Telenor is developing profitable mobile operations in international growth areas, while maintaining its position as market leader in Norway.

Annual Report 2004

KEY FIGURES

(NOK in millions except net income per share)

PROFIT AND LOSS	2004	2003	2002	2001	2000
Revenues	60,752	52,889	48,668	40,604	36,530
Gains on disposal of fixed assets and operations	550	232	158	5,436	1,042
Total revenues	61,302	53,121	48,826	46,040	37,572
Operating expenses	54,700	45,561	49,146	42,863	33,943
Operating profit (loss)	6,602	7,560	(320)	3,177	3,629
Associated companies	718	1,231	(2,450)	8 237	(692)
Net income (loss)	5,358	4,560	(4,298)	7,079	1,076
Net income (loss) per share in NOK – basic	3,07	2,57	(2,42)	3,99	0,75

US GAAP					
Revenues	67,801	52,826	47,879	40,581	36,481
Net income (loss)	5,639	5,036	(3,658)	7,004	1, 082
Net income (loss) per share in NOK – basic	3.22	2.84	(2.06)	3.95	0.76

BALANCE AT 31 DECEMBER	2004	2003	2002	2001	2000
Total fixed assets	71,359	68,346	74,162	66,095	80,881
Total current assets	16,735	17,764	15,296	16,528	12,804
Total assets	88,094	86,110	89,458	82,623	93,685
Shareholders equity	37,594	37,237	33,685	42,144	35,474
Minority interests	4,074	3,646	3,603	3,539	2,706
Total equity and minority interests	41,668	40,883	37,288	45,683	38,180
Total long-term liabilities and provisions	24,294	25,102	26,772	15,866	15,285
Total short-term liabilities	22,132	20,125	25,398	21,074	40,220
Total liabilities	46,426	45,227	52,170	36,940	55,505
Total equity and liabilities	88,094	86 110	89,458	82,623	93,685

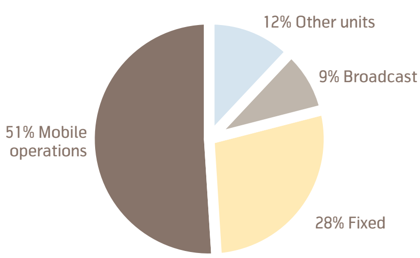
US GAAP					
Total assets	101,171	101,088	97,511	90,129	99,776
Total long-term liabilities	34,882	39,255	33,957	24,758	46,972
Total equity and minority interests	42,430	42,535	35,799	42,944	36,304

CASH FLOW AND OTHER KEY FIGURES	2004	2003	2002	2001	2000
Net cash flow from operating activities	18,991	13,676	12,858	6,993	5,915
Net cash flow from investment activities	(13,031)	(3,454)	(21,727)	20,891	(47,308)
Net cash flow from financing activities	(8,255)	(7,887)	8,641	(24,366)	41,558
Investments:					
– Capex [1)]	12,745	6,454	8,889	11,634	10,421
– Investments in activities [2)]	5,809	563	12,411	7,212	40,251
EBITDA [3)]	20,821	18,302	13,469	14,250	9,563

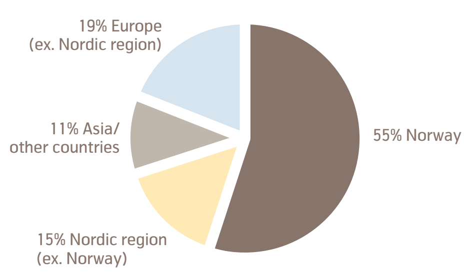
RECONCILIATIONS	2004	2003	2002	2001	2000
Net income (loss)	5,358	4,560	(4,298)	7,079	1,076
Minority interests	1,244	490	(358)	(721)	66
Taxes	2,244	2,376	(480)	3,897	861
Net financial items	(1,526)	1,365	2,366	1,159	934
Associated companies	(718)	(1,231)	2,450	(8,237)	692
Depreciation and amortization	11,623	10,597	10,236	7,251	5,821
Write-downs	2,596	145	3,553	3,822	113
EBITDA	20,821	18,302	13,469	14,250	9,563

[1)] Capex is investments in tangible and intangible assets
[2)] Consists of aquisitions of shares and paticipations including aquisition of subsidiaries and businesses not organized as separate companies
[3)] Operating profit before depreciation, amortization and write-downs

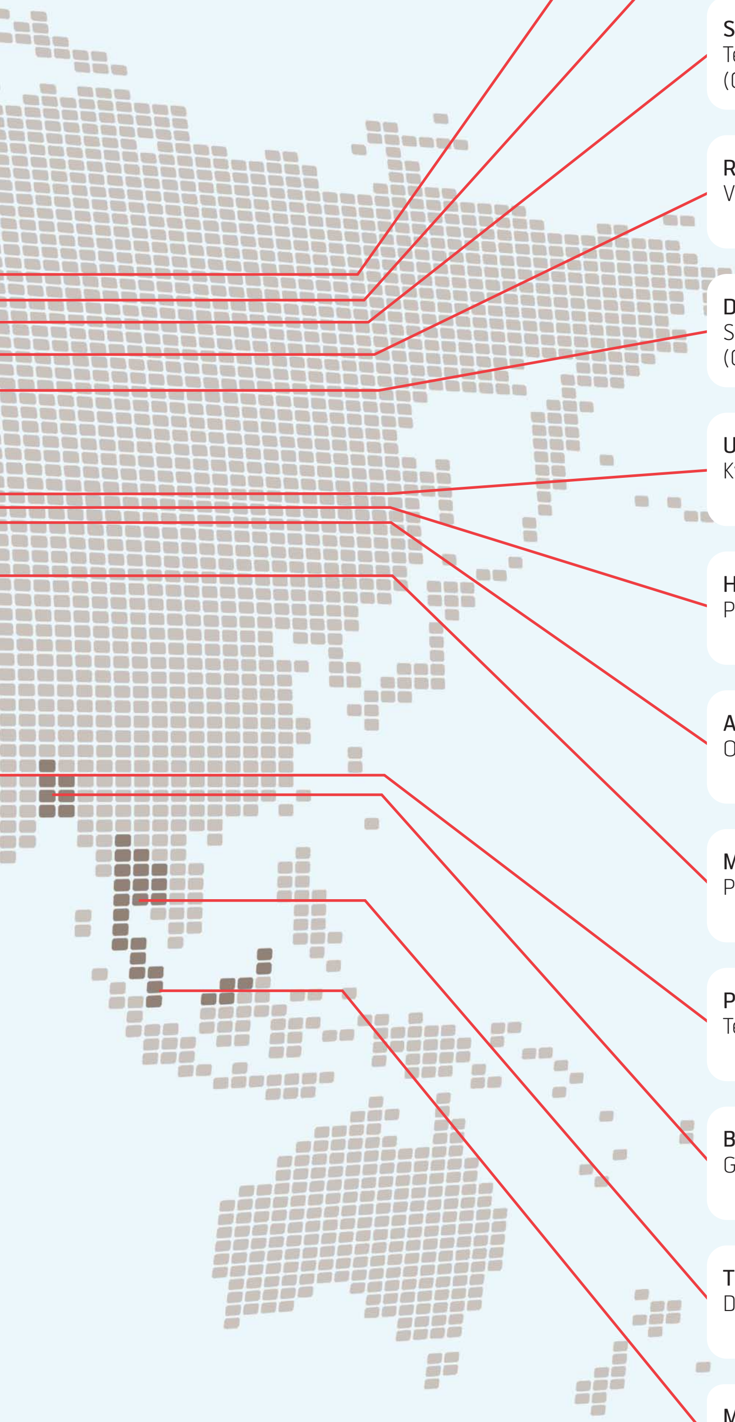
DISTRIBUTION EXTERNAL REVENUES 2004



DISTRIBUTION EXTERNAL REVENUES 2004




The world is getting smaller



Norway
Telenor Mobil, Fixed, Broadcast, EDB Business Partner, Satellite Services

Finland
Broadcast (Canal Digital)

Sweden
Telenor Mobile Sweden, Broadcast (Canal Digital)

Russia
VimpelCom 29.9%, Golden Telecom 20.3%

Denmark
Sonofon 100%, Broadcast (Canal Digital)

Ukraine
Kyivstar GSM 56.5%

Hungary
Pannon GSM 100%

Austria
ONE 17.5%

Montenegro
Promonte GSM 100%

Pakistan
Telenor Pakistan 100%

Bangladesh
GrameenPhone 62%*

Thailand
DTAC 40.3%*

Malaysia
Digi.Com 61%

* Includes Telenor's direct ownership of DTAC and Telenor's indirect ownership through Telenor's ownership of UCOM.

Telenor is Norway's largest telecommunica-tions provider.

Telenor has substantial international operations.

