future development in the market Committed operational efficiency programs are taken into consideration. Changes in the outcome of these initiatives may affect future estimated EBITDA margin.

Capital expenditure (Capex) – A normalised capex to sales ratio (capital expenditure as a percentage of revenues) is assumed in the long run. In the years 1 to 9 it is taken into consideration capital expenditure necessary to meet the expected growth in revenues. Changes in traffic volumes and the number of subscriptions in the growth phase will also result in a change in future capex to sales ratio. The Broadcast DTH operation leases satellite capacity and capex to sales ratio is not a key assumption for the valuation. To the best of management's judgement, estimated capital expenditures do not include capital expenditures that enhance the current performance of assets and related cash flows have been treated consistently.

Market shares during the nine-year period are estimated based on average market shares achieved in the periods prior to the start of the period and estimated future development. A change in number of market players may affect future estimated market shares, average price levels and level of usage/number of subscriptions. This may in turn affect future revenue growth.

These values have been compared with external valuation reports and multiples for peers in the telecom business for reasonableness.

Cash generating units where a reasonable possible change in a key assumption could result in an impairment charge:
Overall, there is significant headroom between the recoverable amounts of goodwill and the carrying amounts. However, Telenor Fixed Sweden and recently acquired Telenor Serbia the recoverable amount are approximately on the same level as the carrying amounts indicating that any change in assumptions could result in impairment. Telenor Fixed Sweden consists of Bredbandsbolaget, Telenor AB and Glocalnet. Glocalnet is consolidated from 1 March 2006. Telenor Serbia is consolidated from 31 August 2006.

For those cash generating units, where a small change in key assumption would lead to an impairment loss, the following provides additional information on the value assigned to the key assumptions. The table illustrates the percentage decrease in the key assumptions, other things being equal, which will reduce the recoverable amount to the same as the carrying amount.

Key assumption:	Telenor Fixed Sweden	Telenor Serbia
Variance in EBITDA margin	0.1%–2%	0.1%–1%
Variance in revenue growth	0.1%–5%	0.1%–1%

18 ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies:

NOK in millions	2006	2005
Balance as of 1 January	**7 283**	**6 500**
Additions	101	93
Transferred to/from other investments	(82)	(1 092)
Disposals	(156)	(29)
Reclassification to assets held for sale	(62)	-
Net income *)	1 820	1 406
Gains (losses) on disposal	372	(1)
Write-down of Golden Telecom Inc. 1)	170	(172)
Equity adjustments	(136)	(46)
Translation adjustments	(485)	624
Balance as of 31 December	**8 825**	**7 283**
Of which investments carried with a negative value 2)	1	141
Total associated companies	**8 826**	**7 424**
*) Of which net income reclassified to Profit (loss) from discontinued operations	(9)	(6)

1) In 2005, the value of Golden Telecom was written down to the fair value, which was based on the quoted market price as of 31 December 2005. In 2006, this write-down is reversed entirely. The difference is a result of currency translation.

2) Associated companies are carried at negative values where Telenor has other long-term interests that in substance form part of the capital invested (classified against long-term receivables on associates), or a corresponding liability above and beyond the capital invested (classified as provision).

Specifications of investments in associated companies

NOK in millions	Share owned in %	Carrying amount 31 December 2005	Invest-ments/ disposals during 2006	Share of net income 1) 2)	Equity and translation adjustments	Carrying amount 31 December 2006
VimpelCom 3) 8)	29.9	4 772	-	1 853	(443)	6 182
ONE GmbH 4)	17.5	419	(131)	5	13	306
Wireless Matrix Corporation 8)	25.2	36	-	(1)	(3)	32
United Distribution Business Co., Ltd.	25.0	23	-	19	(1)	41
Kjedehuset AS	49.0	31	6	25	(19)	43
Glocalnet AB 5) 8)	-	62	(56)	(6)	-	-
Golden Telecom Inc 8)	20.3	1 303	(8)	246	(131)	1 410
Otrum Electronics ASA 8)	33.1	105	-	(21)	-	84
A-Pressen AS	44.1	492	-	63	(32)	523
Norges Televisjon AS	33.3	15	33	(6)	-	42
TV2 Zebra AS	45.0	-	161	(81)	-	80
Bravida ASA 6)	-	(138)	(154)	292	-	-
World Wide Mobile Communications AS 7)	-	61	(62)	9	(8)	-
Maritime Communications Partner AS 5)	-	31	(27)	(4)	-	-
Others	-	71	39	(31)	3	82
Total	-	**7 283**	**(199)**	**2 362**	**(621)**	**8 825**

1) Includes Telenor's share of net income after taxes and pretax gains and losses on disposal.

2) For some associated companies, financial statements as of the Group's balance sheet date are not available. In such instances, the most recent financial statements (as of a date not more than three months prior to the Group's balance sheet date) are used, and estimates for the last period are made based on publicly available information. Actual figures may differ from the preliminary figures.

3) The other main shareholder of VimpelCom has a put option over its shares in VimpelCom that could require Telenor to acquire its shares if Telenor takes control in VimpelCom. In addition, in 2006 a change to the Russian open joint stock Company law (OJSC law) was adopted, establishing a madatory tender offer obligation to any shareholder who becomes owner of 30% of the shares in a Russian Company. This new threshold is applicable also to VimpelCom, regardless of the existing charter provision, which has to be amended. Following the change in Russian competition law, as of 26 October 2006, both main shareholders are able to increase their stakes in VimpelCom up to 50% without seeking permission from the Russian Federal Antimonopoly Service.
Kar-Tel, VimpelCom's subsidiary in Kazakhstan, received in 2005 "an order to pay" approximately US$5.5 billion to the Savings Deposit Insurance Fund, a Turkish state agency. The order was issued in furtherance of its collection of claims against the Uzan group of companies that were affiliated with the Uzan family, former shareholders of KaR-Tel. In July 2006, KaR-Tel submitted a court filing in support of its former petition, objecting to the propriety of the order. VimpelCom believes that the order to pay is without merit, in part due to the fact that the Uzan family has not owned any interest in KaR-Tel since November 2003. VimpelCom acquired Kar-Tel in August 2004.
VimpelCom has further stated that in the event of an adverse resolution of this matter, and any others that may arise in connection therewith, could have a material adverse effect on VimpelCom's business, financial condition and results of operations, including an event of default under some or all of VimpelCom's outstanding indebtedness.
VimpelCom may provide additional information in its financial statements for the year of 2006.

4) ONE GmbH is accounted for as an associated company because of Telenor's significant influence due to a shareholder's agreement.

5) Glocalnet AB became a subsidiary as of 28 February 2006. Maritime Communication Partner AS became a subsidiary as of 4 July 2006.

6) On 19 December 2006, Telenor sold its ownership interest in Bravida ASA, which has resulted in a gain of NOK 351 million.

7) World Wide Mobile Communications AS is owned by Telenor Satellite Service and has thus been reclassified as asset held for sale. Please refer to Note 36 for further details about discontinued operations.

8) Market values of Telenor's ownership interest in listed associated companies as of December 31, 2006: VimpelCom: NOK 30,298 million, Wireless Matrix Corporation: NOK 55 million, Golden Telecom Inc.: NOK 2,159 million, Otrum Electronics ASA: NOK 108 million.

The following table sets forth summarized unaudited financial information of Telenor's share of associated companies on a combined basis.

NOK in millions	2006	2005
Income Statement Data		
Revenue	19 606	18 360
Net income	**2 362**	**1 233**
Balance Sheet Data		
Total assets	18 817	16 932
Total liabilities	9 992	9 649
Net assets	**8 825**	**7 283**

Joint ventures:

3G Infrastructure Services AB

3G Infrastructure Services AB was acquired as a part of Telenor Mobile Sweden 5 January 2006. 3G Infrastructure Services AB is a jointly controlled entity with the mobile operators "3", where Telenor consolidates proportional 50%. 3 and Telenor Sweden was awarded 3G licenses in Sweden. The jointly controlled entity was established to build the network together to reduce costs to build and operate the 3G network.

There are no commitments or contingent liabilities beyond the paid in capital towards 3G Infrastructure Services AB.

Aeromobile

Aeromobile Ltd is as of 2006 a jointly controlled entity where ARINC and Telenor own 50% respectively. Aeromobile Ltd is consolidated proportionally in the Group financial statement. The purpose of Aeromobile is to deliver services that will allow passengers onboard aircrafts to use their mobile phones and PDA's whilst in flight.

Telenor have given a guarantee to Telenor Satellite Services on behalf of Aeromobile Ltd amounted to USD 1.2 million. In addition there is given a restricted guarantee of USD 12.5 million to Societè Generale related to loan in Aeromobile Ltd. These guarantees are given both from ARINC and Telenor. An indemnity restricted of USD 5 million is given related to a parent company guarantee made by ARINC to Emirates Airlines.

The Group's share of assets and liabilities, at 31 December 2006 and revenues, expenses, taxes and profit for the period ended 31 December 2006 of the jointly controlled entities, which is included in the consolidated financial statements, is as follows:

NOK in millions	2006
Revenues	533
Operating expenses	(545)
Net finance cost	1
Profit before taxes	(11)
Taxes	(1)
Profit from joint ventures	**(12)**
Non-current assets	2 678
Current assets	110
Total assets	**2 788**
Non-current liabilities	2 285
Current liabilities	51
Net assets	**452**

19 TRADE AND OTHER RECEIVABLES

NOK in millions	2006	2005
Accounts receivables	9 800	7 858
Provision for bad debt, see note 10	(1 014)	(938)
Total accounts receivables	**8 786**	**6 920**
Other current receivables		
Interest-bearing		
Receivables on associated companies	142	124
Other receivables	3	38
Provision for bad debt	(3)	-
Non-interest-bearing		
Receivables on associated companies	904	926
Receivables on employees	41	62
Other current receivables	1 577	729
Provision for bad debt	(4)	(2)
Total other current receivables	**2 660**	**1 877**
Prepaid expenses and accrued revenues		
Deferred costs for connection [1]	884	1 216
Prepaid leases that are amortized [2]	202	316
Prepaid expenses	1 886	1 337
Accrued revenues	2 506	2 186
Total prepaid expenses and accrued revenues	**5 478**	**5 055**
Total trade and other receivables	**16 924**	**13 852**

[1] Costs for connection limited to the deferred connection revenues, are deferred over the estimated customer relationship. Deferred costs for connection are classified as current as they relate to the Group's normal operating cycle.

[2] For prepaid leases that are amortized, see note 15.

Due to the large volume and diversity of the Group's customer base, there are no concentrations of credit risk with respect to trade accounts receivables.

Receivables on associated companies in 2006 and 2005 were primarily related to United Distribution Business Co and One GmbH.

20 OTHER FINANCIAL ASSETS

NOK in millions	2006	2005
Available-for-sale investments – non-current [1]	271	192
Other financial non-current assets [3]	2 797	1 937
Financial non-current assets	**3 068**	**2 129**
Available-for-sale investments – current [1] [2]	59	1 852
Bonds and commercial paper	451	385
Financial derivatives – non-interest-bearing current assets (note 23)	**616**	**1 382**
Other financial current assets	**1 126**	**3 619**

[1] The estimated fair values of these investments are based on quoted market prices where available, or valuation techniques.

[2] As of 31 December 2005, Inmarsat plc. was included in available-for sale – current with an estimated fair value of NOK 1,731 million. The shares in Inmarsat plc. were sold in 2006.

[3] Other financial non-current assets:

NOK in millions	2006	2005
Interest-bearing		
Receivables due from associated companies [4]	14	141
Loans to employees	1	5
Fair value hedge instruments – interest-bearing non-current assets (note 23)	1 125	998
Other non-current receivables [5]	121	103
Provision for bad debt	(4)	(4)
Non-interest-bearing		
Financial derivatives – non-interest-bearing non-currents assets (note 23)	105	123
Receivables due from associated companies	6	5
Loans to employees	5	7
Other non-current receivables [6]	1 430	565
Provision for bad debt	(6)	(6)
Other financial non-current assets	**2 797**	**1 937**

[4] Adjustment of NOK 138 million is recorded against negative value from associated companies and relates to a loan considered as a part of Telenor's investment in Bravida. In 2005, interest-bearing receivables due from associated companies were primarily against Bravida ASA. The shares in Bravida ASA were sold in 2006.

[5] Other non-current interest-bearing receivables as of 31 December 2006 and 2005 consisted primarily of the net amount recognized on a receivable that DTAC had on Digital Phone Company Limited (DPC). DTAC has filed claims against DPC in the Thai Arbitration Office in June and October 2003 in addition to July 2006 for the DPC breach of contract of more than NOK 841 million pursuant to the terms of an agreement to unwind the service provider agreement dated 7 January 1997. The receivable recognized is classified as interest-bearing, but no net interest income has been recognized as of 31 December 2006.

[6] Other non-current non-interest-bearing receivables include prepayments for the satellite THOR 5 of NOK 790 million and NOK 146 million as of 31 December 2006 and 2005, respectively. In addition, capital contribution to Telenor Pension Fund of NOK 298 million is included in 2005 and 2006.

21 PROVISIONS ETC.

Non-current

NOK in millions	2006	2005
Provisions for pensions (Note 7)	2 351	2 441
Provisions for workforce reduction and onerous (loss) contracts (Note 12)	184	149
Negative values associated companies (Note 18)	-	3 [1)]
Asset retirement obligations	732	545
Other provisions	72	92
Total long term provisions	**3 339**	**3 230**

Current

NOK in millions	2006	2005
Provisions for workforce reduction and onerous (loss) contracts (Note 12)	500	617
Asset retirement obligations	3	4
Other provisions	363	296
Total short term provisions	**866**	**917**

[1)] Adjustment of NOK 138 million is recorded against negative value from associated companies and relates to a loan considered as a part of Telenor's investment in Bravida.

Figures for 2006 are presented excluding liabilities held for sale.

Asset retirement obligations

Telenor have asset retirement obligations relating primarily to equipment and other leasehold improvements installed on leased network sites and in administrative and network buildings. Those leases generally contain provisions that require Telenor to restore the sites to their original condition at the end of the lease term. The following table describes all changes in Telenor's assets retirement obligation liability:

NOK in millions	2006	2005	2004
Asset retirement obligation at 1 January	549	454	366
Liabilities incurred	12	67	28
Liabilities settled	(13)	(12)	-
Accretion expense	35	28	27
New subsidiaries	152	12	33
Asset retirement obligation at 31 December	**735**	**549**	**454**

In most situations, the timing of the assets removals will be a long time into the future and result in significant uncertainty as to whether the obligation actually will be paid. The actual gross removal costs that the Group incurs may be significantly different from the estimated costs, for example due to negotiation of prices for a large amount of removals or agreements that reduce or relief the Group from its liabilities. The actual timing of the removals may also differ significantly from the estimated timing.