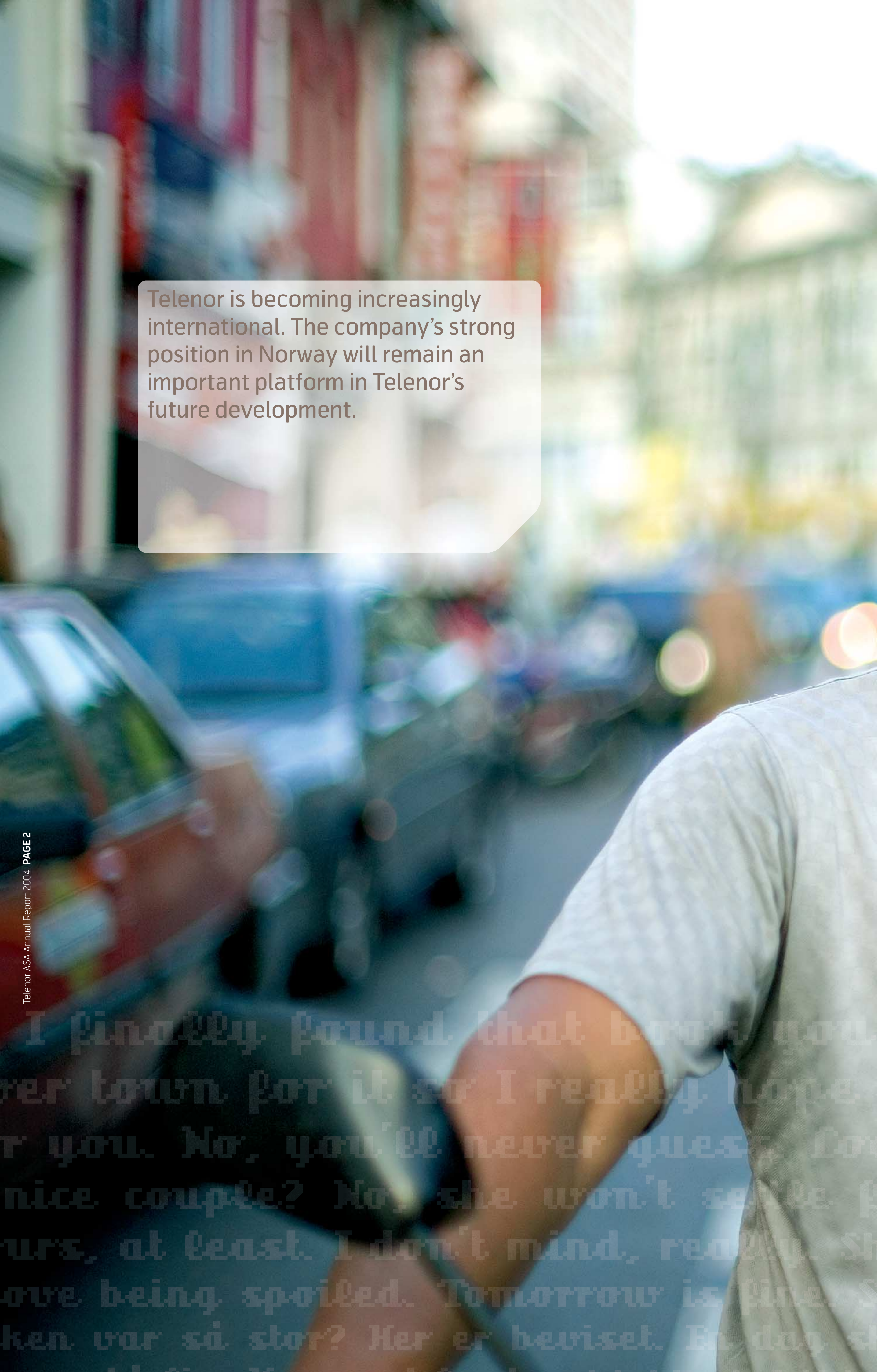
Telenor's market value as at 31 March 2005 was NOK 100 billion. Telenor is the third largest company listed on the Oslo Stock Exchange.

In 2004, Telenor registered record-high customer growth in several markets.

At year-end 2004, the Telenor Group had 21,750 employees, 9,750 of them were employed outside Norway.

Telenor is listed on the Oslo Stock Exchange and Nasdaq.

Contents:



Telenor is becoming increasingly international. The company's strong position in Norway will remain an important platform in Telenor's future development.

Telenor – online for 150 years

In 2005, we are celebrating Telenor's 150th anniversary. Looking back allows us to appreciate how growth and lasting value was created. Our history also provides insight into how we may secure the future development of our company.

A pioneering nation

Telenor's history in Norway is a story of receiving technological impulses from the outside world, and developing them within the framework of distinctly Norwegian conditions. Building telecommunications networks in Norway involved overcoming significant challenges. Equally significant were the gains made with respect to industrial development and improved welfare.

A look back on Telenor's 150 years in telecommunications provides ample examples of Norwegians pioneering and being quick to adopt new services. In 1880, Telenor introduced commercial telephony, making Norway one of the first countries to provide such services. Due to the challenging geographical characteristics of our country the telephone quickly became an important tool with respect to strengthening social ties and commercial development. In 1906, Telenor became the first company in Europe to connect remote island communities with the mainland via radiotelephony. This provided fishermen in the villages of Northern Norway with a means of direct communication with the exporters on the mainland – an event that contributed significantly to the rapid development of Norwegian fish exports, which today are among the largest in the world. In recent years we have seen that Norwegian fish exporters have been equally quick to take up the Internet in their operations.

In 1976, we opened the first satellite connection between the Norwegian mainland and the oil installations in the North Sea – a significant step in the development of the Norwegian oil industry. In 1981, Telenor launched Europe's first fully automatic mobile network, soon to be followed by the introduction of GSM technology. Norwegian customers were quick to take up the new services, and Telenor exported the experience and skills gained in the Norwegian telecommunications market to our partners in Europe and later in Asia.

From monopoly to competition

In Norway, as in other countries, the telecommunications industry came to be dominated by national monopolies. The stable and comprehensive frameworks of the monopoly era secured nationwide networks and reliable services.

Over the last 20 years, profound changes have taken place in the telecommunications industry. The monopolies have been dissolved, and together with technological development, new opportunities for innovation, growth, and improved welfare have emerged. It is striking to see how such opportunities are being created through a combination of global impulses and national initiatives.

Today, the telecommunications industry is exposed to fierce competition. National and geographical borders no longer coincide with those of telecommunications. The same products and services are developed and offered in a number of different countries. Another example is how telecommunications solutions are managed and provided across borders. In our international commitments we have been able to draw on our experience and expertise, and this has given us a solid basis for extracting synergies relating to innovation and new development.

Telenor is becoming a truly international company. In 2003 we joined the GSM Association, an organisation made up of the world's twelve largest mobile operators.

The road ahead

Telenor's continued growth during 2004 provides us with a good platform for further improvement. By focusing on cost-control we will counter rising costs relating to fierce competition in mature markets – where we are firmly established – as well as costs relating to the development of activities in emerging markets.

Telenor's strategy is to maintain the company's leading position in Norway as well as developing profitable mobile operations in international markets. As a consequence, we have organised our Group Management in order to focus on both existing and emerging areas of growth.

The Telenor of today is the result of countless individual efforts to develop the company through 150 years. Our organisation currently consists of thousands of skilled people from various backgrounds, and as we continue to develop our core competence we will come to rely increasingly on people from different nationalities.

Customer satisfaction

In recent years we have developed a management culture that involves active pursuit of improvements. We also remain fully committed to enhance customer satisfaction and customer perception, an absolute requirement in all the markets where we provide services. For Telenor it is essential to earn the trust of customers, owners, employees and society in general.

By pioneering new technology, Telenor has been online for 150 years. We do not celebrate technological innovation for its own sake, but for the opportunities it provides. We are equally excited about the opportunities technology will bring us in the future.

Jon Fredrik Baksaas

Jon Fredrik Baksaas
CEO

Telenor in 2004 and 2005

In 2004, Telenor took another step from being a Norwegian operation with international activities towards becoming an international mobile company. This development gathered momentum through the consolidation of Sonofon and ProMonte GSM, strong growth at Kyivstar GSM, DiGi.com and GrameenPhone, and through the establishment of Telenor Pakistan.

Goals and vision

Telenor's main goal is to create value for shareholders through the serving of customers, employees, partners and the general public interest.

Our vision:
Telenor – ideas that simplify
Telenor shall be a driving force in renewing, developing and introducing new solutions that simplify our customers' workday.

Strategy

Telenor's strategy is to maintain the company's leading position in Norway and develop profitable international mobile operations in emerging markets.

Strategic focus

- Continued emphasis on Telenor's "control or exit" strategy as regards the international mobile activities
- Look for new opportunities for expansion in emerging markets in Central and Eastern Europe, as well as in Asia
- Maintain the strong position in the Norwegian fixed and mobile markets
- Continued focus on obtaining economies of scale in the Nordic organisation
- Continued development of the business segment Broadcast as the leading TV distributor in the Nordic region

Operational excellence

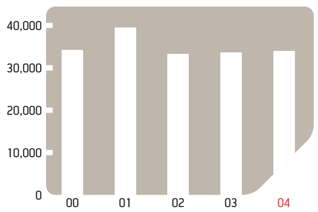
- A considerable simplification of the Nordic activities, with focus on supply processes and review of the product portfolio
- Improve efficiency by extracting synergies across operations and geographic boundaries
- Achieve excellence with respect to market and customer relations
- Prepare the company for challenges involving new business models and new technologie

Value-based leadership

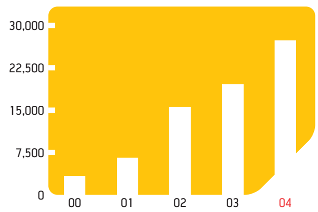
Ensure that local business cultures are based on common values, Telenor's Codes of Conduct and defined management requirements:

- Passion for business
- Change and constant renewal
- Operational excellence
- Empower people
- Integrity

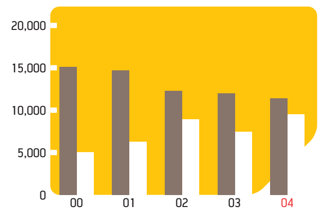
Revenue based on company location
– in Norway (in NOK millions)



Revenue based on company location
– outside Norway (in NOK millions)



No. of man years
■ Norway □ Outside Norway



2004

1st quarter 2004

Telenor acquired the remaining shares in Sonofon

Telenor acquired the remaining 46.5% of the shares in Sonofon from Bell South. The acquisition increased Telenor's ownership interest in Sonofon from 53.5% to 100%.

Telenor sold its remaining shares in Cosmote

Telenor sold the remaining 9% shareholding in Greek mobile operator Cosmote. The transaction resulted in sales revenues of approximately NOK 3.1 billion and a gain before taxes of NOK 2.6 billion.

2nd quarter 2004

Telenor acquired mobile licence in Pakistan

Telenor acquired a nationwide license for mobile telephony in Pakistan.

Telenor transfered IT operations to EDB

Telenor and EDB Business Partner entered into one of the largest IT agreements in the Nordic region. The agreement involved a transfer of an extended responsibility for management of IT systems to EDB.

3rd quarter 2004

Telenor acquired Montenegro's leading mobile operator ProMonte GSM

Telenor acquired the remaining 55.9% of the shares in mobile operator ProMonte GSM in Montenegro. Subsequent to the acquisition, Telenor now owns 100% of ProMonte GSM.

4th quarter 2004

Pannon GSM acquired UMTS-license in Hungary

Telenor's wholly owned mobile company in Hungary, Pannon GSM, acquired a UMTS license in Hungary.

Telenor launched UMTS in Norway

Telenor opened the new mobile network UMTS for commercial services. At the time of launch, the network opened in 70 cities and densely populated areas in Norway.

2005

1st quarter 2005

Telenor opened mobile network in Pakistan

Telenor Pakistan opened its GSM mobile network for commercial services. Pakistan's President, General Pervez Musharraf, conducted the official opening.

Telenor launched broadband telephony in Norway

Telenor launched its broadband telephony product to the Norwegian consumer market.

Telenor's operations

Key figures				Description

Mobile operations

(in NOK millions)	2004	2003	2002
Revenues	32,952	23,810	20,346
EBITDA	11,618	9,567	7,482
Operating profit	3,027	5,224	1,414
Associated companies	694	1,639	(2,030)
Investments	14,138	3,762	12,625
No. of man-years	9,335	6,924	6,551

Mobile is Telenor's principal focus area for future growth. Continued development of the mobile activities is vital to the Group's positioning as an international telecommunications player. Telenor has ownership interests in 12 mobile operations in Europe and Asia.

Telenor's commitments in the international mobile market are based on the company's extensive experience and skills, and on products and services developed and shared within Telenor's family of mobile operations. The creation of synergies between the mobile operations, and preparations for further industrialisation will be central to Telenor's future strategy.

Fixed

(in NOK millions)	2004	2003	2002
Revenues	19,266	20,509	20,022
EBITDA	6,277	6,665	5,597
Operating profit	2,794	2,531	731
Associated companies	50	8	(5)
Investments	1,896	2,161	3,530
No. of man-years	5,651	6,087	7,215

Fixed is Telenor's business segment for development, management and supply of communications solutions based on the fixed network. The bulk of Telenor's fixed network activities are concentrated in Norway, with minor operations in Sweden, the Czech Republic and Slovakia.

Telenor is the leading provider of fixed network services to the Norwegian market. Telenor provides communications solutions to both the business and residential markets, including analogue and digital (ISDN) telephony, broadband, Internet access, data services and leased lines.

Telenor also provides a broad range of services to operators and service providers in the wholesale market.

Broadcast

(in NOK millions)	2004	2003	2002
Revenues	5,211	4,820	3,605
EBITDA	1,495	1,229	499
Operating profit (loss)	589	181	(475)
Associated companies	1	(84)	(264)
Investments	880	266	2,769
No. of man-years	774	809	972

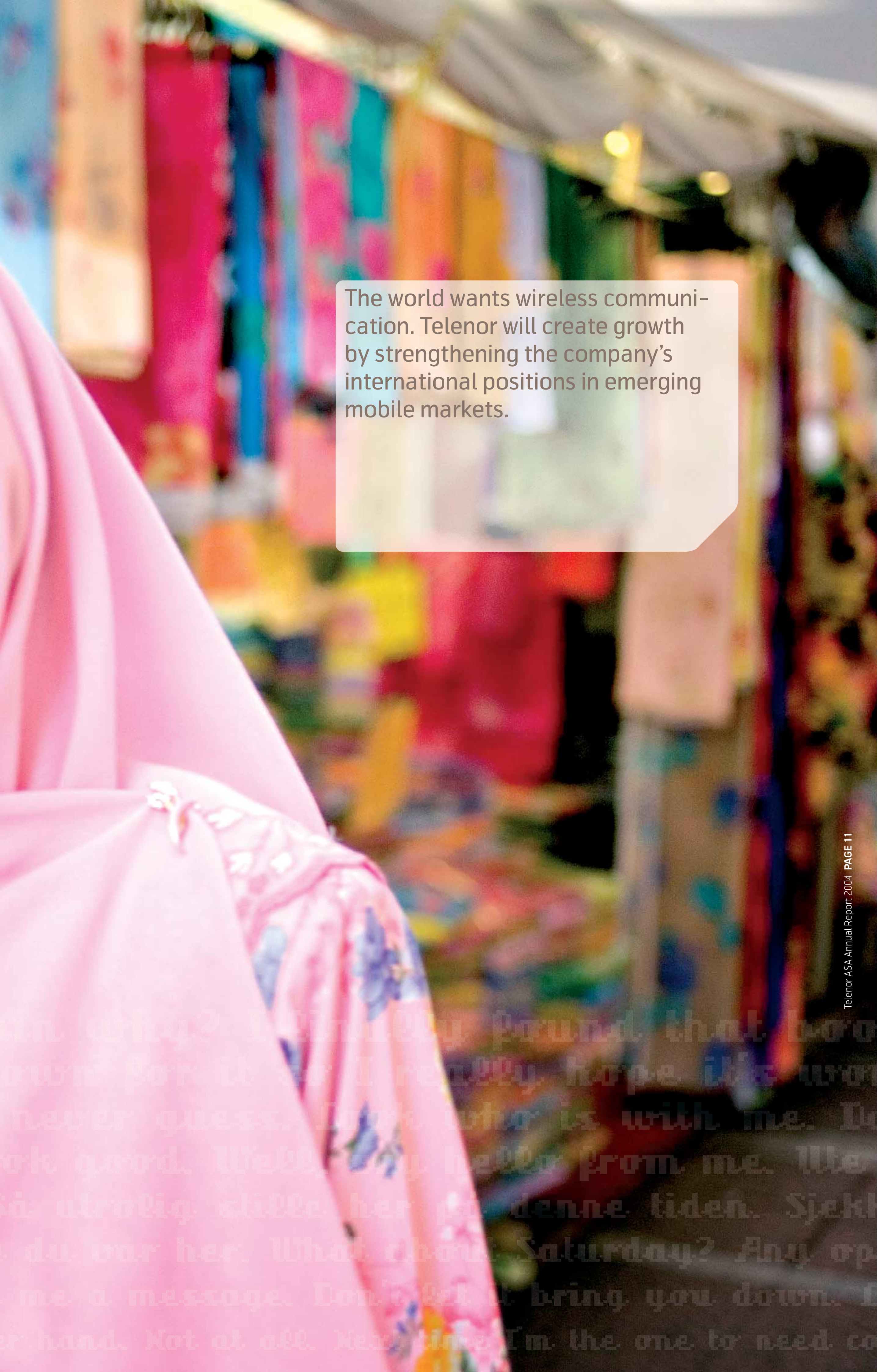
The business segment Broadcast has a stake in all parts of the TV value chain, all the way from content and transmission (transfer of signals) to distribution (subscriptions). Telenor's TV brand, Canal Digital, is the largest distributor of TV services to the Nordic residential market. Canal Digital is the market leader for TV services in the Nordic residential market. More than 2.9 million Nordic households and activities subscribe to one or several of our services.

Telenor Satellite Broadcasting and Norkring provide transport of TV signals from broadcasters to households and various cable networks.

Telenor owns 100% of Conax, which provides solutions for access control, payment and encryption. Telenor also has a 45% ownership interest in A-pressen.