22 INTEREST-BEARING LIABILITIES

NOK in millions	2006			2005		
	Current borrowings	Non-current borrowings	Total	Current borrowings	Non-current borrowings	Total
Interest bearing liabilities measured at amortised cost:						
Bank loans	2 348	7 893	10 241	682	2 670	3 352
Finance lease obligations	320	1 630	1 950	302	1 540	1 842
Bonds	5 188	18 973	24 161	7 114	12 356	19 470
Other liabilities	118	1 155	1 273	684	1 968	2 652
Debt in fair value hedge relationships	1 978	9 858	11 836	3 126	8 605	11 731
Total	**9 952**	**39 509**	**49 461**	**11 908**	**27 139**	**39 047**

Non-current interest-bearing liabilities

NOK in millions Company	Debt instrument	Currency	Average interest rate 31.12.06	Amount in NOK excluding swap 31.12.06	Amount in NOK including swap 31.12.06	Amount in NOK excluding swap 31.12.05	Amount in NOK including swap 31.12.05
Telenor ASA	Euro Commercial Paper program (ECP)	-	-	-	-	-	-
	Limit USD 500	-	-	-	-	-	-
Telenor ASA	U.S. Commercial Paper program (USCP)	-	-	-	-	-	-
	Limit USD 1,000	-	-	-	-	-	-
Telenor ASA	Committed Revolving Credit Facility EUR	-	-	-	-	-	-
	Limit EUR 1,500	-	-	-	-	-	-
Telenor ASA	Committed Revolving Credit Facility EUR	EUR	-	4 119	-	-	-
	Limit EUR 1,500	NOK	3.69%	-	4 000	-	-
Telenor ASA	EMTN program						
	Limit USD 6,000	CZK	-	-	-	-	135
		CHF	-	794	-	824	-
		EUR	4.04%	17 624	10 378	12 175	5 037
		GBP	-	-	-	-	27
		NOK	4.75%	2 199	11 068	-	4 784
		SEK	4.10%	1 184	448	-	473
		JPY	-	630	-	690	-25
		USD	-	-	-	-	2 403
Telenor ASA	Norwegian Bonds	NOK	3.94%	2 198	2 198	2 045	2 034
Telenor ASA	Other non-current interest bearing liabilities	NOK	-	100	100	77	77
DiGi.Com	Borrowings from financial institutions	MYR	4.90%	532	532	537	537
GrameenPhone	Borrowings from financial institutions	USD	8.92%	186	186	287	287
GrameenPhone	Borrowings from financial institutions	NOK	3.48%	12	12	16	16
GrameenPhone	Borrowings from NORAD	NOK	3.40%	24	24	32	32
GrameenPhone	Finance lease	BDT	15.00%	394	394	466	466
Kyivstar	Borrowings from financial institutions	USD	-	-	-	508	508
Kyivstar	Bonds	USD	-	-	-	2 852	2 884
Sonofon	Finance lease	DKK	6.27%	184	184	187	187
Sonofon	UMTS Licenses [3]	DKK	3.67%	302	302	323	323
Europolitan Telenor AB	Finance lease	SEK	5.23%	244	244	-	-
Cybercity A/S	Finance lease	DKK	-	-	-	16	16
Utfors konsern	Finance lease	SEK	-	-	-	11	11
Telenor Pakistan	GSM License [3]	USD	4.59%	698	698	700	700
Pannon	UMTS License [3]	HUF	-	-	-	50	50
DTAC	Borrowings from financial institutions	USD	5.69%	1 239	-	596	-
DTAC	Borrowings from financial institutions	THB	-	-	1 700	330	926
DTAC	Borrowings from financial institutions	JPY	6.60%	461	-	-	-
DTAC	Bonds	THB	6.15%	3 523	3 602	2 084	2 202
UCOM	Borrowings from financial institutions [2]	THB	-	-	-	682	682
Telenor d.o.o	Financial lease	EUR	6.85%	8	8	-	-
Telenor Cinclus	Borrowings from financial institutions	NOK	6.43%	91	91	-	-
EDB Business Partner	Borrowings from financial institutions	NOK	4.05%	300	300	250	250
EDB Business Partner	Borrowings from financial institutions	SEK	3.73%	952	952	252	252
EDB Business Partner	Finance lease	NOK	4.60%	25	25	40	40
EDB Business Partner	Bonds	NOK	4.23%	600	600	-	-
Telenor Satellite Broadcasting AS	Finance lease [1]	NOK	-	-	-	815	815
Telenor Satellite Broadcasting AS	Finance lease [1]	GBP	2.90%	671	671	-	-
Telenor Satellite Broadcasting AS	Borrowings from financial institutions			71	71	-	-
AeroMobile LtD	Borrowings from financial institutions	GBP	6.33%	37	37	-	-
Canal Digital	Finance lease [2]	-	-	-	16	16	-
	Derivatives designated to fair value hedging [4]	-	-	79	-	150	-
	Other non-current interest-bearing liabilities	-	-	28	28	128	128
Total non-current interest-bearing liabilities				**39 509**	**38 853**	**27 139**	**26 273**

[1] Satellite leases (Thor II and III). Telenor ASA is guaranteeing this financing.

[2] Telenor ASA is guaranteeing this financing. The Canal Digital financing is denominated in DKK, EUR, NOK and SEK.

[3] Net present value of future payments for mobile licenses.

[4] Foreign currency derivatives used in order to convert the cash flows of a debt instrument into another currency that fulfils the requirements for applying fair value hedge accounting. As from January 1, 2005 these derivatives are classified gross as interest-bearing financial assets (see note 20), or interest-bearing liabilities according to IAS 39.

Telenor ASA has established syndicated revolving credit facilities of EUR 1.5 billion with maturity in 2012, EUR 1.5 billion with maturity in 2009 of which EUR 0.5 billion is a term loan, and EUR 1 billion with maturity in December 2007. According to Telenor's Finance Policy, these committed credit facilities should at any time serve as refinancing source for all outstanding commercial paper and other short term interest bearing debt.

All debt in Telenor ASA are unsecured. The financing agreements except Commercial Paper, contain provisions restricting the pledge of assets to secure future borrowings without granting a similar secured status to the existing lenders (negative pledge) and also contain covenants limiting disposals of significant subsidiaries and assets. Telenor ASA have during 2006 and 2007 made changes to the wording in parts of its financing agreements, to align it to market standards and reduce the impact of default in Principal Subsidiaries.

The interest-bearing liabilities in subsidiaries are generally not guaranteed by Telenor ASA and are subject to standard financial covenants, some of which limit the ability to transfer funds to Telenor ASA in the form of dividends or loans. We have covenants on the lease of satellites that grant the other party the right, if Telenor ASA is downgraded, to require Telenor to either pledge assets or terminate the leases. As of 31 December 2006 Telenor's counterparties had confirmed that the change in rating in 2006 to BBB+ with stable outlook from Standard & Poor's was not regarded as a termination event.

Telenor entered into Cross Border QTE Leases for telephony switches, GSM Mobile network and fixed-line network in 1998, 1999 and 2003. Telenor has provided defeasances of all amounts due by us under these agreements with highly rated financial institutions and US Government related securities. The leasing obligations and the defeased amounts are shown net on the balance sheet, and are not reflected in the tables. See notes 16, 23 and 34.

The interest rate curves used as a basis for the floating rate fixings are LIBOR, NIBOR, EURIBOR, BIBOR, SIBOR, PRIBOR, CIBOR and STIBOR.

Current interest-bearing liabilities

NOK in millions Company	Debt instrument	Currency	Average interest rate 31.12.06	Amount in NOK excluding swap 31.12.06	Amount in NOK including swap 31.12.06	Amount in NOK excluding swap 31.12.05	Amount in NOK including swap 31.12.05
Telenor ASA	Committed Revolving Credit Facility EUR Limit EUR 1,000	-	-	-	-	-	-
Telenor ASA	EMTN program	JPY	-	-	-	493	-
	Limit USD 6,000	AUD	-	-	-	124	-
		USD	-	-	-	2 369	-
		NOK	4.79%	-	2 356	-	1 958
		EUR	5.84%	3 297	824	-	1 243
Telenor ASA	Commercial Paper	NOK	3.06%	1 230	1 230	4 300	4 300
Telenor ASA	Norwegian Bonds	NOK	4.20%	2 638	2 638	-	-
Telenor ASA	Euro Commercial Paper program (ECP) Limit USD 500	EUR	-	-	-	431	-
		NOK	-	-	-	-	431
Telenor ASA	Other current term debt	NOK	-	47	47	9	9
Pannon	UMTS licenses [3]	HUF	8.64%	52	52	95	95
GrameenPhone	Borrowings from financial institutions	USD	8.92%	76	76	84	84
GrameenPhone	Borrowings from financial institutions	NOK	3.48%	4	4	4	4
GrameenPhone	Borrowing from NORAD	NOK	3.40%	8	8	8	8
GrameenPhone	Finance lease	BDT	15.00%	19	19	19	19
Sonofon	Finance lease	DKK	6.28%	3	3	3	3
Sonofon	UMTS licenses [3]	DKK	3.67%	32	32	30	30
Cybercity A/S	Finance lease	DKK	5.44%	17	17	26	26
Telenor Pakistan Ltd	GSM License [3]	USD	4.59%	2	2		
DTAC	Bonds	THB	-	-	-	2 391	2 391
DTAC	Borrowings from financial institutions	USD	5.66%	509	-	931	-
DTAC	Borrowings from financial institutions	JPY	6.60%	51	-	-	-
DTAC	Borrowings from financial institutions	THB	5.74%	881	1 441	-	931
UCOM	Borrowings from financial institutions	THB	8.63%	676	676	119	119
Telenor d.o.o	Finance lease	EUR	6.85%	2	2	-	-
Telenor Satellite Broadcasting AS	Finance lease [1]	GBP	2.90%	187	187	137	137
EDB Business Partner	Borrowings from financial institutions	NOK	4.58%	140	140		
EDB Business Partner	Finance lease		4.59%	15	15	16	16
Canal Digital	Finance lease [2]		-	17	17	96	96
	Derivatives designated to fair value hedging [4]		-	-	-	133	-
	Other current interest-bearing liabilities		-	49	49	90	90
Total current interest-bearing liabilities				**9 952**	**9 835**	**11 908**	**11 990**

[1] Satellite leases (Thor II and III). Telenor ASA is guaranteeing this financing.

[2] Telenor ASA is guaranteeing this financing. This financing is denominated in DKK, EUR, NOK and SEK.

[3] Net present value of future payments for mobile licenses.

[4] Foreign currency derivatives used to convert the cash flows of a debt instrument into another currency that fulfils the requirements for applying fair value hedge accounting. As from 1 January 2005 these derivatives are classified gross as interest-bearing financial assets (see note 20), or interest-bearing liabilities according to IAS 39.

Maturity profile of interest-bearing liabilities for the Telenor Group

NOK in millions	Total as of 31.12.06	2007–2008	2008–2009	2009–2010	2010–2011	2011–2012	2012–2013	2013–2014	2014–2015	After 2015
EMTN program	25 728	3 297	3 528	2 481	911	6 286	4 343	669	4 213	-
Norwegian Bonds	4 836	2 638	2 000	-	-	-	-	198	-	-
Domestic Commercial Papers	1 230	1 230	-	-	-	-	-	-	-	-
Committed Revolving Credit Facility	4 119	-	-	4 119	-	-	-	-	-	-
Other interest bearing debt [1]	13 548	2 787	1 915	3 182	2 221	1 543	487	301	226	886
Total	**49 461**	**9 952**	**7 443**	**9 782**	**3 132**	**7 829**	**4 830**	**1 168**	**4 439**	**886**

[1] Other interest bearing debt is mainly in Telenor ASA subsidiaries.

For more information regarding financial instruments and risk management see note 23.

23 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk factors

Telenor ASA's treasury function is responsible for funding, foreign exchange risk, interest rate risk and credit risk management for the parent company and for companies owned more than 90% by Telenor ASA. Subsidiaries owned less than 90% normally have standalone financing.

Telenor has limited activity related to interest rate and currency trading for own account. As of December 31, 2006, Telenor did not have any outstanding open trading positions.

Telenor emphasizes financial flexibility. An important part of this emphasis is to minimize liquidity risk through ensuring access to a diversified set of funding sources. Telenor ASA issues debt in the domestic and international capital markets mainly in the form of Commercial Paper and bonds. Telenor use Euro Commercial Paper, U.S. Commercial Paper, Euro Medium Term Note and Norwegian domestic capital market to secure satisfactory financial flexibility. Telenor ASA has established committed syndicated revolving credit facilities of EUR 1.5 billion with maturity in 2012, EUR 1.5 billion with maturity in 2009 of which EUR 0.5 billion is a term loan, and EUR 1 billion with maturity in December 2007.

Interest rate risk

Telenor is exposed to interest rate risk through funding and cash management activities. Changes in interest rates affect the fair value of assets and liabilities. Interest income and interest expense in the profit and loss statement are influenced by changes in interest rates in the market.

The objective for interest rate risk management is to minimize interest cost and at the same time keep the volatility of future interest payments within acceptable limits. A portion of the debt issued by Telenor is fixed rate debt (70% of outstanding debt before swap as of 31 December 2006 and 80% at 31 December 2005). Telenor applies interest rate derivatives to manage the interest rate risk of the debt portfolio. This typically involves interest rate swaps, while forward rate agreements and interest rate options are used to a lesser extent.

According to Telenor's Group Treasury Policy, the average duration of the liability portfolio should be between 0.5 to 2.5 years. As of 31 December 2006 the average duration was 1.3 (1.4 as of 31 December 2005) years.

Derivative instruments designated as cash flow hedging instruments

As of 31 December 2006 a substantial part of Telenor's effective cash flow hedges where related to interest rate risk. Interest rate risk for certain bonds issued with floating rate have been hedged using interest rate swaps where Telenor receive floating rate and pay fixed rate. In addition Telenor hedged some minor forecasted capital expenditure outflows denominated in foreign currency by entering into currency forward contracts, as well as some future purchase of electricity using energy futures.

The table below shows the effective and the ineffective parts of Telenor's cash flow hedges.

Change in fair value on derivatives designated as cash flow hedge items

NOK in millions	2006	2005
Total change in fair value	(1)	37
Effective part of fair value booked directly to equity	(1)	37
Ineffective part booked in the P&L	-	-

Derivative instruments designated as fair value hedging instruments

Telenor employs two strategies that qualify for fair value hedge accounting. The first is to issue a fixed rate bond in the currency in which funding is to be raised and consequently enter into a "receive fixed/pay floating" interest rate swap.

The second is to hedge a fixed rate bond issued in currency other than local currency by entering into a cross currency interest swap receiving fixed rate foreign currency/paying floating rate local currency.

The table below shows the effective and the ineffective parts of Telenor's fair value hedges.

Fair value hedging relationships

NOK in millions	2006	2005
Net gain/(loss) recognized in income statement on hedged items	(1 013)	(676)
Net gain/(loss) recognized in income statement on hedging instruments	1 009	686
Amount of hedge ineffectiveness	(4)	10

Interest rate swaps are also used to periodically rebalance the portfolio in order to be in line with the duration target according to Telenor's Group Treasury Policy. These derivatives do not qualify for hedge accounting.

Interest rate risk sensitivity analysis
Telenor Group calculates the impact on profit and loss of a defined parallel shift in the yield curve of the relevant currencies. For each simulation, the same shifts in interest rates are used for all currencies. The scenarios are run only for assets and liabilities that represent major interest bearing positions. Based on simulations performed, the impact on profit or loss of a 10 percent change in the yield curve would represent an increase in change in fair value of financial instruments of maximum NOK 252 million (NOK 176 million as of 31 December 2005) or a decrease in change in fair value of financial instruments of maximum NOK 255 million (NOK 194 million as of 31 December 2005), respectively.

Exchange rate risk
Telenor is exposed to changes in the value of NOK relative to other currencies. The Carrying amount of Telenor ASA's net investments in foreign entities varies with changes in the value of NOK compared to other currencies. The net income of the Telenor Group is also affected by changes in exchange rates, as the profit and losses from foreign operations are translated into NOK using the average exchange rate for the period. If these companies pay dividends, it will typically be paid in currencies other than NOK. Management's strategy to handle exchange rate exposures related to net investments is to partly issue financial instruments in the currencies involved. Combinations of money market instruments (Commercial Paper and bonds) and derivatives (foreign currency forward contracts and cross currency swaps) are typically used for this purpose.

Exchange rate risk also arises when subsidiaries enter into transactions denominated in other currencies than their own functional currency, including agreements made to acquire or dispose of assets in foreign currency. Committed cash flows in foreign currency equivalent to NOK 50 million or above are hedged economically by using forward contracts. When possible, cash flow hedge accounting is applied for these transactions.

Exchange rate risk related to debt instruments in foreign entities is also a part of the risk exposure of the Telenor Group. Cross currency swaps are occasionally applied to eliminate this exchange rate risk. Fair value hedge accounting is applied for these transactions when possible.

Foreign currency swaps are frequently used for liquidity management purposes. No hedging relationships are designated in relation to these derivatives.

Derivative (and non-derivative) instruments designated as hedging instruments of net investment in foreign operation
As of 31 December 2006 material hedging positions are designated as net investment hedges. Financial instruments used are bonds, cross currency swaps and forward contracts. See the Telenor Group's consolidated Statement of changes in equity for currency effects booked directly to equity as a result of net investment hedging.

Hedging as described above is only carried out in currencies that have well-functioning capital markets in accordance with Telenor's Group Treasury Policy.

Exchange rate risk sensitivity analysis
At 31 December 2006, if local currency had weakened/strengthened by 10% against other currencies for Telenor ASA and all subsidiaries, with all other variables held constant, net income for the Group for the year would have been NOK 388 million (NOK 691 million as of 31 December 2005) higher/lower. This is mainly a result of foreign exchange gains/losses on translation of USD and EURO dominated trade payables and loans in subsidiaries with local currency other than USD or EUR, as well as some currency positions in Telenor ASA. The relatively small change in sensitivity in 2005 compared with 2006 is explained by relatively similar currency positions.

Equity would have been NOK 5,596 million (NOK 2,830 million as of December 31, 2005) higher/lower. Equity is more sensitive to movement in currency exchange rates in 2006 than in 2005 because of new or increased investments in Serbia, Pakistan, Sweden and the termination of the USD net investment hedge on the VimpelCom investment. This analysis does not take into account correlation between currencies other than NOK. Empirical studies confirm substantial diversification effect across the currencies that Telenor is exposed to.

Credit risk
Credit risk is the loss that Telenor would suffer if a counterparty failed to perform its financial obligations.

There is limited credit risk related to account receivables due to the high number of customers.

Telenor invests surplus liquidity in current interest-bearing assets. Credit risk is inherent in such instruments. Financial derivatives with positive replacement value for Telenor, taking into account legal netting agreements, also represents a credit risk.

Credit risk arising from financial transactions is reduced through diversification, through accepting counterparties with high credit ratings only and through defining limits on aggregated credit exposure towards each counterparty. Telenor ASA has legal netting agreements (ISDA agreements), which allows gains to be offset against losses in a bankruptcy situation with the 13 banks that are counterparties in derivative transactions. As of 31 December 2006, Telenor ASA had collateral agreements with three banks in derivative transactions. Both ISDA agreements and collateral agreements are means to reduce overall credit risk. Counterparty risk in subsidiaries in emerging markets is higher due to lack of counterparties with high credit rating. This counterparty risk is monitored on a regular basis.

Telenor ASA has entered into Cross Border QTE Leases for telephony switches, GSM Mobile network and fixed-line network. Telenor has defeased all amounts due under these agreements in highly rated financial institutions and US Government related securities. The leasing obligations and the defeased amounts are presented net in the balance sheet, see notes 16, 22, 34 and 38. The defeased amounts were NOK 5.5 billion as of 31 December 2006 (NOK 6.1 billion as of 31 December 2005).

Fair value of derivatives with positive replacement value for Telenor was equivalent to NOK 987 million as of 31 December 2006, taking into account legal netting agreements (NOK 1,800 million as of 31 December 2005). Credit exposure for Telenor is monitored on a daily basis.

Consequently, Telenor does not consider itself exposed to a significant concentration of credit risk.

Fair values of financial instruments

Principles for estimating fair values

The estimated fair values of the Group's financial instruments are based on market prices and the valuation methodologies described below.

Equity securities available for sale

Fair values for listed shares are based on quoted prices at the end of the relevant years. Fair value for unlisted shares are calculated by using commonly used valuation techniques, or booked at cost if fair value cannot be reliably measured. Listed companies consolidated in the Telenor Group or accounted for by using the equity method, are not included in the table further below.

Cash and short term deposits

Fair value is assumed to be equal to the carrying amount.

Interest bearing liabilities

Fair values of debt instruments issued by Telenor ASA have been calculated using yield curves, which incorporates estimates of the Telenor ASA credit spreads as of 31 December 2006 and 2005, respectively. The credit curve has been extrapolated from trades observed in the secondary market of Telenor ASA debt instruments with different maturities.

Fair value of debt instruments issued by subsidiaries has been determined by market quotes where such are available. For all other interest-bearing liabilities fair values have been estimated using the specific subsidiary's relevant credit curve.

Derivatives

Fair values of currency swaps, foreign currency forward contracts and interest rate swaps are estimated by the present value of future cash flows, calculated by using quoted swap curves and exchange rates as of 31 December 2006 and 2005, respectively. Options are revalued using appropriate option pricing models.

Trade receivables and trade payables

Discounting is not considered to have material effect on trade receivables and trade payables. Trade receivables and trade payables are therefore not included in the table below.

Fair values of financial instruments

NOK in millions	Carrying amount 2006	Fair value 2006	Carrying amount 2005	Fair value 2005
Available-for-sale investments	330	330	2 044	2 044
Cash and short term deposits	5 080	5 080	7 191	7 191
Non current interest bearing liabilities	(39 509)	(40 647)	(27 139)	(27 921)
Current interest bearing liabilities	(9 952)	(9 407)	(11 908)	(11 908)
Derivatives				
Gain interest rate swaps	335	335	553	553
Loss interest rate swaps	(423)	(423)	(725)	(725)
Gain cross currency interest rate swaps	1 313	1 313	1 672	1 672
Loss cross currency interest rate swaps	(813)	(813)	(860)	(860)
Gain foreign currency forward contracts	181	181	156	156
Loss foreign currency forward contracts	(125)	(125)	(447)	(447)
Gain interest rate options	9	9	18	18
Loss interest rate options	(1)	(1)	(16)	(16)
Gain equity derivatives	-	-	-	-
Loss equity derivatives	(120)	(120)	-	-
Gain energy futures	5	5	9	9
Loss energy futures	(2)	(2)	-	-
Total net derivatives	**359**	**359**	**360**	**360**

Classification of derivatives in the balance sheet [1)]

NOK in millions	Carrying amount 2006	Carrying amount 2005
Financial derivatives – non-interest-bearing non-current assets [2)]	105	123
Fair value hedge instruments – interest-bearing non-current assets [2)]	1 125	998
Financial derivatives – non-interest-bearing currents assets [3)]	616	1 382
Fair value hedge instruments – non-current interest-bearing liabilities [4)]	(79)	(150)
Financial derivatives – non-current non-interest-bearing liabilities [5)]	(335)	(138)
Fair value hedge instruments – current interest-bearing liabilities [6)]	-	(133)
Financial derivatives – current non-interest-bearing liabilities [7)]	(1 073)	(1 722)
Total net derivatives	**359**	**360**

1) Derivatives designated as hedging instruments in fair value hedges are classified as interest-bearing in the balance sheet. All other derivatives are classified as non-interest-bearing.
2) Included in Financial non-current assets in the balance sheet (note 20).
3) Included in Other financial current assets in the balance sheet (note 20).
4) Included in Non-current interest-bearing financial liabilities in the balance sheet (note 22).
5) Included in Non-current non-interest-bearing financial liabilities in the balance sheet.
6) Included in Current interest-bearing financial liabilities in the balance sheet (note 20).
7) Included in Current non-interest bearing financial liabilities in the balance sheet (note 24).

24 TRADE AND OTHER PAYABLES AND CURRENT NON-INTEREST BEARING FINANCIAL LIABILITIES

Trade and other payables

NOK in millions	2006	2005
Accounts payable	7 114	6 215
Government taxes, tax deductions etc.	2 852	2 286
Accrued expenses	6 341	6 181
Deferred connection revenues [1]	1 125	1 670
Prepaid revenues	5 290	4 579
Liabilities to Associated Companies	4	-
Total trade and other current liabilities	**22 726**	**20 931**

[1] Connection revenues are deferred over the estimated customer relationship. Deferred connection revenues are classified as current as they relate to the Group's normal operating cycle.

Current non-interest bearing financial liabilities

NOK in millions	2006	2005
Financial derivatives (see note 23)	1 073	1 722
Other current non-interest bearing financial liabilities	430	488
Total current non-interest bearing financial liabilities	**1 503**	**2 210**

25 EARNINGS PER SHARE

From total operations

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of Telenor ASA is based on the following data:

NOK in millions	2006				
	Unaudited	Unaudited	Group excl.		
Earnings	Group	Kyivstar	Kyivstar	2005	2004
Net income for the purposes of basic earnings per share (profit for the year attributable to the equity holders of Telenor ASA)	15 920	1 922	13 998	7 646	6 093
Effect of dilutive potential ordinary shares	-	-	-	-	-
Earnings for the purposes of diluted earnings per share	**15 920**	**1 922**	**13 998**	**7 646**	**6 093**

In thousands Number of shares	2006	2005	2004
Weighted average number of ordinary shares for the purposes of basic earnings per share	1 685 701	1 710 502	1 747 865
Effect of dilutive potential ordinary shares:			
Share options	1 003	1 340	1 462
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1 686 704**	**1 711 842**	**1 749 327**

The denominators for the purposes of calculating both basic and diluted earnings per share have been adjusted for the buyback of shares held by the Kingdom of Norway from the time of approval at the Annual General Meeting.

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of Telenor ASA is based on the following data.

NOK in millions	2006				
	Unaudited	Unaudited	Group excl.		
Earnings	Group	Kyivstar	Kyivstar	2005	2004
Profit for the year attributable to the equity holders of Telenor ASA	15 920	1 922	13 998	7 646	6 093
Less:					
Profit for the year from discontinued operations	155	-	155	185	249
Net income for the purposes of basic earnings per share from continuing operations	**15 765**	**1 922**	**13 843**	**7 461**	**5 844**
Effect of dilutive potential ordinary shares	-	-	-	-	-
Net income for the purposes of diluted earnings per share from continuing operations	**15 765**	**1 922**	**13 843**	**7 461**	**5 844**

The denominators used are the same as those detailed above for both basic and diluted earnings per share

26 COMMITMENTS AND CONTINGENCIES

Telenor is involved in a number of legal proceedings in various forums. Some of these proceedings involve administrative agencies, arbitrations, court cases in the governing jurisdiction and matters before governmental bodies which include minor and material issues that arise out of activities related to Telenor's business. While acknowledging the uncertainties of litigation, Telenor is of the opinion that based on the information currently available, these matters, except as discussed below, will be resolved without any material adverse effect individually or in the aggregate on Telenor's financial position. Provisions have been made in respect of possible unfavorable rulings, judgments, decisions or foreseeable deviations in tax assessments, pending the outcome of appeals by Telenor against these decisions. Furthermore, provisions have been made in respect of the possible outcome of the other proceedings to the extent that negative outcomes are likely and that reliable estimates can be made.

Kyivstar

There are ongoing litigation and arbitration proceedings in New York between Telenor and three affiliates of the Alfa Group Consortium that relate to the Kyivstar shareholders agreement and related corporate governance matters. During 2005 and 2006 Storm has in a number of instances failed to have at least one representative from Storm attend Kyivstar's shareholder and board meetings. For a valid quorum to be present at Kyivstar's shareholder meetings, Ukrainian law requires the attendance of shareholders holding more than 60% of a company's share capital and, for a valid quorum to be present at board meetings, Kyivstar's charter and shareholders agreement require the attendance of at least one director from Storm. As a result, there have been no valid quorums at any Kyivstar shareholder or board meetings in 2006. In February 2006 in accordance with the disputes resolution provision in the Kyivstar shareholders' agreeement, Telenor commenced an arbitration proceeding in New York against Storm LLC, the Alfa affiliate that is a 43.5% shareholder in Kyivstar, for violating the Kyivstar shareholders agreement. On 13 November 2006, Storm filed a claim in New York State Court seeking, among other things, to enjoin the Telenor arbitration proceeding. On 14 November 2006, this case was removed to the US Federal District Court for the Southern District of New York. Following a series of hearings in the SDNY, Telenor was granted a preliminary anti-suit injunction against three Alfa affiliates, Storm, Altimo and Alpren, prohibiting them from, among other things, taking any action to interfere with the Telenor arbitration proceeding in New York. Altimo and Alpren have appealed this order to the United States Court of Appeals for the Second Circuit, but the hearing of this appeal has not yet occurred.

Storm and certain of its affiliates have also filed a number of lawsuits in the Ukrainian courts contesting, among other things, the validity of parts of Kyivstar's charter and the validity of the Kyivstar shareholders agreement. Certain of these lawsuits contest the ability of Kyivstar's chief executive officer to carry out his delegated duties, as well as the validity of previous decisions of Kyivstar's board of directors. Telenor believes the lawsuits commenced by Storm and its affiliates in Ukraine are without merit and, to the extent permitted to do so under the terms of the Kyivstar shareholders agreement, has contested specific assertions and claims in the Ukrainian courts.

A decision of the Ukrainian Supreme Court in October 2006 held that only shareholders of Kyivstar are entitled to serve as members of Kyivstar's board of directors. Accordingly, in the context of the ongoing arbitration proceeding in New York, Telenor has proposed technical changes to Kyivstar's charter that would ensure both compliance with the Ukrainian Supreme Court's ruling and that the Kyivstar board of directors would continue to function in accordance with the Kyivstar shareholders agreement. However, the changes to Kyivstar's charter proposed by Telenor have not yet been approved by Kyivstar's shareholders, and the actions of Storm and its affiliates described above, including the failure of Storm or its nominees to attend Kyivstar shareholder and board meetings, may prevent such approval. In addition, such actions could still adversely affect the ability of Kyivstar to operate and compete effectively.

Storm and Alpren commenced three further actions in Ukrainian courts in late December 2006 and in January and February 2007. In these actions, the plaintiffs challenge Kyivstar's authority to appoint auditors. Injunctions were issued in all three of the actions; however, the injunction issued in the first action was lifted by the court that issued it. Storm appealed the lifting of this injunction, but did not succeed in its appeal. In two of the actions, the injunctions that have been issued and remain in effect, among other things, purport to prohibit Kyivstar's management from providing financial information to Kyivstar's international auditors and its shareholders, including Telenor. Both injunctions purport to prohibit the use of financial information already provided by Kyivstar, and to prohibit Kyivstar's and Telenor's auditors from carrying out any audit work in relation to Kyivstar's year-end IFRS financial statements. The third injunction also purports to prohibit Kyivstar from disseminating any financial information that has not been approved by Kyivstar's board or shareholders, and to prohibit anyone from using any such financial information in their consolidated accounts. Telenor is contesting these actions in the context of its ongoing arbitration proceeding in New York, as well as, to the extent permitted by the Kyivstar shareholders agreement, by seeking alternative legal redress.

Kyivstar along with other major mobile operators in the Ukraine are disputing the Ukrainian Tax Authority's claim for value added tax, or VAT, on the Pension Fund Duty charged on subscriber's phone bills. Kyivstar considers this an invalid tax. Kyivstar has exhausted its administrative remedies available in the Ukraine and proceeded to seek relief in the Ukrainian Kyiv City Commercial Court. Lower court decisions in February 2006 were issued invalidating the tax authority's tax claim concerning the same issues involving another mobile operator in the Ukraine as well as Kyivstar. The Ukrainian Tax Authority has decided to appeal these rulings.

DTAC

A new interconnection framework for Thailand became effective 18 May 2006 for all licensed operators including those operating under a concession. Due to this change in Thai law as well as its effect on prior agreements, DTAC, as well as other licensed telecommunications operators in Thailand, submitted to, and the National Telecommunications Commission (NTC) approved, DTAC's Reference Interconnect Offer, which provides for bilateral negotiations on interconnection prices among fixed and mobile operators in Thailand. On 17 November 2006 DTAC served notice to TOT (State owned fixed line operator, "Telephone Organisation of Thailand") and CAT ("Communication Authority of Thailand") that the access charge agreement has been amended to reflect the new NTC-approved RIO (Reference of Interconnect Offering) rates and that DTAC was no longer required to pay the rates agreed to under the previous interconnection framework. After the date of the notice to TOT and CAT, the rate to be paid under the Access Charge Agreements was to be the rate ageed by the parties in accordance with the RIO or the interim rate to be announced by the NTC. Currently, neither an interconnection price agreement between TOT and DTAC nor an interim rate is in place. Thus, DTAC has applied the TOT's proposed rates as currently set forth in the TOT's RIO. During November 2006, the NTC issued 1.5 million new numbers to DTAC. The TOT, which has disagreed with DTAC's decision to apply the RIO rates, has refused to interconnect these newly issued phone numbers to its network. As a result, DTAC filed an action in an Administrative Court on 17 January 2007 asserting among other things that TOT is unlawfully blocking the public's access to telecommunications. The Administrative Court issued an emergency injunction on 19 January 2007 and required TOT to integrate these newly issued phone numbers to its network. Any uncertainties under the Frequency Act and the Telecom Act as well as lack of legal precedent under the newly enacted interconnect framework may result in TOT challenging in these proceedings DTAC's unilateral amendment of the access charges. However, DTAC believes its assertions will be upheld in Administrative or other legal arenas, but an adverse decision in this dispute could have a material adverse effect on DTAC's financial condition and results of operations.

DISPUTES MENTIONED IN NOTE 26 TO THE TELENOR'S FINANCIAL STATEMENTS FOR 2005, IN WHICH A FINAL DECISION HAS BEEN REACHED

Sense Communication ASA

In November 2003, Sense Communication ASA initiated legal proceedings against Telenor Mobil AS before the Oslo District Court claiming that prices set forth in a service provision agreement for the period 2000–2003 had been excessive and not in accordance with the requirements for cost-oriented pricing. Sense gave notice to the effect that the claim might be recalculated in order to include other relevant years. The Asker and Bærum District Court gave judgment in favor of Telenor Mobil on 2 November 2004 and Sense appealed to the Court of Appeal. Sense (Reitan Gruppen AS, the Sense assignee) presented the claim to the Appeals Court during the 8th through the 16th of February 2006 estimating its claim for NOK 261 million plus interest and legal costs. The Appeals Court rendered a decision against Reitan Gruppen AS and appealed the decision. On 15 September 2006, the Supreme Court of Norway declined to hear the appeal filed by Appellant Reitan Gruppen and the court awarded nominal court costs to Telenor.

Telenor Mobil AS

In March 2004, Telenor Mobil AS was summoned to appear before the conciliation board in connection with a complaint filed by Tele2. Tele2 has asserted a request for reimbursement of approximately NOK 113 million plus interests and legal costs. Tele2 alleges that prices charged by Telenor Mobil for resale of mobile telephone services under the service provider agreement with Tele2 has not been in accordance with the requirements for cost-oriented pricing and the case has been referred to the District Court for disposition. In May 2005, Tele2 filed their claim and Telenor Mobile has provided its response before the ordinary court in the first instance stating that prices have been in accordance with the requirements of cost oriented pricing. The parties agreed to suspend the case until clarification of some of the issues determined in the Sense Communication case. In February 2007, the Plaintiff Tele2 withdrew its claim with prejudice and without costs against Telenor Mobil AS. The parties entered into a settlement and the case is closed with a court decision.