Goals	Strategy
• Continue the implementation of Telenor's common strategic framework to leverage advantages of scale and thereby establish a foundation for each company's corporate culture, market positioning, branding, service offering and operational strategy • Attract and retain valuable customers and increase ARPU through new services • Meet regulatory challenges • Stand out from the crowd • Serve marginal-ARPU customers and still be profitable	**Control or exit.** Telenor aims to exert industrial ownership of its mobile operations to enhance operational performance, and as such needs to have ownership control of each company. **Mature markets.** Telenor actively exploits revenue and cost synergies and our operations will leverage Best Practise to improve operational performance. New mobile services will generate growth, balancing the price pressure we see on basic voice services. **Emerging markets.** Telenor will enhance organic growth through a common market approach, benefiting from economies of scale and synergies. **New opportunities.** Telenor continuously monitors markets, potential acquisition candidates and Greenfield opportunities.
• Be the most attractive provider of fixed network services in the Nordic region, both to the business and consumer markets • Be the preferred supplier to the operator and service provider markets • Modernise the broadband platform so as to be able to offer new services to the market, providing high quality at competitive prices • Providing high-quality voice services based on PSTN, ISDN and IP	**Market growth.** Telenor will secure profitable growth in the broadband market by continuing to stimulate the sale of broadband accesses. This growth will be ensured through the provision of nationwide coverage, development of new services and by ensuring that service providers prefer our broadband solutions. In the business market Telenor will focus on providing competitive services and attractive communications solutions for large Nordic businesses. **Operational efficiency.** Telenor also aims to secure high operational efficiency through strategic restructuring and by obtaining advantages of scale in our fixed network activities in the Nordic region. We will enhance our supply routines for our customers and standardise and simplify our information systems. **Profitable investments.** Telenor will also secure profitable investments, by channelling investment funds to growth areas, introduce efficiency measures, and secure optimal utilisation of our infrastructure.
• Assume a leading role in the Nordic digital TV market • Secure leading market positions within pay-TV in Finland and Denmark • Secure high-quality TV rights at the lowest possible price • Secure strong market positions within the development of DTT (Digital TV over terrestrial networks) • Strengthen 1° West as the leading Nordic satellite position • Develop Conax as an international player	**Customer growth.** Continue to develop the business segment Broadcast as the leading TV distributor in the Nordic region. The customer growth is expected to continue in coming years. **Increased revenues.** Broadcast is committed to pursue a growth strategy. Revenues are expected to increase on the back of subscriber growth, a higher share of pay-TV customers in the cable networks and increased sales of Internet to cable TV customers. **Digital TV.** The shutdown of the analogue terrestrial network in the Nordic region means that affected households must choose between a digital terrestrial network, satellite or cable TV. Telenor Broadcast is favourably positioned to offer services to households and broadcasters when the transfer to digital TV takes place.


What did she say?
I had to look all over
Got a surprise for you.
Never mind. Send



The world wants wireless communication. Telenor will create growth by strengthening the company's international positions in emerging mobile markets.

Peter Berg
Head of Consumer Division
at Sonofon, Denmark

The Nordic region

"We have a strong focus on extracting synergies from our Nordic mobile operations. This will be crucial in order to improve our profitability," says Peter Berg, Head of Consumer Division at Sonofon.

The Nordic region

Lise Heidal
Head of Customer Support & Supply
at the Consumer Market, Norway

The Mobile market

The Nordic mobile markets are among the most advanced and mature in the world, and they are also fiercely competitive. Telenor is the second largest mobile operator in the Nordic region, and along with the other leading providers, Telenor is challenged by new international players wanting access to the Nordic markets. Smaller players are also competing, mainly on low prices.

There was widespread consolidation in the Nordic mobile industry in 2004. This was particularly notable in Denmark. Telenor also contributed to this trend by acquiring the service provider CBB Mobil. It is assumed that such consolidation will bring more stability to the markets.

In this mature market, Telenor anticipates the main growth engine to be migration from fixed to mobile. Currently, these services include MMS, games and mobile Internet, and Telenor also expects to see an increase in the downloading of music and video, web surfing, video streaming, e-mail and mobile office solutions.

To promote more advanced services, such as video streaming and mobile office solutions, higher network speeds, through the EDGE and UMTS technologies, will be required. In December 2004, Telenor became the first operator to launch UMTS in Norway. The telecommunications authorities in Denmark will offer a UMTS license in an auction. Telenor will consider making a bid for this license. In Sweden, Telenor has secured UMTS access through an MVNO agreement (Mobile Virtual Network Operator).

Telenor has started a restructuring of its activities in the Nordic region.

As part of this process, Telenor is building a pan-Nordic platform for product and

''Telenor is stepping up the rollout of ADSL in Norway, and will, at year-end 2005, provide broadband access to 90% of Norway's population. We are determined that continued customer growth should not impair our commitment to quality in our supplies and our day-to-day operation,'' says Lise Heidal, head of Customer Support & Supply at the Consumer Market in Norway.

service development. Telenor's main goal in the Nordic region is to develop an efficient Nordic product platform, with competitive local organisations. This will allow Telenor to strengthen its Nordic activities, while simultaneously creating a platform of expertise to support further expansion outside the Nordic countries.

In the Nordic region, Telenor will seek to retain and strengthen its market positions, improving its reputation, while also continuing the effort to extract synergies and reduce costs.

Norway

The number of active SIM cards in Norway is now higher than the population figures. The extremely high mobile penetration imposes new and tough demands on the existing market players.

The new and smaller players are aiming to win market shares primarily by competing on price. Telenor recognises that this trend involves generally lower prices in the markets, and has reduced the prices of its products and services during the year. Telenor expects the positive development in the subscription base to continue. Further migration from the fixed network to the mobile network will also create new growth in the mobile traffic.

As the first operator in Norway, Telenor launched its UMTS network in December 2004. The new network offers higher speeds, and will involve opportunities for new content and more advanced services.

Sweden

In Sweden the mobile penetration has exceeded 100%. There are currently around 20 players offering mobile subscriptions in Sweden, four of which dominate the market. Handset subsidies are high. Lock-in periods for mobile subscriptions are not subject to regulation, and may vary from 6 to 24 months. The long lock-in periods contribute to reduced churn, and new players are struggling to win market shares.

Through its djuice brand Telenor has launched a web-based low-price alternative. In the business market, Telenor AB provides mobile telephony bundled with other Telenor products and services (fixed network and data services).

Denmark

A large number of operators and service providers are currently operating in the Danish market, and the competition is fierce. The National IT and Telecom Agency only accepts a six-month lock-in period for GSM customers, and this has resulted in Danes changing their mobile operator more frequently than their counterparts in other European countries.

Telenor expects continued growth in the mobile market, in spite of very high mobile penetration, primarily because more Danes are likely to make the move from fixed to mobile.

Telenor also registers a growing demand for simple products in the Danish market, but customers are simultaneously taking up more advanced mobile services such as mobile Internet and MMS.

In the business market Telenor expects to see a growing demand for mobile e-mail and other business services.

Telenor Mobil

Telenor Mobil is Norway's leading provider of mobile services. The company provides services to both the consumer and business markets.
More information: www.telenormobil.no

Sonofon

Sonofon is the second largest mobile operator in Denmark. Telenor became part owner in 2000 and acquired full ownership of the company in February 2004.
More information: www.sonofon.dk

Telenor in Sweden

In Sweden Telenor offers mobile services to both the consumer market, through the djuice brand, and to the business market, through the Telenor brand.
More information: www.telenor.se

The fixed network market

There are important similarities between Norway, Sweden and Denmark as regards the development of the telephony and broadband markets. The migration from fixed to mobile telephony now appears to move faster than previously anticipated. Telenor also expects the trends that we have observed in recent years to continue. Traditional voice traffic will migrate to mobile and IP telephony, and data traffic will migrate to broadband. In addition, we expect the reduced number of accesses to cause falling subscriber revenues.

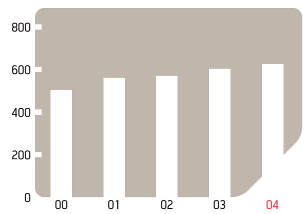
Overall, Telenor expects to see reduced revenues from fixed telephony in the Nordic region, while broadband revenues are expected to increase. The majority of Telenor's revenues from the fixed market are generated in Norway.

Telenor has concentrated its activities in the Nordic region under a pan-Nordic management. This will contribute to meet the demand for Internet-based broadband and telephony services in the residential, business and wholesale markets.

Telenor aims to prepare for an optimal transfer to IP telephony, to modernise the broadband platform and to secure cost-effective operations.

The Nordic region

Cable TV subscribers in the Nordic region 2000–2004 (thousands)



Katarina Brixéus
Marketing Director in Canal Digital Sverige AB, Sweden

Norway

Telenor is the leading provider of fixed network services to the Norwegian market. Communications solutions involving analogue and digital telephony (PSTN/ISDN), broadband, Internet access, data services, value-adding services and leased lines are offered to both the business and residential markets. A wide range of services is provided to operators and service providers in the Norwegian wholesale market, from access to basis infrastructure to more comprehensive web services.

Telenor is strongly committed to increasing its broadband market share. This segment has the greatest growth potential, and we want to meet the demand created by migration from traditional telephony to IP telephony. Telenor introduced IP telephony services in the residential market in March 2005.

Sweden

Telenor provides telephony, data communication, broadband and advanced networks to the Swedish business market, and telephony, DSL and IP-based communication.

Telenor is the second largest supplier of both data communications to the business market and fixed network services to service providers. We also offer voice and broadband services to service providers that sell their products to the Swedish residential market.

Denmark

Telenor's fixed network activities in Denmark primarily support the mobile commitments. An important challenge for Telenor's telephony commitments in Denmark will be to develop a way of enabling the fixed network to support Sonofon's requirements for transport capacity. Telenor sees IP telephony as an interesting supplement to the traditional fixed network in Denmark.