Grameenphone

The Bangladesh Telecommunication Regulatory Commission has requested that Grameenphone pay royalty and license fees (GRLF) pursuant to the license requirements. On 16 April 2006 the Bangladesh Telecommunication Regulatory Commission (BTRC) issued an amendment of Grameenphone's Operator License, replacing all existing arrangements with a new payment structure, stating that, with effect from 1 July 2005, all mobile operators must pay an annual license of 50 million Bangladeshi Taka, an annual revenue share of 5.5% on collected line rental and call charges and quarterly network spectrum charges as fixed by the BTRC. Grameenphone has since been making provisions and payments according to the new structure.

TELENOR HAVE INVESTED IN SUBSIDIARIES WHERE THERE ARE RESTRICTIONS ON TELENOR'S OWNERSHIP INTEREST OR WHERE THE MINORITY SHAREHOLDERS HAVE TEMPORARY RESTRICTED TELENOR'S CONTROL

DTAC

In Thailand the Foreign Business Act limits the direct ownership of foreign investors in public communications license-holders to 49% of the total issued share capital. However, our total economic stake in DTAC, held through Thai Telco Holding, UCOM and Telenor Asia, is 73.2% as of 31 December 2006.

Digi

In Malaysia, one of the conditions from the government to approve Telenor's ownership of 61% in 2001 was to reduce Telenor's ownership interest in Digi to 49% within five years. The requirement to reduce Telenor's ownership is under consideration for renewal.

Kyivstar

In Ukraine, Telenor are in a situation where the minority shareholder has not attended board and shareholder meetings during 2006 resulting in the 2007 budget for Kyivstar not being formally approved by the board. In addition, the other shareholder has commenced several legal actions temporary preventing Telenor from receiving audited financial information from Telenor's subsidiary Kyivstar. Accordingly, Kyivstar is temporarily deconsolidated from 29 December 2006.

27 CONTRACTUAL OBLIGATIONS

The Group has entered into agreements with fixed payments in the following areas as of 31 December 2006:

NOK in millions	2007	2008	2009	2010	2011	After 2011
Minimum lease payments under non-cancellable operating leases						
Lease of premises	1 091	968	842	732	635	2 526
Lease of cars, office equipment, etc	86	53	17	6	3	1
Lease of satellite- and net-capacity	491	286	177	102	66	156
Contractual purchase obligations						
Purchase of satellite- and net-capacity	354	65	29	29	28	84
IT-related agreements	349	183	80	31	13	-
Other contractual obligations	1 065	467	245	56	23	57
Committed investments						
Property plant and equipment	1 138	-	-	-	-	-
Other contractual investments	364	40	2	2	2	16
Total contractual obligations	4 938	2 062	1 392	958	770	2 840
Contractual obligation discontinued operations	(253)	(177)	(116)	(62)	(54)	(115)
Total contractual obligation continuing operations	**4 685**	**1 885**	**1 276**	**896**	**716**	**2 725**

The table does not include agreements under which Telenor has no committed minimum purchase obligations. Obligations related to future investments as a consequence of licenses held by Telenor, are not included if no committed minimum purchase obligations have been entered.

28 RELATED PARTIES

As of 31 March 2006 Telenor ASA was 53.97% owned by the Norwegian state, through the Ministry of Trade and Industry (including own shares).

The Norwegian telecommunications market is governed by the Electronic Communications Act of 25 June 2003 and other regulations issued pursuant to this Act. Until it expired 1 September 2004, Telenor had to provide and maintain Universal Service Obligations (USO) according to the concession on fixed network. Thereafter it was carried on through an agreement between Telenor and the Norwegian Ministry of Transport and Communications. The USO obligation entails among other things the provision of PSTN telephony to all households and companies, public pay phones, services for the disabled, emergency services. In addition, Telenor was in 2005 subject to Special Service Obligations (SSO) – the defense of Norway following an agreement with the Norwegian Post and Telecommunications Authority ("PT"), coastal radio after an agreement with the Norwegian Ministry of Justice and the Police, services concerning Svalbard, wire services for ships, provisions of emergency lines for the police, fire department and ambulances. 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 2006, 2005 and 2004 Telenor received NOK 78 million, NOK 77 million and NOK 72 million, respectively, under this agreement.

One of Telenor's GSM 900 licences in Norway was renewed by the Ministry of Transport and Communications in November 2005 until 31 December 2017. The net present value of the payments for this license was NOK 186 million, of which NOK 100 million was paid in 2005 and the remaining to be paid annually as a frequency fee. In 2004 Telenor was awarded some of the Wimax licenses for NOK 13.5 million. In 2005, Telenor purchased a frequency in the radio frequency band 11 GHz for NOK 10 million.

Telenor pays an annual fee to PT for delivering electronic communication services, including payments for frequencies and numbers. The fee was NOK 110 million, NOK 97 million and NOK 108 million in 2006, 2005 and 2004, respectively.

Telenor provides mobile and fixed telephony services, leased lines, customer equipment, Internet connections, TV distributions, IT operations/services and sale of software to the state and companies controlled by the state in the normal course of business and at arm's-length prices. Telenor also purchases services, such as postal services, in the normal course of business and at arm's-length prices. Details of such transactions are not included in this note.

Transactions with associated companies

NOK in millions	2006		2005		2004	
	Sales to	Purchase from	Sales to	Purchases from	Sales to	
	196	328	544	349	703	1 323

Purchases from and sales to the associated company Bravida ASA were reduced in 2006 due to Telenor's disposal of Bravida ASA at the end of 2006, and was considerably reduced in 2005 due to Bravida's sale of its Telecom and IKT businesses at the end of 2004. Purchases were also reduced due to Telenor's disposal of its associated company Telenor Renhold & Kantine AS of 28 June 2005. In 2006, 2005 and 2004 sales to the associated company Glocalnet AB were NOK 31 million, NOK 442 million and NOK 494 million, respectively. The reduction from 2005 to 2006 is due to Glocalnet AB became a subsidiary from 1 March 2006. In 2006, Telenor sold media rights for the Norwegian football league to the associated company TV2 Zebra AS. A substantial part of the purchases from associated companies in 2005 and 2006 concerns sales and marketing support for distributors of Telenor's products and services in Norway and Thailand.

In January 2006, Telenor terminated guarantees that it had provided to Bravida ASA concerning an engineering contract in Sweden (the guarantee had a frame of approximately NOK 851 million as of 31 December 2005).

In 2006, Telenor has submitted fulfillment guarantees of NOK 300 million in favour of the associated company Norges Television AS.

For information of receivables on associated companies – see note 19 and 20. Telenor had no significant payables or debt to associated companies as of 31 December 2006 and 2005.

GrameenPhone Ltd. borrowed NOK 50 million from Norwegian Agency for Development Cooperation (NORAD). As of 31 December 2006, the remaining loan amounted to NOK 29 million. NORAD is part of the Ministry of Foreign Affairs. The fixed rate loan has an interest of 3.4% and was an interest-only loan until 30 June 2004, and is thereafter paid down until 31 December 2010.

For compensation of key management personnel, see note 30.

29 ADDITIONAL CASH FLOW INFORMATION

Purchases and disposals of subsidiaries and associated companies

The table below shows the effects on the consolidated balance sheet from purchases and disposals of subsidiaries and associated companies. Please refer to note 1 for supplemental information on major purchases and disposals.

NOK in millions	2006	2005	2004
Purchases of subsidiaries and associated companies			
Associated companies	237	235	112
Total other non-current assets	23 437	20 399	13 773
Total current assets	2 788	3 175	1 353
Total liabilities	(4 449)	(11 533)	(5 883)
Minority interests	56	(1 292)	-
Carrying amount of associated companies at the time of acquisition	(100)	(941)	(4 215)
Recorded directly to equity	60	(1 274)	-
Purchase price	**22 029**	**8 769**	**5 140**
Cash payments related to purchases [1] [2]	(22 363)	(8 594)	(6 421)
Cash in subsidiaries acquired	399	466	140
Payments for purchases of subsidiaries and associated companies, net of cash acquired	**(21 964)**	**(8 128)**	**(6 281)**
Disposals of subsidiaries and associated companies			
Associated companies	182	29	98
Total other non-current assets	30	599	124
Total current assets	911	95	553
Total liabilities	(320)	(97)	(217)
Minority interests	(65)	76	(28)
Recorded directly to equity	(82)	-	-
Gain (loss) and translation adjustments of sales	437	39	502
Sales price	**1 093**	**741**	**1 032**
Proceeds received as sale consideration	1 059	821	953
Cash in subsidiaries disposed of	(22)	(81)	(104)
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed of	**1 037**	**740**	**849**

[1] In 2004, cash payments include the repayment of a shareholder's loan which was assumed by Telenor at the time of purchase of the remaining shares in Sonofon Holding A/S.

[2] In 2006, cash payments include the repayment of a shareholder's loan of NOK 319 million which was assumed in the acquisition of Vodafone Sweden. The payment is included as part of the purchase price.

NOK in millions	2006	2005
Restricted bank accounts		
For employees' tax deduction	1	7
Other	17	19
Total	**18**	**26**

With the exception of certain companies, the Group has purchased bank guarantees for payment of the employees' tax deductions.

Cash and cash equivalents

NOK in millions	2006	2005
Cash and cash equivalents in the Group's cash pool systems	1 253	1 705
Cash and cash equivalents not in the Group's cash pool systems [1)]	3 375	5 101
Total cash and cash equivalents in continuing operations	**4 628**	**6 806**

[1)] Subsidiaries in which Telenor owns less than 90 percent of the shares are normally not participating in the Group's cash pool systems, held by Telenor ASA. As of year end 2005, these cash and cash equivalents primarily related to Kyivstar and DiGi. As of year end 2006, these cash and cash equivalents primarily related to Digi.

The Group has established cash pool systems with two banks. Under these agreements, Telenor ASA is the Group account holder and 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.

Cash and cash equivalents in discontinued operations totaled NOK 294 million as of 31 December 2006, of which NOK 125 million was held in the Group's cash pool systems.

Significant non-cash transactions

NOK in millions	2006	2005
Investments in licenses – part not paid in the year of grant	80	461
Finance leases – part not paid in the year of initial recognition	-	484
Total	**80**	**945**

The cost of items of property, plant and equipment acquired in exchange for a non-monetary asset is measured at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up.

Acquisition of licenses where the payment of the license is over future periods, is regarded as intangible assets that should be capitalized and recorded in the balance sheet. The payment plan is a financing arrangement and the fair value of the asset acquired is the discounted value of the cash consideration. The net present value of the instalments to be paid subsequent years is recorded in the balance sheet as a liability.

Investments in licenses in 2006 were related to the acquisition of a GSM license in Azad Jammu and Kashmir made by Telenor Pakistan and a Microsoft software license in Norway. Investments in licenses in 2005 were related to the renewal of the GSM 900 license in Norway and the acquisition of UMTS license in Denmark. The finance lease in 2005 was related to a fibre optical network in Grameenphone.

30 REMUNERATION

Board of Directors

Remuneration for the Board of Directors (BoD) consists of Board Compensation which is fixed for the year depending on position in the board as well as compensation for other BoD elected committees.

The aggregate remuneration for the BoD and the Corporate Assembly for 2006 was NOK 2.6 million and NOK 0.5 million respectively. In 2005 this was respectively NOK 2.2 million and NOK 0.5 million. In addition, remuneration for the Audit Committee and Nomination Committees was in total NOK 0.3 million (NOK 0.3 million in 2005). The members of the BoD have no agreements which entitles them to extraordinary remuneration in the event of termination or change of office or agreement for bonus, profit sharing, options or similar.

Board of Directors (BoD)	Board Compensation (NOK)	Compensation for committee's (NOK)	Number of shares as of 31 December 2006	Number of options as of 31 December 2006
Thorleif Enger	400 000	20 000	12 000	-
Bjørg Ven	270 000	80 000	10 000	-
John Giverholt	200 000	80 000	-	-
Hanne de Mora	200 000	80 000	-	-
Liselott Kilaas	200 000	20 000	-	-
Paul Bergqvist	200 000	20 000	-	-
Jørgen Lindegaard	200 000	-	-	-
Harald Stavn	200 000	10 000	3 959	-
Per Gunnar Salomonsen	200 000	-	1 896	-
Irma Tystad	200 000	8 000	813	-

None of the members of the Board received compensation from any other Group companies, except for the employee representatives.
None of the members of the Board of Directors have loans in the company.

The number of shares and share options owned by the members of the Board of Directors, Deputy Board Members and the Corporate Assembly as of 31 December 2006 is shown below. Shares owned by the Board of Directors and Deputy Board Members include closely related parties.

Deputy Board Members	Number of shares as of 31 December 2006
Helge Enger	1 852
Anderssen Bjørn Andre	835
Roger Rønning	752
Sletta Kaare-Ingar	502
Hjørdis Henriksen	275

The Corporate Assembly	Number of shares as of 31 December 2006
Arne Jenssen	407
Berit Kopren	275
Stein Erik Olsen	231
Inger-Grethe Solstad	682

Telenor's Compensation Committee consists of the Chairman of the BoD and two members from the shareholder-elected Board Members. The President and CEO, Jon Fredrik Baksaas, as well as Executive Vice President HR, Bjørn Magnus Kopperud are invited to attend the meetings of the Committee. The primary responsibility of the Committee is to discuss and make proposals to the BoD in respect of compensation practice and policy for the President and CEO and Group Executive Management (GEM), as well as the general compensation policy for other employees. The Committee meets at least twice a year and when needed.

Statement on Group Executive Management Remuneration

The following guidelines for settling the Group Executive Management remuneration for the coming accounting year will be presented to the General Assembly for their recommendation in the May 2007 Annual Meeting

Telenor's remuneration policy is based on the company's People Policy

"Compensation shall be used to reward performance and to influence and reinforce Telenor's desired culture and values.

Telenor shall seek to offer a total compensation package that is attractive, fair and competitive."

The overall remuneration for the Group Executive Management reflects the accountabilities and impact of role and role holder, breadth and complexity of the operations, the value- and performance based culture as well as the need to attract and retain key executives.

Considerations on the overall remuneration level and composition of the package reflect the national and international framework and business environment the company operates within.

The arrangements are transparent and in line with good corporate governance.

The total remuneration package for the Group Executive Management, consists of the following main elements: Base Salary (main element); Annual Bonus; Long Term Incentive program; Pension- and Insurance arrangements; Severance Pay and Other Benefits.

The Base Salary is mainly determined on the basis of the role, relevant market and performance. Assessment of performance is based on the overall contribution, including delivery of targets agreed up front, as well as how the individual lives the company values, ethics and corporate governance. The Base Salary is annually reviewed.

The Annual Bonus is based on achievement of Group, Business Area and individual targets, with ambitious performance levels set up front. The payment for achievement of expected performance level is 25% of Base Salary (3 months) for the Group Executive Management. Maximum potential for exceeding performance is the double. The bonus payments are subject to vacation pay, but not included in the pensionable salary.

Currently the company operates a 3 year share option plan, decided in December 2005 for the period 2006–2008. In order to follow up on the changes in the framework put forward December 2006 by the Norwegian Government the BoD has decided to discontinue the existing program and considers establishing an arrangement that captures the need for a long term incentive for executives in Telenor.

The company's general Share Savings Plan for employees in defined companies is also applicable to the GEM. According to the plan the employee may buy shares with a discount. The shares used in the plan are bought in the market upon authorisation of the General Assembly.

The current Group Executive Management members are entitled to retire at age 60, 62 or 65 depending on their individual pension agreement. The pension benefit is 66% of the Base Salary, with an individual ceiling. In addition, the individual is entitled to the balance of a defined contribution arrangement consisting of a contribution of 30% of Base Salary above the individual ceiling as of 1 January 2006. New employees that enter into the Group Executive Management will be covered by established Defined Contribution schemes, which entitles them upon retirement at age 65 to the balance of an annual contribution of 4% for Base Salary up to 6 G (G = base amount of Norwegian Social Security), 8% of Base Salary from 6–12 G and 30% of Base Salary above 12 G.

The Group Executive Management is covered by the insurance arrangements applicable within the company.

Furthermore, the Group Executive Management is entitled to other benefits such as company car or car allowance, electronic communication and newspapers.

Remuneration to Group Executive Management 2006

The Group Executive Management consists of Jon Fredrik Baksaas, Arve Johansen, Trond Ø. Westlie, Jan Edvard Thygesen, Stig Eide Sivertsen, Morten Karlsen Sørby, Ragnar H. Korsæth and Bjørn Magnus Kopperud. The last two joined the Group Executive Management in January 2006. Aggregate income including pension for the 8 persons in the Group Executive Management was NOK 38.3 million in 2006. In 2005 the aggregate income including pension for the 6 persons in the Group Executive Management was NOK 28.1 million. The pension cost of these figures was NOK 8.0 million in 2006 and 6.8 million in 2005. For details see tables below.

None of the members of the Group Executive Management have loans in the company.

In 2006 Telenor launched an option program for 134 Executives, including the Group Executive Management, with 2.66 million options granted. For further details see Note 31.