The TV market

Telenor Broadcast is the largest provider of TV services to the Nordic market, serving approximately 2.9 million Nordic households, not counting the 500,000 Norwegian households that singularly rely on receiving TV signals via Norkring's analogue TV network.

Pay TV is the target market for Canal Digital. This includes cable and "Direct-to-Home" satellite television (DTH) subscribers in the Nordic market, and Digital Terrestrial Television (DTT) subscribers in Finland. Telenor currently has a market share in excess of 25%, equalling 1.5 million households.

In the cable TV market, the players are competing to win contracts with attractive housing cooperatives. The range of the competition is now being extended, from supply of traditional TV packages to also include offers of broadband and telephony (triple play).

The shutdown of the analogue terrestrial networks in each of the Nordic countries is expected to be completed between 2008 and 2010. During that period, some 2.5 million households (as well as an unknown number of holiday homes) that solely rely on the analogue terrestrial network will have to change to cable, DTH or DTT. As a consequence, the analogue shutdown represents new growth opportunities.

Households that currently depend on analogue terrestrial transmission are believed to represent a low-end segment compared to households that already have cable or DTH. Nevertheless, the shutdown of analogue transmission is expected to generate a major growth potential for the pay TV industry in the Nordic region.

Distribution

Canal Digital is the leading TV distributor in the Nordic countries and 100% owned by Telenor. Canal Digital is Telenor's TV brand. The full range of Telenor's TV distribution, cable and satellite, also including

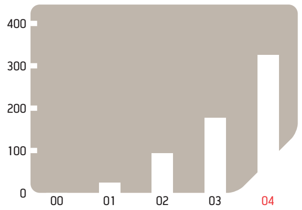
"Telenor is the leading TV distributor in the Nordic region with more than 2.9 million households served. Canal Digital is Telenor's TV brand, and we want to offer our customers the best TV content, freedom of choice and simple TV services", says Katarina Brixéus, marketing director at Canal Digital Sweden AB.

DTT in Finland, is coordinated in one organisation. Canal Digital is the Nordic region's largest distributor of broadcast signals, and more than 2.9 million Nordic households are, directly or indirectly, receiving TV signals from Canal Digital.
More information: www.canaldigital.com

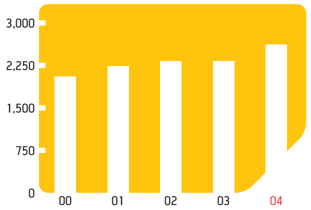
Transmission
Norkring is Norway's largest distribution company for terrestrial broadcasting of sound and images. The company owns and operates all the large terrestrial broadcasting transmission stations in Norway.
More information: www.norkring.no

Telenor Satellite Broadcasting is the leading provider of satellite transmission services to the Nordic market, our main competitor being the internationally based SES Global.

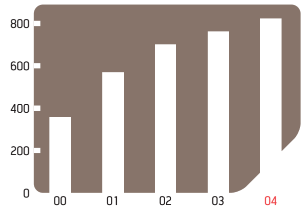
No. of ADSL subscriptions in Norway (in thousands)



No. of GSM subscriptions in Norway (in thousands)



DTH subscribers in the Nordic region 2000–2004



NORWAY

Population (2004, in millions) [1]	4.6
Land Area (sq KM) [1]	323,758
Population per sq KM [1]	14
Population growth (% average 1999–2003) [1]	0.7
Population in Urban areas (2003, % of total) [1]	76.5
GDP per head (US$) 2004 estimate [1]	50,755
GDP per head (US$ PPP) – 2004 estimate [1]	37,637
Real GDP growth 2004 estimate (%) [1]	3.0
Inflation 2004 estimate (%) [1]	0.5
Telecom revenues (% of total GDP, 2001) [2]	3
Mobile revenues (% of total GDP, 2001) [2]	0.8
Mobile telephony penetration (%), 2004	102
Fixed line penetration (%) 2003 [2]	71
TV Households (in millions)	2
DTH market share (%)	73

Source: [1] EIU (Economist Intelligence Unit)
[2] ITU (International Telecom Unit)

TELENOR MOBIL (NORWAY)	2004	2003	2002	2001	2000
No. of mobile subscriptions (NMT + GSM) (in thousands)	2,645	2,364	2,382	2,307	2,199
No. of GSM subscriptions (in thousands)	2,623	2,327	2,330	2,237	2,056
– of which prepaid (in thousands)	1,228	1,099	1,115	1,027	911
Traffic minutes per GSM subscription per month, generated and terminated	195	188	180	181	173
Average revenue per GSM subscription per month (ARPU):	339	339	346	340	338
No. of SMS and content messages (in millions)	2,129	1,926	1,692	1,373	902
Market share GSM (%)	56	57	61	61	66
Churn rates for contract subscriptions (%)	15.2	21.4	17.5	12.5	12.7

FIXED – NORWAY					
Retail market					
No. of PSTN subscriptions (in thousands)	1,182	1,308	1,467	1,545	1,680
No. of ISDN subscriptions (lines in thousands)	1,449	1,682	1,828	1,766	1,590
PSTN/ISDN generated traffic (mill. minutes)	13,026	15,385	17,345	19,085	19,560
Market share of PSTN/ISDN generated traffic (%)	69	69	72	73	73
No. of internet subscriptions residential market Norway (in thousands)	527	457	427	394	377
– of which ADSL (in thousands)	286	163	90	23	-
No. of ADSL subscriptions business market Norway (in thousands)	40	14	4	1	-

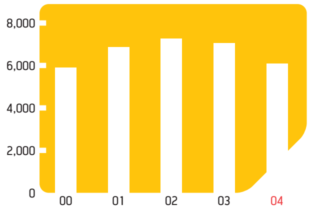
BROADCAST – NORWAY					
Subscribers with DTH pay TV (in thousands)	308	274	261	212	171
Cable TV subscribers (in thousands)	399	382	371	360	357
Households in small antenna TV networks (in thousands)	178	159	177	170	171

DENMARK

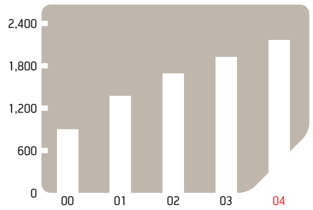
Population (2004, in millions) [1]	5.4
Land Area (sq KM) [1]	43,075
Population per sq KM [1]	125
Population growth (% average 1999–2003) [1]	0.4
Population in Urban areas (2003, % of total) [1]	85.5
GDP per head (US$) 2004 estimate [1]	44,619
GDP per head (US$ PPP) – 2004 estimate [1]	30,943
Real GDP growth 2004 estimate (%) [1]	2.0
Inflation 2004 estimate (%) [1]	1.2
Telecom revenues (% of total GDP, 2001) [2]	2.6
Mobile revenues (% of total GDP, 2001) [2]	0.6
Fixed line penetration (%), 2003 [2]	67
TV Households (in millions)	2.4
Satellite dish market share (%)	33

Source: [1] EIU (Economist Intelligence Unit)
[2] ITU (International Telecom Unit)

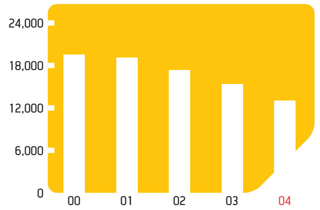
ISDN subscriptions in Norway 2000–2004 (lines in millions)



SMS and content messages in Norway 2000–2004 (in millions)



PSTN/ISDN generated traffic in Norway 2000–2004 (minutes in millions)



Companies owned by Telenor	Population (millions)	No. of mobile subscriptions (millions)	Market share (%)
Sonofon (Denmark)	5,4	1.286	27
Telenor Mobile (Sweden)	9,0	105	1

SONOFON (DENMARK)	2004	2003	2002	2001	2000
No. of mobile subscriptions (in thousands)	1,286	1,112	-	-	-
– of which prepaid (in thousands)	462	285	-	-	-
Traffic minutes per GSM subscription per month, generated and terminated	175	149	-	-	-
Average revenue per GSM subscription per month (ARPU):	248	256	-	-	-
Market share GSM (%)	27	23	-	-	-
Mobile telephony penetration (%)	88	84	-	-	-

BROADCAST – DENMARK					
Subscribers with DTH pay TV (in thousands)	124	109	99	84	42
Households in small antenna TV networks (in thousands)	660	638	669	671	594

SWEDEN

Population (2004, in millions) [1]	9.0	Real GDP growth 2004 estimate (%) [1]	2.0
Land Area (sq KM) [1]	449,964	Inflation 2004 estimate (%) [1]	0.5
Population per sq KM [1]	20	Telecom revenues (% of total GDP, 2002) [2]	3.2
Population growth (% average 1999–2003) [1]	0.3	Mobile revenues (% of total GDP, 2002) [2]	0.7
Population in Urban areas (2003, % of total) [1]	83.6	Fixed line penetration (%), 2002 [2]	74
GDP per head (US$) 2004 estimate [1]	38,726	TV Households (in millions)	4.3
GDP per head (US$ PPP) – 2004 estimate [1]	29,355	Satellite dish market share (%)	50

Source: [1] EIU (Economist Intelligence Unit)
[2] ITU (International Telecom Unit)

TELENOR MOBILE SWEDEN	2004	2003	2002	2001	2000
No. of mobile subscriptions (in thousands)	105	81	54	-	-
Mobile telephony penetration (%)	106	90	89	-	-

BROADCAST – SWEDEN					
Subscribers with DTH pay TV (in thousands)	349	334	297	231	164
Cable TV subscribers (in thousands)	225	222	200	201	-
Households in small antenna TV networks (in thousands)	300	251	285	337	286

FINLAND

Population (2004, in millions) [1]	5.2	GDP per head (US$ PPP) – 2004 estimate [1]	28,450
Land Area (sq KM) [1]	304,473	Real GDP growth 2004 estimate (%) [1]	3.1
Population per sq KM [1]	17	Inflation 2004 estimate (%) [1]	0.2
Population growth (% average 1999–2003) [1]	0.3	TV Households (in millions)	2.2
Population in Urban areas (2003, % of total) [1]	68.8	Satellite dish market share (%)	38
GDP per head (US$) 2004 estimate [1]	34,711		

Source: [1] EIU (Economist Intelligence Unit)

BROADCAST – FINLAND	2004	2003	2002	2001	2000
Subscribers with DTH pay TV (in thousands)	43	46	44	42	35
Households in small antenna TV networks (in thousands)	74	50	2	15	1

Europe

Gábor Kocsis
Chief Financial Officer
of Pannon GSM, Hungary

“Our aim is to develop Pannon’s solid market share and brand position. Stimulating cross-border cooperation with other Telenor companies and involvement in synergy projects will help us achieve operational excellence, says Gábor Kocsis, Chief Financial Officer of Pannon GSM.

Europe

Oksana Korolenko
Head of Human Resources
at Kyivstar GSM, Ukraine

Hungary

At the end of 2004 the mobile penetration in Hungary exceeded 80%, with a total market counting 8.1 million subscriptions, compared to 7.4 million at the end of 2003.

With the Hungarian mobile market nearing its saturation, subscription growth is flattening, with a monthly net gain of approximately 60,000 new additions in the market. The struggle for market shares now seems to be centring on customer retention.

Pannon GSM

Pannon GSM is the second largest of three operators in Hungary, and Pannon GSM's estimated market share at year-end 2004 was 34%.

In order to ensure profitability Pannon GSM has pursued a segmented approach, focusing on small and medium-sized enterprises (SMEs) and on the attractive high-end customer segment. Pannon GSM has succeded with its Mobile Office product line, offering integrated, all-inclusive telecommunications solutions to the business market. The company has also focused on the youth segment through the djuice brand, launched in November 2003. At the end of 2004, 10% of Pannon GSM's customers were djuice subscribers.

Pannon GSM has also introduced advanced content services, including video streaming of Hungary's most popular television shows. In 2004, non-voice revenues accounted for approximately 10% of total revenues.

In December 2004, Pannon GSM acquired one of three UMTS licenses in Hungary. The company also acquired GSM-1800 frequencies, which will improve the utilisation of Pannon GSM's existing GSM network. In January 2005, Pannon GSM embarked on the first phase of its UMTS network development project. Pannon GSM has also focused on upgrading its existing GSM network with EDGE technology to meet the rising demand for higher data speeds.

Pannon GSM was established in 1993 and is one of three mobile operators in Hungary. Telenor contributed to the founding of the company, and has, since February 2002, held a 100% ownership share.
More information: www.pgsm.com

Ukraine

The mobile market in Ukraine has grown significantly in the past few years, with mobile penetration rising from 8% at the beginning of 2003, to 29% at year-end 2004. The total number of subscriptions in Ukraine reached almost 14 million at the beginning of 2005, surpassing the number of fixed line subscribers during the year.

The Ukrainian gross domestic product is showing a strong growth and the demand for mobile communication is expected to increase. The fierce competition between the two largest nationwide operators, as well as other players, is expected to result in price reductions, which will further stimulate uptake, usage and the development of new services.

Kyivstar GSM

Kyivstar's estimated market share at the end of 2004 was 46%. The company more than doubled its customer base during 2004, entering 2005 with a total of 6.3 million subscriptions.

Kyivstar's efforts to acquire new subscribers include the distribution of favourable start packages. Kyivstar launched the djuice brand on 1 September 2004, offering the youth segment their tailor-made subscriptions. The number of djuice subscriptions reached one million in December, merely three and a half months after launch. In the third and fourth quarters of the year Kyivstar launched several initiatives aimed at the mass market.

Kyivstar's revenues increased in 2004, primarily due to high subscriber uptake. Non-voice revenues more than doubled in the course of 2004, generating approximately 6% of Kyivstar's total revenues in the fourth quarter, suggesting that more advanced services are in demand.

Kyivstar GSM is the second largest mobile operator in Ukraine. Telenor became part owner in 1998, and currently holds an ownership share of 56.5%.
More information: www.kyivstar.net

Montenegro

At the end of 2004, the mobile penetration in Montenegro was approximately 78%, representing a figure of 482,000 registered subscriptions, compared to 427,000 at the end of 2003.

There are two licensed mobile operators in Montenegro: ProMonte GSM and Monet. Monet is owned by Telecom Montenegro, which also provides fixed telephony and Internet services. In the beginning of 2005 51% of the shares in Telecom Montenegro were sold to the Hungarian operator Matav.

The macroeconomic situation in Montenegro is dominated by moderate economic growth and a high unemployment rate.

In December 2000, an Agency for Telecommunications was established and a new Montenegrin Telecommunications Law was adopted. There are no formal obstacles for direct interconnection with other operators in the country or internationally. ProMonte GSM has finalised interconnection agree-

"Our aim for Kyivstar GSM is to substantially increase our customer base and to continue to develop the strongest mobile brand in Ukraine. Kyivstar GSM shall provide nationwide coverage and we want our customers to see Kyivstar GSM as the most 'easy and enjoyable' telecommunications operator in Ukraine", says Oksana Korolenko, Head of Human Resources at Kyivstar GSM.

ments with Monet and the Serbian operator Mobtel, thereby obtaining lower prices from Telecom Montenegro.

ProMonte GSM

ProMonte GSM, has at year-end 2004 a 58% market share and is the market leader in Montenegro. At the end of 2004, ProMonte GSM's network covered approximately 71% of the country, and 98% of the Montenegrin population. The operator launched mobile data services over GPRS in July 2004. ProMonte GSM plans to launch EDGE during first half of 2005. ProMonte GSM was established in 1996 and was Montenegro's first mobile operator. Telenor became part owner in 1996 and acquired a 100% ownership of ProMonte GSM in August 2004.

More information: www.promonte.com

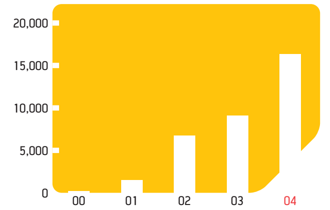
Russia

In 2004, the number of mobile subscriptions in Russia grew by 104%. At year-end mobile penetration was 51.2%, counting more than 74.4 million subscriptions. In Moscow, the penetration was close to 100% while in the regions the penetration reached 43.5%. The subscription growth in Moscow is now decreasing, while the regional markets are still far from saturated. The opportunities for further growth are still good.

VimpelCom is the second largest operator in Russia, only marginally behind the market leader.

Europe

No. of mobile subscriptions outside Norway in consolidated companies (in thousands)



VimpelCom in 2004
The VimpelCom Group's license portfolio covers approximately 94% of Russia's population (136 million people), including the City of Moscow, the Moscow Region and St. Petersburg. VimpelCom also covers the entire territory of Kazakhstan.

Telenor became part owner in 1999, and held, at the end of 2004, an ownership share of 29.9%, and a voting share of 26.6%. The merger between VimpelCom and VimpelCom–Region was completed and came into force on 26 November 2004.

In 2004, VimpelCom won the largest share of new subscriptions, acquiring 38% of all new additions. At year-end 2004, VimpelCom's market share was 34.7% (26.6 million subscriptions).

VimpelCom's strategy is to provide nationwide GPRS coverage, and EDGE/UMTS in selected densely populated areas. In 2004, VimpelCom launched EDGE services in several regions in the North-West District. A pilot UMTS network was developed and tested during 2004. No UMTS licences have been issued in the Russian market.