2006

Amount in NOK Group Executive Management 2006	Base salary	Bonus paid in the year	Other Benefits [1]	Total salary and other taxable income	Pension Benefit Earned/Cost to Company [2]	Value of Granted options [3]	Total
Jon Fredrik Baksaas	4 140 000	1 331 200	227 299	5 698 499 [a]	1 736 000	970 000	8 404 499
Trond Ø. Westlie	2 300 000	327 498	137 990	2 765 488	599 000	533 500	3 897 988
Arve Johansen	2 900 000	811 580	51 109	3 762 689	1 884 000	630 500	6 277 189
Morten Karlsen Sørby	2 665 000	664 654	243 735	3 573 389 [b]	938 000	533 500	5 044 889
Jan Edvard Thygesen	2 200 000	454 700	186 006	2 840 706	828 000	533 500	4 202 206
Stig Eide Sivertsen	2 050 000	628 100	183 487	2 861 587 [c]	905 000	388 000	4 154 587
Ragnar H. Korsæth	1 600 000	285 600	165 278	2 050 878	369 000	388 000	2 807 878
Bjørn Magnus Kopperud	1 850 000	290 677	181 492	2 322 169 [d]	780 000	388 000	3 490 169

[a] Jon Fredrik Baksaas has exercised share options in 2006 that has been reported as additional taxable income with NOK 15,945,964
[b] Morten Karlsen Sørby has exercised share options in 2006 that has been reported as additional taxable income with NOK 6,782,489
[c] Stig Eide Sivertsen has exercised share options in 2006 that has been reported as additional taxable income with NOK 6,769,575
[d] Bjørn Magnus Kopperud has exercised share options in 2006 that has been reported as additional taxable income with NOK 1,954,775

2005

Amount in NOK Group Executive Management 2005	Base salary	Bonus paid in the year	Other Benefits [1]	Total salary	Pension Benefit Earned/Cost to Company [2]	Value of Granted options [3]	Total
Jon Fredrik Baksaas	4 000 000	1 039 333	130 171	5 169 504	1 309 000	–	6 478 504
Arve Johansen	2 800 000	911 408	386 595	4 098 003	1 724 000	–	5 822 003
Morten Karlsen Sørby	2 600 000	583 738	172 871	3 356 609	460 000	–	3 816 609
Jan Edvard Thygesen	2 000 000	449 653	255 359	2 705 012	1 240 000	–	3 945 012
Stig Eide Sivertsen	2 000 000	601 846	247 282	2 849 128	990 000	–	3 839 128
Trond Ø. Westlie [4]	670 833	–	40 426	711 259	116 000	–	827 259
Torstein Moland [4]	1 558 333	542 570	293 217	2 394 120	992 000	–	3 386 120

All amounts is excluded Social Security Tax
[1] Include items such as car benefit, telephone, ADSL and other minor benefits.
[2] The calculations of pension benefits earned are based on the same actuarial and other assumptions as used in the pension benefit calculations in Note 7. The amounts are higher than the amounts that the persons earned as paid-up policy if the employment was terminated as of 31 December 2006 and 31 December 2005, respectively.
[3] Black & Scholes value at grant date. For valuation assumptions see note 31
[4] The compensation is based on their respective period in the Group Executive Management. Torstein Moland retired from his position as CFO 15 September 2005 and was replaced by Trond Ø. Westlie.

The maximum bonus potential payable according to the annual bonus frame for the members of the Group Executive Management was 6 months of base salary in 2006. If the target level is reached, 50% of the bonus is paid. 100% of the bonus will only be paid as a result of exceptional financial performance.

Name	Agreed period of notice, months Base Salary	Severance Pay, months Base Salary	Pension benefits
Jon Fredrik Baksaas	6 months	24 months. If new position is obtained the severance pay is reduced by 75% of income in new position	66% Defined Benefit of Base Salary as per year end 2002, adjusted for CPI-ATE annually, and 30% Defined Contribution above the 2002 Base Salary. The latter part is implemented as of 1 January 2006. Retirement age 60.
Arve Johansen [1]	6 months	6 months	66% Defined Benefit of Base Salary at retirement age 60.
Trond Ø. Westlie	6 months	6 months	66% Defined Benefit of Base Salary up to 12G. Defined Contribution plan with 30% of base salary above 12G. Retirement age 65.
Stig Eide Sivertsen	6 months	No	66% Defined Benefit of Base Salary as per year end 2004, adjusted for CPI-ATE annually, and 30% Defined Contribution above the 2004 Base Salary. The latter part is implemented as of 1 January 2006. Retirement age 62.
Jan Edvard Thygesen	6 months	6 months	66% Defined Benefit of Base Salary as per year end 2003, adjusted for CPI-ATI annually, and 30% Defined Contribution above the 2003 Base Salary. The latter part is implemented as of 1 January 2006. Retirement age 62.
Morten Karlsen Sørby	6 months	6 months	66% Defined Benefit of Base Salary as per year end 2002, adjusted for CPI-ATE annually, and 30% Defined Contribution above the 2002 Base Salary. The latter part is implemented as of 1 January 2006. Retirement age 62.
Ragnar H. Korsæth	6 months	6 months	66% Defined Benefit of Base Salary as per year end 2004, adjusted for CPI-ATE annually, and 30% Defined Contribution above the 2004 Base Salary. The latter part is implemented as of 1 January 2006. Retirement age 65.
Bjørn Magnus Kopperud	6 months	6 months	66% Defined Benefit of Base Salary as per November 2002, adjusted for CPI-ATI annually, and 30% Defined Contribution above the November 2002 Base Salary. The latter part is implemented as of 1 January 2006. Retirement age 62.

[1] Arve Johansen has an agreement which entitles him to a possible transfer to other tasks within the organization with the right to compensation of half his salary. This agreement relates to a specified time period up to the age of retirement. The future pension benefits are based on the salary at the time of transfer to other work.

2006

	Options held at beginning of year	Granted options	Forfeited options	Exercised options	Average exercise price on exercised options	Options Year End	Average exercise price outstanding options [1]	Average remaining lifetime	Shares held at year end
Jon Fredrik Baksaas	500 000	100 000	-	270 000	33.65	330 000	41.12	4.2	57 967
Trond Ø. Westlie	-	55 000	-	-	-	55 000	74.90	6.6	7 500
Arve Johansen	200 000	65 000	-	-	-	265 000	44.65	3.6	51 692
Morten Karlsen Sørby	145 000	55 000	-	145 000	32.36	55 000	74.90	6.6	9 909
Jan Edvard Thygesen	150 000	55 000	-	-	-	205 000	45.57	3.7	56 393
Stig Eide Sivertsen	150 000	40 000	-	150 000	32.48	40 000	74.90	6.6	28 880
Ragnar H. Korsæth	43 334	40 000	-	-	-	83 334	52.38	4.6	-
Bjørn Magnus Kopperud	100 000	40 000	-	50 000	38.51	90 000	47.98	4.7	2 892

2005

	Options held at beginning of year	Granted options	Forfeited options	Exercised options	Average exercise price on exercised options	Options Year End	Average exercise price outstanding options [1]	Average remaining lifetime	Shares held at year end
Jon Fredrik Baksaas	500 000	-	-	-	-	500 000	31.55	3.8	34 852
Trond Ø. Westlie	-	-	-	-	-	-	-	-	-
Arve Johansen	200 000	-	-	-	-	200 000	34.06	3.7	51 462
Morten Karlsen Sørby	145 000	-	-	-	-	145 000	33.79	3.7	7 794
Jan Edvard Thygesen	150 000	-	-	-	-	150 000	34.06	3.7	56 278
Stig Eide Sivertsen	150 000	-	-	-	-	150 000	34.06	3.7	28 765
Ragnar H. Korsæth	43 334	-	-	-	-	43 334	31.13	3.8	5 670
Bjørn Magnus Kopperud	100 000	-	-	-	-	100 000	34.06	3.7	2 777

[1] Latest possible exercise price for 2002 options. Assumes the cap is not reached for the 2006 options

Other items

Telenor has a general share purchase plan for employees. Since Telenor was listed on the stock exchange in 2001, employees have been offered to purchase shares with discount and potential bonus shares. In 2006 employees in subsidiaries in the Nordic countries and Hungary was offered to purchase shares to a value of NOK 7,500 with 20% discount and potential bonus shares to a value of NOK 5,000 if the shareprice increases by at least 10% during one year. In 2006 4,988 employees, around 1/3 of those offered, participated.

Total loans to employees were NOK 36 million as of 31 December 2006, of which NOK 27.4 million was related to the general employee share purchase program The loans for purchase of shares were limited to NOK 5,962 per employee after discount. Loans for purchase of shares are non-interest-bearing and are repaid over 12 months. The rest of the loans were mainly related to the financing of cars purchased by the employees as an alternative to company cars and to loans for house purchase in two of the foreign subsidiaries.

Fees to the auditors

The table below summarizes suggested audit fees for 2006, 2005 and 2004 and fees for audit related services, tax services and other services invoiced to Telenor during 2006, 2005 and 2004. Fees include both Norwegian and foreign subsidiaries.

NOK in millions	Audit fees			Audit related fees			Fees for Tax services			Other fees		
	2006	2005	2004	2006	2005	2004	2006	2005	2004	2006	2005	2004
Telenor ASA												
Group Auditor	14.3	5.0	3.9	6.6	5.0	2.9	1.4	0.5	1.2	-	-	-
Other Auditors	-	-	-	-	-	-	-	-	-	-	-	-
Other Group companies												
Group Auditor	63.8	36.2	29.8	12.6	4.3	7.1	4.6	5.1	4.0	-	1.0	0.7
Other Auditors	0.3	0.1	0.1	0.1	0.1	-	0.1	0.1	0.1	0.1	0.1	0.1

Fees for audit services include fees associated with the required statutory audits and the reviews of the Company's quarterly reports included fees related to audit of internal control in accordance with the American regulations (SOA 404). Audit-related fees principally include due diligence in connection with acquisitions and dispositions, information system audits and regulatory reporting audits. Tax fees include review of tax compliance and tax advice, mainly outside Norway.

31 SHARE OPTION PLANS

In the Telenor Group there are two share options programs: One for shares in Telenor ASA and one for the listed subsidiary company EDB Business Partner ASA.

The share option plans are considered equity-settled plans. Telenor ASA's option plan includes the option for Telenor to settle in cash.

Share Option program in Telenor ASA

In 2006, 2.66 million options were granted to 134 managers and key personnel. All these options vest after 3 years and have a total life time of 7 years. The exercise price corresponds to the average closing price at Oslo Stock Exchange ten trading days prior to the grant date, NOK 74.90. Maximum gain on the options is subject to a cap at 42% share price increase prior to July 2010 and at 60% share price increase in July 2010. These levels correspond to NOK 31.46 and 44.94, respectively. After July 2010 the maximum gain per option is NOK 44.94 plus share price increase from July 2010 until time of exercise.

85 managers and key personnel were granted options in 2002 and 110 managers and key personnel were granted options in 2003. 12 new managers and key personnel were granted options in 2004. In 2005 there were no options granted. One third of the options vest each of the three years subsequent to the date of grant. The latest possible exercise date is seven years subsequent to the grant date. The options may only be exercised four times a year, during a ten-day period after the publication of the company's quarterly results.

For options granted in 2002: The exercise price corresponds to the average closing price at Oslo Stock Exchange five trading days prior to the grant date, increasing with an interest per commenced month corresponding to 1/12 of 12 months NIBOR (Norwegian Inter Bank Offered Rate). For options granted in 2003 and 2004: The options are exercisable if the share price at the time of exercise is higher than the average closing price on the Oslo Stock Exchange five trading days prior to the date of grant, adjusted with 5.38% per year. The exercise price corresponds to the average closing price at Oslo Stock Exchange five trading days prior to the grant date, which was NOK 26.44 for options granted in 2003 and NOK 48.36 for options granted in 2004.

Share Options Telenor ASA

	Share options	Estimated fair value at grant date (per share option in NOK)	Average exercise price at the end of option life (NOK) [1]
Balance as of 31 December 2004	**4 410 339**	**-**	**33.97**
Options granted in 2005	-	-	-
Options forfeited in 2005	145 000	-	44.98
Options exercised in 2005	1 237 675	-	33.11
Balance as of 31 December 2005	**3 027 664**	**-**	**34.11**
Options granted in 2006	2 660 000	9.70	74.90
Options forfeited in 2006	26 667		48.36
Options exercised in 2006	1 701 365		31.92
Balance as of 31 December 2006	**3 959 632**		**61.26**

The weighted average share price at the date of exercise for share options exercised during 2006 was NOK 81.74 (NOK 58.95 in 2005).

The table below details Telenor's options outstanding by related option exercise price as of 31 December 2006 and is based on the latest possible exercise price. All options may be exercised prior to the termination of the plan.

Weighted average exercise price (NOK)	Options outstanding	Options exercisable as of 31 December 2006	Options exercisable as of 31 December 2005	Weighted average remaining life as of 31 December 2006
43.20 [1]	371 333	371 333	371 333	2.1
26.44	801 632	801 632	503 337	3.1
48.36	126 667	60 000	26 666	4.1
74.90 [2]	2 660 000	-	-	6.6

[1] Exercise price for the 2002 programs are calculated at the latest possible date of exercise, and based on 12 month NIBOR (as of 20 February 2007), implied forward rates calculated of the spot curve. For the share option programs of 2003, 2004 and 2006, the exercise prices are fixed throughout the options' terms.

[2] Assumes that the cap is not reached. If the cap is reached, the exercise price will be adjusted up.

At the exercise of the options, Telenor maintains the right to redeem options by paying an amount in cash corresponding to the difference between the exercise price and closing price on the day the notification reached the company. The options may be exercised earlier than the end of the options term, as long as they are exercisable.

The fair value of share-based compensation at the grant date is expensed over the vesting period. Telenor uses a Black & Scholes valuation model to calculate the fair value. According to the transitional rules in IFRS 1 only options granted subsequent to 7 November 2002 that had not vested as of 1 January 2005 are included. This amounted to 3,478,301 options with an average estimated fair value at grant date per share option of NOK 9.47.

Option program for shares in EDB Business Partner ASA

In accordance with the mandate granted by the Annual General Meeting held on 10 May 2006 where a new option scheme for key personnel was authorized, the Board of Directors of EDB allocated 1,500,000 share options on June 1 2006. Other key personnel were granted 1,250,000 options at an exercise price of NOK 52.10. The exercise price is the volume-weighted average closing share price on the Oslo stock exchange for the five days before and five days after the date the options are granted. The exercise price for the CEO's 250,000 options is set at NOK 51.14 per share, which is equivalent with the volume-weighted average closing share price on the Oslo stock exchange for the five days before the options were granted. Exercise of the options is conditional on the share price at the time of exercise being at least equal to the exercise price plus interest equivalent to 5.38% per annum or 0.483% per month. The options are also subject to a maximum gain of 250%. The vesting period for the options is 3 years, and once vested the options can be exercised on a quarterly timetable. Exercise of the options will take place either by transfer from the company's holdings of its own shares or by cash payment, and will therefore not involve any increase in share capital.

In connection with the 2004 Annual General Meeting an option plan, consisting of a maximum of 1,300,000 options, was granted to the rest of the management and key employees. Of these options 989,994 were granted in April 2004 at an exercise price of NOK 45.55 and 25,000 options were granted in November 2004 at an exercise price of NOK 44.83. Another 345,000 options were granted in 2005: 220,000 in January 2005 at an exercise price of NOK 48.27, 100,000 on 1 October 2005 at an exercise price of NOK 49.04 and 25,000 on 10 October 2005 at an exercise price of NOK 49.06. Options were granted at an exercise price corresponding to the average stock price five days before and five days after the options are granted and the options vested each of the two years subsequent to the grant date and were exercisable the following year if the stock price at the time of exercise is higher than the exercise price adjusted with 5.38% annually.

600,000 options at an exercise price of NOK 15.94 per share were granted to the CEO for EDB Business Partner ASA at the time of appointment in 2003. One third of the options were vested each of the three years subsequent to the grant date and were exercisable if the stock price at time of exercise was higher than the exercise price adjusted with 5.38% annually. All 600,000 options were exercised in 2006 and the Company, by the Board of Directors, pursuant to the option agreement elected to fulfil its obligations by payment of the balance between stock price at end of trade on 5 May 2006 and the exercise price.

Options which have vested may only be exercised subsequent to an annual approval from the Annual General Meeting. In addition, the options may only be exercised four times a year, during a 3 to 10 day period after the publication of the company's quarterly results.

	Share options	Estimated fair value at grant date (per share option in NOK)	Average exercise price at the end of option life (NOK)
Balance as of 31 December 2004	**1 624 994**	**-**	**34.5**
Options granted in 2005	345 000	8.42	48.5
Options exercised in 2005	34 117	-	45.5
Options forfeited in 2005	98 484	-	45.4
Balance as of 31 December 2005	**1 837 393**	**-**	**36.3**
Options granted in 2006	1 500 000	12.92	51.9
Options exercised in 2006	1 385 641	-	32.9
Options forfeited in 2006	210 000	-	48.0
Balance as of 31 December 2006	**1 741 752**	**-**	**51.2**

The weighted average share price at the date of exercise for share options exercised during 2006 was 32.9.