VimpelCom
VimpelCom was established in 1992, and operates under the Bee Line brand in Russia. VimpelCom was the first Russian company to list its securities on the New York Stock Exchange (NYSE), in November 1996.
For more information: www.vimpelcom.com

HUNGARY

Population (2004, in millions) [1]	10.0	GDP per head (US$ PPP) – 2004 estimate [1]	15,180
Land Area (sq KM) [1]	93,030	Real GDP growth 2004 estimate (%) [1]	3.9
Population per sq KM [1]	108	Inflation 2004 estimate (%) [1]	6.8
Population growth (% average 1999–2003) [1]	-0.3	Telecom revenues (% of total GDP, 2002) [2]	5.6
Population in Urban areas (2003, % of total) [1]	64.8	Mobile revenues (% of total GDP, 2002) [2]	2.0
GDP per head (US$) 2004 estimate [1]	10,280	Fixed line penetration (%), 2003 [2]	35

Source: [1] EIU (Economist Intelligence Unit)
[2] ITU (International Telecom Unit)

PANNON GSM (HUNGARY)	2004	2003	2002	2001	2000
No. of mobile subscriptions (in thousands)	2,770	2,618	2,450	-	-
– of which prepaid (in thousands)	1,991	2,023	1,910	-	-
Traffic minutes per GSM subscription per month, generated and terminated	123	111	113	-	-
Average revenue per GSM subscription per month (ARPU):	176	165	180	-	-
Market share GSM (%)	34	36	38	-	-
Mobile telephony penetration (%)	80	73	63	-	-

Companies owned by Telenor	Population (in millions)	No. of mobile subscriptions (in millions)	Market share (%)
Pannon GSM (Hungary)	10.0	2,770	34
Kyivstar GSM (Ukraine)	47.2	6,252	45
Promonte GSM (Montenegro)	0.7	279	58

UKRAINE

Population (2004, in millions) [1]	47.2	GDP per head (US$ PPP) – 2004 estimate [1]	5,930
Land Area (sq KM) [1]	603,700	Real GDP growth 2004 estimate (%) [1]	12.0
Population per sq KM [1]	78	Inflation 2004 estimate (%) [1]	9.0
Population growth (% average 1999–2003) [1]	-1.0	Telecom revenues (% of total GDP, 2002) [2]	4.5
Population in Urban areas (2003, % of total) [1]	68.5	Mobile revenues (% of total GDP, 2002) [2]	1.2
GDP per head (US$) 2004 estimate [1]	1,420	Fixed line penetration (%), 2003 [2]	23

Source: [1] EIU (Economist Intelligence Unit)
[2] ITU (International Telecom Unit)

KYIVSTAR GSM (UKRAINE)	2004	2003	2002	2001	2000
No. of mobile subscriptions (in thousands)	6,252	3,037	1,856	–	–
– of which prepaid (in thousands)	5,532	2,503	1,472	–	–
Traffic minutes per GSM subscription per month, generated and terminated	84	57	49	–	–
Average revenue per GSM subscription per month (ARPU):	90	94	107	–	–
Market share GSM (%)	45	47	49	–	–
Mobile telephony penetration (%)	29	14	8	–	–

MONTENEGRO

Population (2004, in millions) [1]	0.6	Real GDP growth 2004 estimate (%) [1]	3.0%
Land Area (sq KM) [1]	13,812	Inflation 2004 estimate (%) [1]	4.3%
Population per sq KM [1]	45	Telecom revenues (% of total GDP, 2002) [3]	203
Population growth (% average 1998–2002) [1]	-12%	Mobile revenues (% of total GDP, 2002) [3]	106
Population in Urban areas (2002, % of total) [1]	0.62	Fixed line penetration (%), 2003 [3]	28%
GDP per head (US$) 2004 estimate [1]	2,378		

Source: [1] Serbia and Montenegro Statistical Office
[2] CBCG (Central Bank of Montenegro)
[3] Annual Report 2003, Agentel (Agency for telecommunications in Montenegro)

PROMONTE GSM (MONTENEGRO)	2004	2003	2002	2001	2000
No. of mobile subscriptions (in thousands)	279	–	–	–	–
– of which prepaid (in thousands)	235	–	–	–	–
Traffic minutes per GSM subscription per month, generated and terminated	–	–	–	–	–
Average revenue per GSM subscription per month (ARPU):	–	–	–	–	–
Market share GSM (%)	58	–	–	–	–
Mobile telephony penetration (%)	–	–	–	–	–

Asia

Loong Tuck Weng
DiGi's Head of
Product Management,
Malaysia

"DiGi is focused on profitable subscriber growth with the key objective of strengthening its position in the market. In line with Telenor's strategy, DiGi offers simple and smart solutions to its customers through transparent pricing structures and innovative products at fair prices", says Loong Tuck Weng, Head of Product Management at DiGi.Com.

"GrameenPhone wants to develop its position as the number one mobile operator in Bangladesh. Our ability to rapidly adjust to competitive changes and market dynamics will be key in achieving the objective of continued market leadership in combination with strong financial performance," says Kafil H.S. Muyeed, Deputy Director of Marketing Divison at GrameenPhone.

Malaysia

Growth in the Malaysian mobile market is expected to continue at a rapid pace, spurred on by lower prices, improved network coverage and new services. At the end of 2004, the total number of subscriptions was 14.6 million; or a mobile penetration of 57%, compared to 44% at year-end 2003.

Consolidation ensured that the number of Malaysian mobile operators was reduced from five to three in 2003. The market is becoming increasingly competitive, driven by aggressive marketing campaigns and innovative new products.

In May 2004, the Ministry of Energy, Water and Communication (MEWC) announced that a nationwide coverage requirement would be imposed in Malaysia, to be achieved by year-end 2006.

DiGi.Com

DiGi.Com is one of three GSM operators in Malaysia. At year-end 2004, DiGi's market share was 22%. In the course of 2004 alone, and in the spite of fierce competition, DiGi

Kafil H.S. Muyeed
Deputy Director of Marketing Division
at GrameenPhone, Bangladesh

acquired more than one million subscriptions, securing new revenue growth and increased market shares.

DiGi has positioned itself as an attractive and innovative mobile operator offering advanced easy-to-use services and easy-to-understand tariffs.

Mobile data continued to gain momentum, generating 16% of DiGi mobile revenues in the fourth quarter.

As part of the company's commitment to mobile data growth DiGi opened the country's first high speed mobile network, and has successfully capitalised on EDGE technology to provide a range of new and exciting products and services. Such services include Mobile TV and M-gaming, as well as high-speed data packages. Today DiGi offers the country's most comprehensive EDGE functionalities, focusing on main cities, tourist hubs and on the most heavily trafficked routes.

Telenor has a 61% ownership share in DiGi.com. The company is listed on the Stock Exchange in Kuala Lumpur.
More information: www.digi.com.my

Bangladesh

The Bangladeshi mobile market grew rapidly in 2004. However, the growth potential is still significant, with mobile penetration at year-end 2004 at a modest 2.8%, and a fixed line penetration of only 0.7%. At the end of 2004 there were four mobile operators in the country, three GSM and one CDMA operator.

With growing interest from large international players, the struggle for market shares is expected to intensify in coming years.

GrameenPhone

GrameenPhone is the leading operator in Bangladesh with a market share of 62% at the end of 2004. The company more than doubled its subscriptions base in 2004.

Interoperable SMS between GrameenPhone and the second largest operator was launched in the fourth quarter of 2004. In addition, GrameenPhone signed 36 international roaming agreements during the year, bringing the total number of such agreements to 230 at year-end.

GrameenPhone continued to focus on extending network coverage and capacity and on improving the quality of its services. GrameenPhone more than doubled its number of base stations during the year, providing coverage to 52% of the population by year-end 2004.

GrameenPhone launched commercial mobile services in 1997 and is the largest of four mobile operators in Bangladesh. Telenor holds a 62% ownership share in the company.
More information: www.grameenphone.com

Thailand

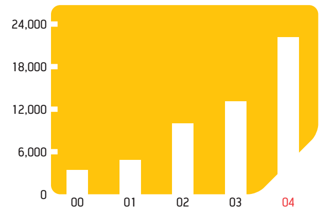
The Thai mobile market underwent a period of strong growth in 2001 and 2002. Since then the growth rate has been flattening. At the end of 2004, the mobile penetration was estimated at 43%, which amounts to a total number of subscriptions of 27 million.

The increased number of operators in the Thai mobile market has led to significantly tougher competition, especially in the Bangkok area, which is the stronghold of a number of smaller players, as well as of the three major mobile operators. This has led to a further reduction in tariffs and the introduction of selective handset subsidies.

In August 2004, the Thai Senate established the country's first independent telecommunications regulator, The National Telecom Commission (NTC). NTC will be responsible for granting new licenses and for other liberalisation schemes that are set to take place in the telecommunications industry. This is perceived as another step on the road to deregulation

Asia

Mobile subscriptions outside Norway 2000–2004 (based on Telenor's proportional ownership interests in millions)



and operators are expected to benefit from NTC's role, as a reduced licence fee is due to replace the present revenue sharing system as a new interconnection regime comes into force.

DTAC

DTAC is the second largest operator in Thailand with an estimated market share at the end of 2004 of 29%, equalling 7.8 million subscriptions. Despite fierce competition, DTAC has maintained its market share.

In 2004, DTAC has focused on customer services and innovation with a segmented approach to ensure that individual needs are met. The company has continued to reap the benefits of its intensive post-paid efforts initiated in 2003, and continued throughout 2004. In the past year, the company successfully launched new packages for post-paid customers and introduced new offers for customers in the market for small and medium-sized businesses.

In the prepaid segment, DTAC has been succesful with its Happy brand. The concept was promoted through an "easy to understand" tariff system, offering a nationwide flat rate and per second tariffs. The Happy subscription has also been the only prepaid subscription in Thailand to offer nationwide MMS usage.

DTAC has greatly improved the quality of its network in 2004, adding 630 new base stations and the company will continue to invest in network capacity and quality in 2005.

Total Access Communication (TAC), operating under the brand name DTAC, is listed on the Singapore Stock Exchange. The company was founded in August 1989. Telenor entered in 2000, and at the end of 2004 held, directly and indirectly (through UCOM) 40.3% of the shares.
More information: www.dtac.co.th

Pakistan

The Pakistani mobile market is still in an emerging phase, with significant growth opportunities. Healthy subscriber growth was registered throughout 2004, ending the year with an estimated total of 7.9 million subscriptions. A staggering 700,000 new additions were reported in the month of December alone. This amounts to an annual growth of 139%, up from 3.3 million at year-end 2003. The total subscriber base at the end of the year represents an overall market penetration of 5.2%.