The table below details EDB Business Partner's options outstanding by related option exercise price and is based on the latest exercise dates. Some options may be exercised prior to the termination of the plan.

Weighted average exercise price (NOK)	Options outstanding	Weighted average remaining life (in years)	Options exercisable as of 31 December 2006	Options exercisable as of 31 December 2005
15.94	-	-	-	400 000
45.55	156 752	0.3	156 752	429 138
48.27	60 000	1.0	-	-
49.05	25 000	1.8	12 500	-
51.14	250 000	3.4	-	-
52.10	1 250 000	3.4	-	-

The fair value of share-based compensation at the grant date is expensed over the vesting period. According to the transitional rules in IFRS 1 only options granted subsequent to November 7, 2002 that had not vested as of 1 January 2005 are included. This amounted to 1,637,393 options with an average estimated fair value at grant date per share option of NOK 10.30.

Option program for shares in Telenor ASA and EDB Business Partner ASA

The programs 2002–2006

	Risk free rate	Dividend yield	Dividend	Volatility factor	Weighted average life
Telenor ASA 2002 programs	6.40%	2.0%		31.3%	4.5 years
Telenor ASA 2003 program	4.80%	2.0%		32.3%	4.5 years
Telenor ASA 2004 program	3.13%	2.0%		36.5%	4.5 years
Telenor ASA 2006 program	3.99%	-	10% annual growth, 2006 dividend of NOK 2.00 as base line	31.06%	4.0 years
EDB Business Partner ASA 2003 program	5.05%	0.0%		66.9%	4.5 years
EDB Business Partner ASA 2004 programs	2.50%	0.0%		54.4%	1.5 years
EDB Business Partner ASA 2005 programs	3.66%	0.0%		53.3%	1.5 years
EDB Business Partner ASA 2006 programs	3.74%	0.0%		31.2%	2.5 years

For fair value calculations the share price at grant date are used. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. However, the number of share options granted is limited compared to the size of the Group, and the effects of applying a more flexible model is not expected to have a material impact on the Group's financial statements.

32 NUMBER OF SHARES, OWNERSHIP ETC.

As of 31 December 2006, Telenor ASA had a share capital of NOK 10,081,647,420 divided into 1,680,274,570 ordinary shares with a nominal value of NOK 6 each. All shares have equal voting rights and the right to receive dividends. As of 31 December 2006, the company had no treasury shares.

In accordance with the authority given by the Annual General Meeting on 23 May 2006 Telenor reduced its share capital with NOK 157,774,338 in August 2006. This was done through the cancellation of 12,105,182 treasury shares and through redemption of 14,190,541 shares from the Ministry of Trade and Industry.

At the Annual General Meeting on 23 May 2006, approval was given for the Board of Directors to acquire 165,000,000 treasury shares with a nominal value totaling NOK 990,000,000. Up to 2,279,666 shares with a total nominal value of NOK 13,677,966 may be used for the fulfillment of Telenor's option programs for 2002, 2003 and 2004. In addition the Board may use own shares in connection with share programs for employees. The amount paid per share shall be a minimum of NOK 6 and a maximum of NOK 200. The Board is free to decide how the acquisition and transfer of shares takes place. This authorization is valid until the next Annual General Meeting to be held in 2007.

In 2006 Telenor acquired 1,420,034 treasury shares in accordance with this authorization. In May 2006, in August 2006 and in November 2006 425,033, 148,333 and 381,668 respectively of these shares were used to fulfill obligations related to the stock option programs for key employees of 2002, 2003 and 2004. In December 2006 320,022 of these shares were used related to a share ownership program for employees of 2006, and 138,000 shares were used as bonus shares related to the share ownership program for employees of 2005. In addition 6,978 shares were sold in December 2006 and the company had no treasury shares after this.

In April 2006, Telenor entered into an agreement with its largest shareholder, the Kingdom of Norway, represented through the Ministry of Trade and Industry. According to the agreement the Board of Directors will propose to the Annual General Meeting that the shares that were bought back are cancelled. The Board will also propose a redemption and cancellation of shares from the Ministry of Trade and Industry. As a consequence the Kingdom of Norway's ownership percentage in Telenor remains unchanged. The Ministry of Trade and Industry has obliged itself to vote for the reduction of the share capital at the Annual General Meeting in 2007.

The following shareholders had 1% or more of the total number of 1,680,274,570 outstanding shares as of 31 December 2006.

Name of shareholders	Number of shares	%
Ministry of Trade and Industry	906 763 642	53.97
State Street Bank (nominee)	81 182 199	4.83
National Insurance Scheme Fund	48 945 161	2.91
JPMorgan Chase Bank (nominee)	41 392 488	2.46
Mellon Bank (nominee)	25 837 120	1.54
J.P.Morgan Chase Bank (nominee)	22 756 827	1.35
JPMorgan Chase Bank (nominee)	21 536 488	1.28

33 LICENSES

The table below summarizes the main operating licenses held by Telenor ASA and its subsidiaries:

Company	Licenses	Network type	License valid from	License expiration
Mobile Norway	GSM 900	GSM/GPRS/EDGE	1992	2017
	GSM 900		2001	2013
	GSM 1800		1998	2010
	UMTS	W-CDMA	2000	2012
Sonofon [1]	GSM 900	GSM/GPRS	1997	2012
	GSM 1800		1997	2007 [2]
	GSM 1800		2001	2011
	UTMS	W-CDMA	2005	2021
Mobile Sweden	GSM 900	GSM/GPRS	1992	2010
	GSM 1800		1996	2010
	UMTS	W-CDMA	2000	2015
	GSM 1800		2001	2012
Pannon	GSM 900	GSM/GPRS/EDGE	1993	2008
	GSM 1800		1999	2014
	UTMS	W-CDMA	2004	2019
Telenor Serbia [3]	GSM 900/1800	GSM/GPRS/EDGE	2006	2016
	UMTS	W-CDMA	2006	2016
Promonte	GSM 900/1800	GSM/GPRS	2002	2017
DTAC [4]	AMPS 800		1990	2018
	GSM 1800	GSM/GPRS	1990	2018
DiGi [5]	GSM 1800	GSM/GPRS/EDGE	1995	2015
Grameenphone	GSM 900/1800	GSM/GPRS/EDGE	1996	2011
Telenor Pakistan	GSM 900/1800	GSM/GPRS/EDGE	2004	2019
	GSM 900/1800 - AJK [6]		2006	2021
	Long Distance International		2004	2024
Telenor Telecom Solutions AS	Radio frequency band, 11 GHz	Fixed networks	2005	2022
	Wimax		2004	2022
	Radio links [7]		1988	Not time limited

[1] In addition to the mobile operating licenses, Sonofon holds licenses for fixed radio links as well as a national FWA/Wimax network license in the 3.5 GHz band, which expires in 2011.

[2] This license will be extended by 10 years in June 2007.

[3] The licenses expire in 2016, but will be automatically extended by 10 years in 2016 if all terms in the first period are fulfilled.

[4] Rather than a license, DTAC has the right to operate a mobile network pursuant to a concession.

[5] Rather than a license, DiGi holds the right to operate a mobile network ("Spectrum allocation"). This was extended in 2001.

[6] Relates to Azad Jammu and Kashmir (AJK).

[7] Telenor is dependent on a number of radio links in the fixed network business, both in and outside Norway, which to a large extent require licenses.

The satellite business is subject to regulations, both in and outside Norway. The most important are rights to orbit positions. Telenor Satellite Broadcasting AS has two satellites at 1-degree west. The frequency rights are regulated by ITU (International Telecommunication Union) through the Norwegian Post- and Telecommunications Authority. Furthermore, Telenor holds uplink licenses in Norway, Sweden, Denmark, Finland, Bulgaria and United Kingdom (UK), which provide rights for transmission of signals from earth stations to satellites.

Telenor also holds licenses for terrestrial broadcasting in Norway.

In addition associated companies hold a number of licenses, which are important for their operations.

34 PLEDGES AND GUARANTEES

NOK in millions	2006	2005
Interest-bearing liabilities secured by assets pledged	1 184	1 384
Carrying amount of assets pledged	6 412	5 013

Pledged assets and the liabilities secured by pledged assets as of December 31, 2006 related primarily to Grameenphone and the satellite leases (Thor II and Thor III).

NOK in millions	2006	2005
Guarantees	1 223	2 498

Guarantees provided where the related liability is included in the balance sheet are not shown in the table. Furthermore, purchased bank guarantees are not included.

Guarantees provided in connection with entering into the Cross Border QTE Leases are not included in the preceding table. See notes 16, 22 and 23. These guarantees are provided for the payment of all lease obligations. As of 31 December 2006 and 2005 these guarantees amounted to NOK 6,565 million (USD 1,050 million) and NOK 7,240 million (USD 1,070 million), respectively.

35 EQUITY – NOTES

Total paid capital

	Number of shares	Share capital (NOK mill.)	Other paid capital (NOK mill.)	Own shares (NOK mill.)	Total paid capital (NOK mill.)
Balance as of 1 January 2005	**1 749 697 047**	**10 498**	**17 539**	**(687)**	**27 350**
Share buy back	-	-	-	(2 267)	(2 267)
Cancellation of shares	(43 864 425)	(263)	(1 937)	2 200	-
Share option granted	737 671	4	21	-	25
Employee share program	-	-	(6)	50	44
Bonus shares	-	-	1	4	5
Balance as of 31 December 2005	**1 706 570 293**	**10 239**	**15 618**	**(700)**	**25 157**
Share buy back	-	-	-	(901)	(901)
Cancellation of shares	(26 295 723)	(158)	(1 278)	1 436	-
Share option granted	-	-	(62)	116	54
Employee share program	-	-	1	34	35
Bonus shares	-	-	-	15	15
Balance as of 31 December 2006	**1 680 274 570**	**10 081**	**14 279**	**-**	**24 360**

Nominal value per share is NOK 6.

Other reserves

NOK in millions	Investment revaluation reserve	Hedging reserve	Business combinations and increased ownership interests in subsidiaries	Equity adjustments in associated companies	Share options reserve	Tax	Total other reserves
Balance as of 1 January 2005	**746**	**13**	**139**	**62**	**16**	**(351)**	**625**
Changes during 2005	1 052	24	1 829	1	6	(459)	2 453
Balance as of 31 December 2005	**1 798**	**37**	**1 968**	**63**	**22**	**(810)**	**3 078**
Changes during 2006	(1 741)	(38)	(25)	(42)	11	(8)	(1 843)
Balance as of 31 December 2006	**57**	**(1)**	**1 943**	**21**	**33**	**(818)**	**1 235**

In 2005, Telenor increased the ownership in the previous associated companies UCOM and DTAC. Fair value adjustments were calculated for 100% of the shares, and the fair value adjustments on the shares Telenor already owned were recorded directly against the shareholders' equity.

Cumulative translation differences

NOK in millions	Foreign currency translation of net investment	Net investment hedge	Tax	Total Translation differences
Balance as of 1 January 2005	**(1 136)**	**815**	**(284)**	**(605)**
Changes during 2005	827	(302)	(12)	513
Balance as of 31 December 2005	**(309)**	**513**	**(296)**	**(92)**
Changes during 2006	1 556	116	31	1 703
Balance as of 31 December 2006	**1 247**	**629**	**(265)**	**1 611**

36 DISCONTINUED OPERATIONS

Discontinued operations remain consolidated in the Group financial statements, which mean that any internal transactions between continued and discontinued operations are eliminated as usual in the consolidation. As a consequence, the amounts ascribed discontinued operations are income and expense only from external transactions. This means that the results presented below will not represent the activities of the operations on a stand alone basis.

Telenor Satellite Services

Telenor Satellite Services is a subsidiary of Telenor ASA and a provider of global communications solutions via satellite for users on land, at sea and in flight. Telenor Satellite Services have been a part of the segment Other operations

On 25 October 2006, Telenor entered into an agreement with Apax Partners France for the sale of Telenor Satellite Services to funds managed by Apax Partners for a cash consideration of USD 400 million. The agreement is expected to be closed during the first half year of 2007. The closing of the transaction is contingent on regulatory approval. No gain is recognized in 2006.

UCOM

UCOM has been part of the DTAC – Thailand segment.

At the same time as the Group increased its shareholding in UCOM, UCOM received irrevocable purchase offers for the company's core assets from parties external to the Group. These assets and liabilities are primarily organized in separate subsidiaries of the company, and are regarded as disposal groups that meet the criteria to be classified as held for sale and discontinued operations on acquisition according to IFRS 5. The disposals were approved by the General Meeting of UCOM in January and effected in February 2006. The sale price was THB 1,525 million, whereof the loss amounted to NOK 22 million in 2006.

The results of Telenor's discontinuing operations are presented below:

NOK in millions	2006	2005	2004
Revenues	2 402	2 361	2 326
Expenses	(2 180)	(2 099)	(2 033)
Operating profit	**222**	**262**	**293**
Net financial items incl associated companies	14	6	46
Profit before taxes	**236**	**268**	**339**
Taxes	(59)	(83)	(90)
Profit from operations	**177**	**185**	**249**
Gain/loss from sale of discontinued operation	(22)	-	-
Attributable income tax	-	-	-
Profit from discontinued operations	**155**	**185**	**249**
Earnings per share in NOK from discontinuing operations			
Basic	0.09	0.11	0.15
Diluted	0.10	0.11	0.14

The major classes of assets and liabilities of Telenor's discontinuing operations classified as held for sale are as follows:

NOK in millions	2006	2005
Assets		
Goodwill	245	-
Intangible assets	118	-
Fixed assets	603	-
Other non-current assets	228	-
Total non-current assets	**1 194**	**-**
Current assets excluding cash and cash equivalents	630	-
Asset held for sale at acquisition	-	502
Cash and cash equivalents	295	-
Total current assets	**925**	**502**
Total assets classified as held for sale	**2 119**	**502**
Liabilities		
Non-current liabilities	102	-
Current liabilities	620	-
Liabilities held for sale at acquisition	-	255
Total liabilities classified as held for sale	**722**	**255**
Net assets directly associated with discontinued operations	**1 397**	**247**

The presentation above does not include assets and liabilities held for sale that are not defined as discontinued operations.

Net cash flows related to Telenor's discontinuing operations are as follow:

NOK in millions	2006	2005	2004
Net cash flow from operating activities	485	583	681
Net cash flow from investing activities	(197)	176	84
Net cash flow from financing activities	(3)	10	8
Net cash flow from discontinued operations	**285**	**769**	**773**

37 KYIVSTAR

The basis of accounting for Kyivstar as of 31 December 2006 is described in the item "General information" and note 26 "Commitments and Contingencies".

The carrying amount of Kyivstar as of 31 December 2006 represents our 56.5% share of Kyivstar's estimated balance sheet as of 29 December 2006:

	Unaudited
Non-current assets	9 843
Current assets	3 990
Non-current liabilities	(3 421)
Current liabilities	(2 001)
Net assets	**8 411**
Of which 56.5%	4 759

INCOME STATEMENT

Telenor ASA 1 January – 31 December				
NOK in millions	Note	2006	2005	2004
Revenues	1	**540**	681	683
Operating expenses				
Cost og materials		**(17)**	(16)	(14)
Salaries and personnel costs	2, 3	**(637)**	(603)	(627)
Other operating expenses	4	**(870)**	(758)	(685)
Depreciation, amortization and write-downs	8, 9	**(96)**	(50)	(60)
Total operating expenses		**(1 620)**	(1 427)	(1 386)
Operating (loss)		**(1 080)**	(746)	(703)
Financial income		**7 062**	5 711	5 707
Financial expenses		**(2 345)**	(1 509)	(1 519)
Net currency gain (loss)		**(179)**	158	(70)
Net gain (loss and write-down) of financial assets		**218**	(672)	2 171
Net financial items	6	**4 756**	3 688	6 289
Profit before taxes		**3 676**	2 942	5 586
Taxes	7	**(880)**	(754)	(917)
Net income		**2 796**	2 188	4 669
Proposed dividends		**4 201**	3 387	2 603

BALANCE SHEET

Telenor ASA as of 31 December			
NOK in millions	Note	**2006**	2005
ASSETS			
Non-current assets			
Deferred tax assets	7	**90**	505
Goodwill	8	**20**	20
Intangible assets	8	**489**	470
Property, plant and equipment	9	**14**	17
Shares in subsidiaries	15	**35 360**	22 661
Non-current interest-bearing receivables on group companies	10	**77 826**	71 183
Other financial assets	10	**1 246**	1 427
Total non-current assets		**115 045**	96 283
Current assets			
Trade receivables on group companies		**70**	75
Trade receivables external		**15**	18
Other current financial assets		**862**	1 566
Total current assets	10	**947**	1 659
Total assets		**115 992**	97 942
EQUITY AND LIABILITIES			
Equity		**39 458**	40 818
Pension obligations	3	**255**	286
Non-current interest-bearing liabilities		**29 043**	15 982
Non-current non-interest-bearing liabilities		**126**	145
Total non-current liabilities	11	**29 169**	16 127
Current interest-bearing liabilities		**44 667**	38 661
Current non-interest-bearing liabilities		**2 443**	2 050
Total current liabilities	12	**47 110**	40 711
Total equity and liabilities		**115 992**	97 942

Fornebu, 28 March 2007

Thorleif Enger
Chairman of the Board of Directors

Bjørg Ven
Vice-chairman of the Board of Directors

Hanne de Mora
Board member

Jørgen Lindegaard
Board member

Liselott Kilaas
Board member

John Giverholt
Board member

Harald Stavn
Board member

Per Gunnar Salomonsen
Board member

Irma Tystad
Board member

Paul Bergqvist
Board member

Jon Fredrik Baksaas
President & CEO

CASH FLOW STATEMENT

Telenor ASA 1 January – 31 December			
NOK in millions	**2006**	2005	2004
Profit before taxes	**3 676**	2 942	5 586
Net (gains) losses	**(1 457)**	425	-
Depreciation, amortization and write-downs	**96**	50	60
Write-down of shares and reversal of previous write-downs	**22**	61	(2 207)
Currency (gains) losses not relating to operating activities	**176**	(159)	70
Changes in interest accruals against Group companies	**(2 716)**	(2 921)	(2 593)
Changes in other accruals	**(85)**	(66)	76
Net cash flow from operating activities	**(288)**	332	992
Cash receipts from sale of property, plant and equipment and intangible assets	**28**	55	-
Purchase of property, plant and equipment and intangible assets	**(77)**	(184)	(80)
Cash receipts from sale of subsidiaries	**-**	404	-
Purchase of subsidiaries [2]	**(12 279)**	-	-
Cash receipts from sale of other investments	**2 023**	30	303
Purchase of other investments	**(27)**	(191)	(882)
Net cash flow from investment activities	**(10 332)**	114	(659)
Proceeds from borrowings [3]	**43 612**	10 862	2 135
Repayments of borrowings [3]	**(33 034)**	(3 964)	(1 156)
Net change in Group internal drawing rights [1]	**4 283**	(2 542)	1 971
Proceeds from issuance of shares	**71**	49	43
Shares buy back	**(901)**	(2 267)	(2 020)
Payments of dividend	**(3 389)**	(2 595)	(1 764)
Net cash flow from financing activities	**10 642**	(457)	(791)
Effect on cash and cash equivalents of changes in foreign exchange rates	**(22)**	11	(75)
Net change in cash and cash equivalents	**-**	-	(533)
Cash and cash equivalents at 1 January	**-**	-	533
Cash and cash equivalents at 31 December	**-**	-	-

1) Net change in Group internal drawing rights are loans to, and placements from Group companies. These loans and placements have high turnover and are presented net.

2) See note 1 to the consolidated financial statements.

3) The changes from 2005 to 2006 are related to acquisitions and refinancing activities in Telenor's internal bank (Telenor Finans).

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 december 2004, 2005 and 2006 – Telenor ASA

NOK in millions (except for number of shares)	Number of shares	Share capital	Other paid in capital	Own shares	Other equity	Retained earnings	Total equity
Equity as of 01.01.2004 – adjusted to IFRS	1 804 021 281	10 824	18 656	(169)	4 611	8 742	42 664
Profit for the year 2004	-	-	-	-	-	4 669	4 669
Dividends	-	-	-	-	-	(1 764)	(1 764)
Share based payment	-	-	-	-	6	-	6
Sale of shares, share issue, and share options to employees	1 027 994	6	35	18	-	-	59
Cancellation of shares	(55 444 964)	(332)	(1 152)	1 484	-	-	-
Share buy back	-	-	-	(2 020)	-	-	(2 020)
Bonus shares	92 736	-	-	-	-	-	-
Equity as of 31.12.2004	1 749 697 047	10 498	17 539	(687)	4 617	11 647	43 614
Total change in accounting policies (IAS 32 & 39)	-	-	-	-	-	(197)	(197)
Equity as of 01.01.2005	1 749 697 047	10 498	17 539	(687)	4 617	11 450	43 417
Profit for the year 2005	-	-	-	-	-	2 188	2 188
Dividends	-	-	-	-	-	(2 595)	(2 595)
Share based payment	-	-	-	-	1	-	1
Sale of shares, share issue and share options to employees	737 671	4	19	54	(3)	-	74
Cancellation of shares	(43 864 425)	(263)	(1 937)	2 200	-	-	-
Share buy back	-	-	-	(2 267)	-	-	(2 267)
Equity as of 31.12.2005	1 706 570 293	10 239	15 621	(700)	4 615	11 043	40 818
Profit for the year 2006	-	-	-	-	-	2 796	2 796
Dividends	-	-	-	-	-	(3 389)	(3 389)
Valuation gains (losses) on cash flow hedge	-	-	-	-	23	-	23
Share based payment	-	-	-	-	7	-	7
Sale of shares, share issue and share options to employees	-	-	165	-	(61)	-	104
Cancellation of shares	(26 295 723)	(158)	(6 278)	1 436	5 000	-	
Share buy back	-	-	-	(901)	-	-	(901)
Equity as of 31.12.2006	1 680 274 570	10 081	9 343	-	9 584	10 450	39 458

Fund related to unrealized gains amounted to NOK 1,409 million included in Other equity as of December 31, 2006.
Nominal value per share is NOK 6. As of 31 December 2006, Telenor ASA had none own shares.

Dividends	2006	2005	2004
Dividends per share in NOK – paid	**2.00**	1.50	1.00
Dividends per share in NOK – proposed by the Board of Directors	**2.50**	2.00	1.50

Total dividends of NOK 3,389 million and NOK 2,595 million was paid in June 2006 and June 2005, respectively.

In respect of 2006, the directors propose that a dividend of NOK 2.50 per share will be paid to shareholders. The total estimated dividend to be paid is NOK 4.2 billion.

Equity available for distribution as dividends from Telenor ASA was NOK 18,515 million as of 31 December 2006.

NOTES TO THE FINANCIAL STATEMENTS
Telenor ASA

01 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES AND GENERAL

Telenor ASA is a holding company and contains the Group Management, corporate functions, Research and Development and Telenor's internal bank (Telenor Finans).

As of 1 January 2006, 17 employees were transferred from Wireless Mobile International AS to Global Coordination in Telenor ASA.

Revenues are mainly sale of Group services (Business Service Cost) to other Telenor entities, sale of research and development services and sale of other consultancy services. Purchases from other companies within the Group consist mainly of consultancy fees in strategic Group projects, property lease, IT-operations and maintenance. Reduced revenue in 2006 is a result of lower cost incurred in corporate functions as well as a shift towards that more cost is defined as shareholder cost.

Telenor ASA conducts the main part of the external debt financing in Telenor, and provides loan to, and receives placements of liquid assets from Group companies. See note 22 to the consolidated financial statements.

Shares in subsidiaries and loans provided to these are evaluated at the lower of cost and fair value. Any adjustments in values are classified as financial items in the profit and loss statement.

Telenor ASA's accounting principles are consistent to the accounting principles for the Telenor Group, as described above. Where the notes for the parent company are substantially different from the notes for the Group, these are shown below. Otherwise, refer to the notes to the consolidated financial statements for the Group.

The financial statements have been prepared in accordance with IFRS rules and the Accounting Act § 3-9.

02 SALARIES AND PERSONNEL COSTS

The Group's Chief Executive Officer and the Board of Directors have the same position in Telenor ASA. We refer to note 30 to the consolidated financial statements for the Group for further information on the compensation to the Board of Directors, management, auditor etc. for the year 2006.

NOK in millions	2006	2005	2004
Salaries and holiday pay	454	400	319
Social security tax	70	65	73
Pension cost including social security tax	48	73	188
Employee stock option costs	2	1	7
Other personnel costs	63	64	40
Total salaries and personnel costs	**637**	**603**	**627**
Number of employees, average	597	623	552

03 PENSION OBLIGATIONS

Telenor ASA is obligated to follow the Act on Mandatory company pensions, cf. the Accounting Act § 7-30 a.

NOK in millions	2006	2005	2004
Change in projected benefit obligation			
Projected benefit obligation at the beginning of the year	896	864	537
Service cost	49	76	60
Interest cost	32	38	38
Actuarial (gains) and losses	(43)	23	3
Curtailments and settlements	(15)	(7)	-
Acquisitions and sale [3]	(72)	(17)	252
Benefits paid/paid-up policies	(33)	(81)	(26)
Benefit obligations at the end of the year	**814**	**896**	**864**
Change in plan assets			
Fair value of plan assets at the beginning of the year	653	630	428
Actual return on plan assets	43	67	30
Acquisitions and sale [3]	(55)	(8)	143
Pension contribution	46	43	53
Benefits paid/paid-up policies	(32)	(79)	(24)
Fair value of plan assets at the end of the year	**655**	**653**	**630**
Funded status	159	243	234
Unrecognized net actuarial gains (losses) [1]	75	10	(18)
Accrued social security tax	21	33	33
Total provision for pensions including social security tax	**255**	**286**	**249**
Total provision for pensions as of 01.01.	**286**	**249**	**7**
Acquisitions and sale	(20)	17	103
Net periodic benefit costs	42	71	203
Pension contribution	(47)	(43)	(55)
Benefits paid/paid-up policies	-	(2)	(2)
Social security tax on pension contribution and benefits paid	(6)	(6)	(7)
Total provision for pensions as of 31.12. including social security tax	**255**	**286**	**249**

For information of assumptions used and description of pension plans, see note 7 to the consolidated financial statements.

NOK in millions	2006	2005	2004
Components of net periodic benefit cost			
Service cost	50	76	60
Interest cost	32	38	38
Expected return on plan assets	(32)	(33)	(31)
Administration cost	1	-	-
Losses/gains on curtailments and settlements [2]	(15)	(7)	100
Amortization of actuarial gains and losses	-	(13)	13
Social security tax	6	10	23
Net periodic benefit costs	**42**	**71**	**203**
Internal liabilities related to AFP recorded to income [2]	-	-	(16)
Contribution plan costs	6	2	1
Total pension costs charged to profit for the year	**48**	**73**	**188**

[1] Social security tax has been calculated on net funded status multiplied with the average rate for social security tax for Telenor ASA. Unrecognized prior service costs are inclusive of social security tax.

[2] In 2005 Telenor Group decided to terminate the defined benefit plan for new members of Telenor Pension Fund in Norway effective from 1 January 2006, and to offer existing members switching to a defined contribution plan from 3 July 2006. The voluntary change of pension plan resulted in a one-time cost reduction for Telenor ASA of NOK 15 million in the third quarter of 2006. The cost reduction is mainly related to the difference between pension obligations recognized for these employees for accounting purposes and the paid up policy received by the employees accepting the plan.
In 2004 Telenor ASA and most of the Norwegian subsidiaries changed their employer's organization membership from NAVO to NHO. The implementation effect was up to and including 2003 expensed over estimated remaining service periods. The remaining unrecognized actuarial gains (losses) were expensed. The effects in 2004 for Telenor ASA of the change to the AFP-scheme in NHO were expensing of prior service costs of NOK 105 million, NOK 4 million of actuarial gains (loss) taken to income and reduced internal liabilities of NOK 16 million related to AFP recorded to income.

[3] Transfer of business in 2004 was primarily related to transfers from Telenor Mobile Holding AS and the transfer of the research and development division from Telenor Communication II AS to Telenor ASA. In 2005 the major transfer of employees was from Telenor ASA to Telenor Telecom Solution AS. In 2006 the transfers are mainly related to employees transferred to Telenor Consult AS.

04 OTHER OPERATING EXPENSES

NOK in millions	2006	2005	2004
Cost of premises, vehicles, office equipment etc.	88	86	66
Operation and maintenance	52	62	81
Travel and travel allowances	66	54	24
Postage, freight, distribution and telecommunications	23	20	13
Marketing, representation and sales commission	81	89	40
Consultancy fees and costs for external personnel [2)]	440	336	322
Workforce reductions	9	4	19
Bad debt [1)]	(1)	–	1
Other	112	107	119
Total other operating expenses	**870**	**758**	**685**

[1)] Telenor ASA has insignificant losses on accounts receivables. Realized losses are primarily on loans provided by Telenor ASAs internal bank (Telenor Finans) which undertakes a large portion of the financing of subsidiaries. Losses on loans have been classified as Net Financial Items where they have been included in Net gain/losses and write-downs of financial assets.

[2)] The increase in consultancy fees in 2006 is related to evaluation of new market opportunities together with exercise of ownership interests.

05 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses in Telenor ASA were NOK 186 million in 2006 and NOK 168 million in 2005. Research and development activities relate to new technologies and new usages of the existing network.

06 FINANCIAL INCOME AND EXPENSES

NOK in millions	2006	2005	2004
Dividends from subsidiaries	567	4	–
Interest income from Group companies	3 690	3 513	3 628
Interest income external	–	8	79
Total change in fair value of financial instruments [1)]	1 298	186	–
Group contribution from Group companies [2)]	1 500	2 000	2 000
Other financial income	7	–	–
Total financial income	**7 062**	**5 711**	**5 707**
Interest expenses to Group companies	(923)	(595)	(616)
Interest expenses external	(1 331)	(907)	(902)
Total change in fair value of financial instruments	(80)	–	–
Other financial expenses	(11)	(7)	(1)
Total financial expenses	**(2 345)**	**(1 509)**	**(1 519)**
Net foreign currency expenses	(179)	158	(70)
Losses on loans to Group companies [3)]	(3)	(425)	(27)
Write-down of loans to Group companies and associated companies [4)]	–	(22)	2 191
Gains (losses) from sale of shares in subsidiaries and associated companies [5)]	243	–	–
Write-downs of shares in Group companies [4)]	(22)	(225)	7
Net gains (losses and write-downs) on financial assets	**218**	**(672)**	**2 171**
Net Financial items	**4 756**	**3 688**	**6 289**

[1)] The change in fair value of financial instruments was primarily related to the total return swap agreement in the underlying VimpelCom share as well as derivatives used for economic hedge of interest-bearing liabilities that do not fulfill the requirements for hedge accounting according to IAS 39.

[2)] Group Contribution received from Group companies during the relevant years is recorded as financial income. Group contribution to be received and recorded as financial income in 2007 based on the Group companies' 2006 financial statements is estimated to approximately NOK 2,000 million.

[3)] In 2005, Telenor ASA converted its receivable on the subsidiary Dansk Mobil Holding II AS to share capital. The receivable of NOK 1,092 million was granted as loan from Telenor Finans and had a fair value of NOK 203 million at the time of the conversion. Telenor ASA expensed the difference between the nominal value and fair value at the time of the conversion by NOK 889 million, of which NOK 501 million was written-downs from previous years, resulting in a net loss in 2005 of NOK 388 million.

In 2005, Telenor ASA's subsidiary, Telenor Eiendom Holding AS has sold two property companies to Telenor Pensjonskasse. At the same time Telenor ASA/ Telenor Finans has sold loans which have been granted to these companies to Telenor Pensjonskasse. The transaction resulted in a loss of NOK 58 million due to lower value realized on the property companies sold.

[4] In 2002, write-downs of Telenor ASA's foreign investments were performed in order to reflect actual values in the Group accounts. In 2003 and 2004 the write-downs were adjusted as a consequence of increase in values. In 2005 and 2006, write-downs of some investments were made.

[5] On 1 August 2006, Telenor ASA entered into an agreement to purchase all shares in the Serbian mobile operator Mobi63 with purchase price in EURO. The seller is a company with Serbian Dinars as functional currency and hence there was an embedded derivative included in this transaction according to IFRS. This means that the purchase price was booked in NOK using the forward rate (EUR/NOK) at the date of the signed agreement (1 August 2006) together with other acquisition expenses, while the difference between the forward rate as of 1 August and the exchange rate at the date of share take-over as of 31 August 2006 was recognized as foreign exchange losses. In the middle of August 2006, Telenor ASA purchased an external forward contract with en exchange rate of 8 (EUR/NOK) to reduce the currency exposure. This economic hedge limited the foreign currency losses on the embedded derivative.

Immediately after the take-over, the shares in Mobi63 were sold to Sonofon A/S, a wholly-owned subsidiary in Telenor Group. This transaction resulted in a gain of NOK 243 million for Telenor ASA which included a gain related to the appreciation of EURO from 1 August to 31 August 2006.

Two loans were established with connection to the sale of shares to Sonofon A/S, of which the majority part was interest-bearing loan. The non-interest-bearing receivables were converted to share capital in Sonofon A/S on 8 December 2006 through Telenor ASA's subsidiary Telenor Mobile Holding AS. The interest-bearing receivables were transferred to another subsidiary Telenor AB, through capital contribution in Telenor Network Holding AS and a number of subsidiaries in the between, see note 15.

07 TAXES

NOK in millions	2006	2005	2004
Profit before taxes in Norway	**3 676**	**2 942**	**5 586**
Current taxes in Norway	478	-	-
Deferred taxes in Norway	402	754	917
Total income tax expense	**880**	**754**	**917**
Tax basis:			
Profit before taxes	3 676	2 942	5 586
Non-taxable income	(612)	(569)	(2 332)
Non-deductible expenses	107	310	14
Pension plan assets transferred as of 1.1 without tax effect	13	-	-
Changes in temporary differences	(454)	(769)	221
Utilized tax losses carried forward	(1 026)	(1 640)	(3 489)
Implementation effect of IAS 32/39 as of 01.01.2005	-	(274)	-
Tax basis of the year	**1 704**	**-**	**-**
Current taxes according to statutory tax rate (28%)	**478**	**-**	**-**
Effective tax rate			
Expected income taxes according to statutory tax rate (28%)	1 029	823	1 564
Non-taxable income	(171)	(19)	(653)
Non-deductible expenses	30	88	4
Realized loss on accounts receivable [1]	-	(140)	-
Over/under estimation of taxes calculated previous years	(8)	2	2
Tax expense	**880**	**754**	**917**
Effective tax rate in %	**23.9%**	**25.6%**	**16.4%**

[1] In 2005 Telenor ASA claimed tax deduction for the loss on a loan to the subsidiary Dansk Mobil Holding II AS, see note 6. Tax deductible loss was NOK 889 million. NOK 501 million of this was written down in 2004 without treating this as deferred tax on the write-downs. Realization of this part of the loss implied a reduction in the tax expense for 2005 of NOK 140 million.

NOK in millions	2006	2005	Change
Temporary differences as of 31 December			
Non-current assets	81	93	12
Non-current receivables and debt in foreign currency	-	78	78
Financial assets	1 851	846	(1 005)
Accounts receivables	-	-	-
Other accruals for liabilities	(92)	(97)	(5)
Pension liabilities	(162)	(196)	(34)
Group contribution	(2 000)	(1 500)	500
Tax losses carried forward	-	(1 026)	(1 026)
Total	**(322)**	**(1 802)**	**(1 480)**
Net deferred tax assets (28%)	**90**	**505**	**(415)**

Tax effect on pension obligations related to transferring of companies	4
Deferred tax related to valuation gain/loss on cash flow hedge	9
Change in deferred tax	**(402)**

08 GOODWILL AND INTANGIBLE ASSETS

NOK in millions	Accumulated cost 01.01.06	Net additions 2006	Net disposals 2006	Amortizations and write downs 2006	Acc. amortizations and write downs 2006	Carrying amount 31.12.06
Goodwill (no amortization)	20	-	-	-	-	20
Licenses and legal rights (12 years)	411	-	-	(34)	(113)	298
Software purchased (5 years)	154	107	(27)	(36)	(120)	114
Work in progress	78	24	-	(20)	(25)	77
Total goodwill and intangible assets	**663**	**131**	**(27)**	**(90)**	**(258)**	**509**

NOK in millions	Accumulated cost 01.01.05	Net additions 2005	Net disposals 2005	Amortizations and write downs 2005	Acc. amortizations and write downs 2005	Carrying amount 31.12.05
Goodwill (no amortization)	20	-	-	-	-	20
Licenses and legal rights (12 years)	226	185	-	(21)	(79)	332
Software purchased (5 years)	121	33	-	(19)	(89)	65
Work in progress	38	40	-	(5)	(5)	73
Total goodwill and intangible assets	**405**	**258**	**-**	**(45)**	**(173)**	**490**

Telenor ASA renewed one of the GSM-900 licenses in 2005. The acquisition cost for the license is a one-time fee of NOK 100 million and an annual fee of NOK 9.6 million for 12 years. The future liability has been discounted to a net present value of NOK 85 million and capitalized as a part of the license in the balance sheet. The corresponding liability has been recorded as interest-bearing liabilities and amounts to NOK 81 million as of 31 December 2006.

09 PROPERTY, PLANT AND EQUIPMENT

NOK in millions	Accumulated cost 01.01.06	Net additions 2006	Net disposals 2006	Depreciation and write downs 2006	Acc. depreciation and write downs 2006	Carrying amount 31.12.06
IT-equipment (3–5 years)	34	5	(1)	(3)	(30)	8
Other equipment	20	-	(1)	(3)	(13)	6
Total	**54**	**5**	**(2)**	**(6)**	**(43)**	**14**

NOK in millions	Accumulated cost 01.01.05	Net additions 2005	Net disposals 2005	Depreciation and write downs 2005	Acc. depreciation and write downs 2005	Carrying amount 31.12.05
IT-equipment (3–5 years)	26	9	(1)	(3)	(27)	7
Other equipment	20	2	(2)	(2)	(10)	10
Total	**46**	**11**	**(3)**	**(5)**	**(37)**	**17**

10 FINANCIAL ASSETS

Interest-bearing receivables on Group companies are loans from Telenor ASA's internal bank (Telenor Finans) to subsidiaries.

NOK in millions	2006	2005
Shares in subsidiaries [1]	35 360	22 661
Non-current Interest-bearing receivables on Group companies [4]	77 826	71 183
Receivables on associated companies [2]	1	273
Other non-current shares and other investments	120	162
Other non-current financial assets [3]	1 125	992
Total other non-current financial assets	**1 246**	**1 427**
Accounts receivable	85	93
Current interest-bearing receivables	2	26
Receivables on Group companies	166	170
Other liquid financial assets [3]	694	1 370
Total other current financial assets	**862**	**1 566**

[1] See note 15

[2] Receivables on associated companies as of 31 December 2005 were primarily loans to Bravida ASA in the form of preference capital. According to the agreement Telenor ASA is guaranteed a dividend of 13% in 2005 and 15% in 2006 on paid in capital. According to IFRS, this investment was classified as receivables and the accrued dividends were recorded as interest income. The loans and accrued dividends were settled on 20 December 2006 when Telenor sold its ownership interests in Bravida ASA.

[3] From 1 January 2005 when IAS 32/39 was implemented, financial instruments are classified as financial assets. As of 31 December 2006, the non-current financial instruments amount to NOK 1,125 million and the current financial instruments amount to NOK 622 million. As of 31 December 2005, the non-current and current financial instruments amount to NOK 992 million and NOK 1,269 million, respectively.

11 NON-CURRENT LIABILITIES

NOK in millions	2006 Total	2006 Due date > 5 years	2005 Total	2005 Due date > 5 years
Interest-bearing				
Liabilities to Group companies	195	-	171	-
Liabilities to external parties	28 848	9 460	15 811	4 807
Total non-current interest-bearing liabilities	**29 043**	**9 460**	**15 982**	**4 807**
Non-interest-bearing				
Liabilities to Group companies	123	-	141	-
Liabilities to external parties	3	-	4	-
Total non-interest -bearing liabilities	**126**	**-**	**145**	**-**
Total non-current liabilities	**29 169**	**-**	**16 127**	**4 807**

See note 22 to the consolidated financial statements for more detailed information regarding external interest-bearing liabilities.

12 CURRENT LIABILITIES

NOK in millions	2006	2005
Interest-bearing		
Liabilities to Group companies	34 560	26 440
Drawing on Group bank account	2 895	4 362
Fair value of financial instruments	-	133
Liabilities to external parties	7 212	7 726
Total current interest-bearing liabilities	**44 667**	**38 661**
Non-interest-bearing		
Accounts payable to Group companies	30	11
Accounts payable to external parties	22	24
Other liabilities to Group companies	62	102
Government taxes, tax deductions, vacation allowance etc.	95	88
Tax payable	478	-
Accrued expenses	590	615
Accruals for workforce reductions and allowance for losses on contracts	4	6
Prepaid revenues	8	23
Financial derivatives	1 044	1 144
Other current liabilities	110	37
Total current non-interest-bearing liabilities	**2 443**	**2 050**
Total current liabilities	**47 110**	**40 711**

13 GUARANTEES

NOK in millions	2006	2005
Guarantee liabilities	2 246	3 549

The table does not include purchased bank guarantees where the corresponding liabilities are recorded in the company's balance sheet. As of 31 December 2006 and 2005, guarantees of NOK 6,565 million and NOK 7,240 million related to "Cross Border QTE Lease" agreements were not included in the table above, see note 34 to the consolidated financial statements.

14 CONTRACTUAL OBLIGATIONS

As of 31 December 2006 Telenor ASA had committed purchase obligations. These obligations were primarily agreements that Telenor ASA had entered into on behalf of the Telenor Group.

NOK in millions	2007	2008	2009	2010	2011	After 2011
Committed purchase obligations	67	59	50	46	27	14

The table includes purchase agreements where Telenor ASA has a minimum purchase liability only.

15 SHARES IN SUBSIDIARIES AS OF 31 DECEMBER 2006

The table below sets forth Telenor ASA's ownership interest in its subsidiaries. These subsidiaries will mainly be holding companies and their directly owned subsidiaries. Several of the subsidiaries named in the second part, own shares in other subsidiaries as described in their respective annual reports.

NOK in millions	Office	Share owned in %	Carrying amount
Shares in subsidiaries			
Telenor Networks Holding AS [1]	Norway	100.0	13 123
Telenor International Centre AS	Norway	100.0	-
Telenor Intercom Holding AS	Norway	100.0	1 279
Telenor Key Partner AS	Norway	100.0	49
Telenor Communication II AS [2]	Norway	100.0	227
Telenor Satellite Service AS [3]	Norway	100.0	509
Telenor Mobile Holding AS [4]	Norway	100.0	9 493
Telenor Satellite Networks Holding II AS	Norway	100.0	-
Itworks Holding AS	Norway	100.0	-
Telenor Installasjon Holding AS [5]	Norway	100.0	62
Dansk Mobil Holding II AS	Norway	100.0	203
Telenor Business Partner Invest AS	Norway	100.0	1 150
Telenor Broadcast Holding AS	Norway	100.0	4 607
Telenor Eiendom Holding AS	Norway	100.0	4 160
Telenor KB AS	Norway	100.0	-
Telenor Forsikring AS	Norway	100.0	300
Maritime Communications Partner AS	Norway	98.9	198
Total			**35 360**

Ownership interest corresponds to voting interest if not otherwise stated.

[1] The carrying amount of shares in Telenor Network Holding is increased by NOK 10,352 million as a result of capital contribution, see footnote 4) to note 6.
[2] Telenor Teleservice Holding AS merged with Telenor Communication II AS in 2006.
[3] On 25 October 2006, Telenor entered into an agreement for the sale of Telenor Satellite Service AS. The agreement is expected to be closed during the first half year of 2007, see note 36 to the consolidated financial statements. Telenor Satellite Services AS is recognized using the cost method in Telenor ASA's accounts, and no profit/loss items are included in Telenor ASA's accounts.
[4] The carrying amount of shares in Telenor Mobile Holding AS is increased by NOK 2,141 million as a result of converting loan to share capital, see footnote 4) to note 6.
[5] The shares in Telenor Installasjon Holding AS were written down by NOK 225 million in 2005 and NOK 22 million in 2006.

Shares in subsidiaries owned through subsidiaries

	Office	Share owned in %
Telenor Networks Holding AS		
Telefonselskapet AS	Norway	100.0
Telenor Global Services AS	Norway	100.0
Telenor Svalbard AS	Norway	100.0
Telenor Privat AS	Norway	100.0
Telenor Telecom Solutions AS	Norway	100.0
Telenor Bedrift AS	Norway	100.0
Nye Telenor East Invest AS	Norway	100.0
TBS Infrastructure AB	Sweden	100.0
Telenor Direkte AS	Norway	100.0
Telenor International Centre AS		
Telenor Magyarorszag KFT	Hungary	99.3
Telenor Russia AS	Norway	100.0
Telenor Intercom Holding AS		
Nye Telenor Mobile Communications I AS	Norway	100.0
Telenor Key Partner AS		
Telenor Key Partner Danmark AS	Denmark	100.0

Shares in subsidiaries owned through subsidiaries cont.	Office	Share owned in %
Telenor Communication II AS		
Argos Take Care of It S.A	Marocco	99.9
Telenor Venture IV AS	Norway	51.0
Telenor Kapitalforvaltning ASA	Norway	100.0
Telenor Mobile Aviation AS	Norway	100.0
Telenor Cinclus AS	Norway	66.0
Smartcash AS	Norway	100.0
Telenor Austria GmbH	Austria	100.0
Telenor Polska sp.z.o.o	Poland	100.0
Telenor Satellite Services AS		
Telenor Satellite Networks AS	Norway	100.0
Telenor Satellite Services Asia Holding AS	Norway	100.0
Telenor Satellite Mobile Venture AS	Norway	100.0
Marlink AS	Norway	100.0
Marlink SA	Belgium	100.0
Norse Electronics AS	Norway	90.1
Telenor Mobile Holding AS		
Nye Telenor Mobile Communications III AS	Norway	100.0
Telenor Mobile Communications AS	Norway	100.0
Telenor East Invest AS	Norway	100.0
Telenor Mobile Sweden AS	Norway	100.0
Telenor Greece AS	Norway	100.0
Nye Telenor Mobile Communications II AS	Norway	100.0
Telenor Mobil AS	Norway	100.0
Wireless Mobile International AS	Norway	100.0
Telenor Telehuset AS	Norway	100.0
Telenor Danmark Holding AS	Denmark	100.0
OYO AS	Norway	100.0
Pro Monte GSM	Montenegro	100.0
Europolitan Telenor AB	Sweden	100.0
Telenor Business Partner Invest AS		
EDB Business Partner ASA	Norway	51.5
Telenor Broadcast Holding AS		
Telenor Satellite Broadcasting AS	Norway	100.0
Telenor UK Ltd.	Great Britain	100.0
Telenor Bulgaria o.o.d.	Bulgaria	100.0
Telenor Plus AB	Sweden	100.0
Canal Digital AS	Norway	100.0
Canal Digital Kabel TV AS	Norway	100.0
Norkring AS	Norway	100.0
Telenor Vision International AB	Sweden	100.0
Pecheur AS	Norway	100.0
Conax AS	Norway	90.0
Premium Sports AS	Norway	100.0
Telenor Eiendom Holding AS		
Telenor Eiendom Fornebu Kvartal 1 AS	Norway	100.0
Telenor Eiendom Fornebu Kvartal 2 AS	Norway	100.0
Telenor Eiendom Fornebu Kvartal 3 AS	Norway	100.0
Telenor Eiendom Fornebu Kvartal 4 AS	Norway	100.0
Telenor Eiendom Hareløkken AS	Norway	100.0
Telenor Eiendom Vest AS	Norway	100.0
Telenor Eiendom Fornebu Tomt K2 AS	Norway	100.0

AUDITOR'S REPORT FOR 2006

To the General Meeting of
Telenor ASA

Auditor's report for 2006
We have audited the annual financial statements of Telenor ASA as of 31 December 2006, showing a profit of NOK 2 796 million for the Parent Company and a profit of NOK 18 535 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 allocation of the profit. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. Simplified IFRSs pursuant to the Norwegian Accounting Act § 3-9 have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report 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.

Except as discussed in the following paragraph, we conducted our audit in accordance with laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 relation to our audit of the Group, we have not been able to perform sufficient audit procedures on the financial information relating to Kyivstar as of 31 December 2006, as injunctions have been issued in Ukrainian courts preventing Ernst & Young in Ukraine from carrying out an audit of Kyivstar's financial information. Kyivstar represents 12 % of the Group revenue and 19 % of Group profit from total operations.

In our opinion,

- the financial statements of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the company as of 31 December 2006, and the results of its operations and cash flows and the changes in equity for the year then ended, in accordance with simplified IFRSs pursuant to the Norwegian Accounting Act § 3-9
- except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to perform sufficient audit procedures on the financial information relating to Kyivstar, the financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

Oslo, March 28, 2007
ERNST & YOUNG AS
Erik Mamelund
State Authorised Public Accountant (Norway)
(sign.)

Note: The translation to English has been prepared for information purposes only.

STATEMENT FROM THE CORPORATE ASSEMBLY OF TELENOR
On 11 April 2007 the Corporate Assembly of Telenor ASA passed the following resolution.

The Corporate Assembly recommends that the Annual General Meeting approves the Board's proposal for Financial Statement for the Telenor Group and Telenor ASA for 2006 by transfer of NOK 2,796 million to retained earnings and payment of NOK 2,50 per share as dividend.

FINANCIAL CALENDAR 2007

Friday 4 May	Results for the 1st quarter 2007
Tuesday 15 May	Annual General Meeting
Friday 25 May	Capital Markets Day 2007
Tuesday 24 July	Results for the 2nd quarter 2007
Thursday 25 October	Results for the 3rd quarter 2007

MILJØMERKET 241 450 Trykksak

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TELENOR ASA
N-1331 Fornebu, Norway
Phone: +47 67 89 00 00

Investor Relations:
Phone: +47 67 89 24 70

e-mail: ir@telenor.com

www.telenor.com