Telenor Pakistan

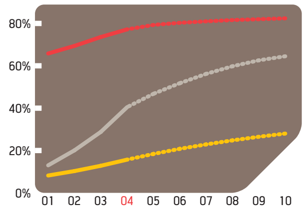
With Telenor Pakistan entering the market, Pakistan now counts six mobile operators, three of which are currently offering GSM services. The Pakistani market is predominately pre-paid, with 95% of all customers currently on pre-paid subscription plans.

According to Telenor Pakistan's licence terms, Telenor Pakistan shall provide coverage to 70% of Pakistan's population by the fourth year of operation. Telenor Pakistan is firmly committed to pursuing an aggressive rollout strategy, which will enable it to meet the license requirements with a comfortable margin and ensure superior quality coverage to its customers.

In addition to a clear customer focus, the company expects this strategy to result in high customer uptake and substantial revenue growth in the years ahead. Telenor Pakistan also plans to introduce GPRS and EDGE functionality to ensure that the demand for more advanced services is met.

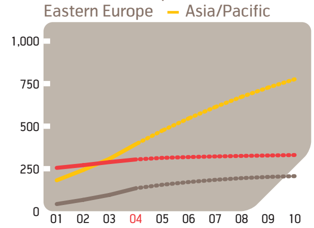
On 14 April 2004, Telenor won the bid for a nationwide GSM licence in Pakistan, which, with its 150 million inhabitants, is the sixth largest country in the world. On 15 March 2005, commercial mobile services, with a full multimedia platform, were launched under the name Telenor Pakistan.
More information: www.telenorpakistan.com

Actual and expected penetration (%)
— Western Europe — Central/ Eastern Europe — Asia/Pacific



Source: Strategy Analytics, January 2005

Actual and expected development in GSM users (in millions)
— Western Europe — Central/ Eastern Europe — Asia/Pacific



Source: Strategy Analytics, January 2005

MALAYSIA

Population (2004, in millions) [1]	25.5	GDP per head (US$ PPP) – 2004 estimate [1]	10,580
Land Area (sq KM) [1]	330,113	Real GDP growth 2004 estimate (%) [1]	7.7
Population per sq KM [1]	77	Inflation 2004 estimate (%) [1]	1.4
Population growth (% average 1999–2003) [1]	2.4	Telecom revenues (% of total GDP, 2002) [2]	5.0
Population in Urban areas (2003, % of total) [1]	59.4	Mobile revenues (% of total GDP, 2002) [2]	2,6
GDP per head (US$) 2004 estimate [1]	4,520	Fixed line penetration (%), 2003 [2]	18

Source: [1] EIU (Economist Intelligence Unit)
[2] ITU (International Telecom Unit)

DIGI.COM (MALAYSIA)	2004	2003	2002	2001	2000
No. of mobile subscriptions (100% in thousands)	3.242	2.207	1.616		
– of which prepaid (100% in thousands)	3.067	2.101	1.519		
Traffic minutes per GSM subscription per month, generated and terminated	167	176	189		
Average revenue per GSM subscription per month (ARPU):	110	117	152		
Market share GSM (%)	22	20	19		
Mobile telephony penetration (%)	57	44	36		

BANGLADESH

Population (2004, in millions) [1]	135	GDP per head (US$ PPP) – 2004 estimate [1]	1.500
Land Area (sq KM) [1]	147.570	Real GDP growth 2004 estimate (%) [1]	5,5
Population per sq KM [1]	915	Inflation 2004 estimate (%) [1]	6,0
Population growth (% average 1998–2002) [1]	1,5	Telecom revenues (% of total GDP, 2002) [2]	1,1
Population in Urban areas (2002, % of total) [1]	23,4	Mobile revenues (% of total GDP, 2002) [2]	0,5
GDP per head (US$) 2004 estimate [1]	420	Fixed line penetration (%), 2003 [2]	0,5

Source: [1] EIU (Economist Intelligence Unit)
[2] ITU (International Telecom Unit)

GRAMEENPHONE (BANGLADESH)	2004	2003	2002	2001	2000
No. of mobile subscriptions (100% in thousands)	2.388	1.141	769	464	191
– of which prepaid (100% in thousands)	2.092	899	563	279	49
Traffic minutes per GSM subscription per month, generated and terminated	244	317	298	316	256
Average revenue per GSM subscription per month (ARPU):	106	136	172	190	260
Market share GSM (%)	62	62	69	70	69
Mobile telephony penetration (%)	2,8	1,3	0,9	0,5	0,2

PAKISTAN

Population (2004, in millions) [1]	153.7	GDP per head (US$ PPP) – 2004 estimate [1]	2,210
Land Area (sq KM) [1]	796,095	Real GDP growth 2004 estimate (%) [1]	6.3
Population per sq KM [1]	193	Inflation 2004 estimate (%) [1]	7.4
Population growth (% average 1998–2002) [1]	2.2	Telecom revenues (% of total GDP, 2002) [2]	2.4
Population in Urban areas (2002, % of total) [1]	38.8	Mobile revenues (% of total GDP, 2002) [2]	0.5
GDP per head (US$) 2004 estimate [1]	520	Fixed line penetration (%), 2003 [2]	2.7

Source:: [1] EIU (Economist Intelligence Unit)
[2] ITU (International Telecom Unit)

Trust is essential.
Telenor's ambition is to be a leader in integrating social responsibility in its operations.


I need to see
Two hours, at least. I don't
Did she explain
it's worth the effort. Tomorrow is
sounds exciting. Are you going alone?

Group Management

From left: Stig Eide Sivertsen, Jan Edvard Thygesen, Arve Johansen, Jon Fredrik Baksaas, Torstein Moland and Morten Karlsen Sørby.

JON FREDRIK BAKSAAS
has served as President and Chief Executive Officer since 21 June 2002. Mr. Baksaas joined us in 1989 and served as Deputy Chief Executive Officer between 1997 and 21 June 2002. Mr. Baksaas has also held positions as Director of Corporate Finance, Executive Vice President, and Chief Executive Officer of TBK AS. Before joining us, he held finance-related positions at Aker AS, Stolt- Nielsen Seaway and Det Norske Veritas. Mr. Baksaas is also a board member of Svenska Handelsbanken AB and Aker Kværner ASA, and a member of the counsel of Det norske Veritas. Mr. Baksaas received a M.Sc from the Norwegian School of Economics and Business Administration and has attended the Program for Executive Development at IMD in Lausanne, Switzerland.

TORSTEIN MOLAND
has served as Senior Executive Vice President since 2000 and Chief Financial Officer of Telenor since 1997. Prior to joining us in 1997, Mr. Moland served as Governor of the Central Bank of Norway and as Executive Vice President and Chief Financial Officer of Norske Skog. He had previously served at the Norwegian Ministry of Finance, where he worked on economic policy, and later as the secretary of state to the Prime Minister. Mr. Moland received an honors degree in economics from the University of Oslo and engaged in additional studies at the Massachusetts Institute of Technology.

ARVE JOHANSEN
has served as Senior Executive Vice President since 1999. Since 2000 he has held the position as head of Telenor's International mobile operations. Mr. Johansen joined us in 1989 and has held a number of positions in Telenor, including Chief Executive Officer of Telenor International AS. Prior to joining Telenor, Mr. Johansen was employed by EB Telecom as Executive Vice President, by the Norwegian Institute of Technology as research engineer and by ELAB. Mr. Johansen received a M.Sc in electrical engineering (telecommunications) from the Norwegian Institute of Technology and participated in the Program for Management Development at the Harvard Business School.

MORTEN KARLSEN SØRBY
has served as Executive Vice President since January 2003. Since January 2005 he has held the position as head of Telenor's Nordic mobile and fixed operations. Mr. Sørby joined us in 1993 and has since held a number of senior positions in Telenor, including Deputy Chief Executive Officer of Telenor Mobile and General Manager of Telenor International AS. He has previously worked at Arthur Andersen & Co in Oslo. Mr. Sørby holds a M.Sc in Business Administration and is a state licensed public accountant (Norway). He also has qualifications from IMD, Lausanne.

JAN EDVARD THYGESEN
has served as Executive Vice President since 1999. From January 2005, he has served as Chief Executive Officer of Sonofon. In 2004, he held the position of Executive Vice President and General Manager of Telenor Nordic Mobile. Since joining us in 1979, Mr. Thygesen has held various positions, including Executive Vice President of Telenor Mobil, President of Telenor Invest AS, Executive Vice President of Telenor Bedrift AS and President of Telenor Nett AS. He has also served as President of Esat Digifone and Televerket. Mr. Thygesen received a B.Sc in electronics and telecommunications from the Norwegian Institute of Technology.

STIG EIDE SIVERTSEN
has served as Executive Vice President since 1999. He is head of Telenor's Broadcast operations. Mr. Sivertsen joined the Company in 1997 as the Director of Finance and chief accountant for Telenor Link AS. Mr. Sivertsen previously held positions as Chief Executive Officer of Nettavisen AS and Chief Financial Officer of Petroleum Geo-Services ASA and Schibsted ASA. Mr. Sivertsen holds elementary and supplementary degrees in law from the University of Bergen and a Master of Business Administration from Durham University.

Corporate Governance

Telenor considers good corporate governance to be a necessary requirement for value creation and trustworthiness, and for access to capital. Telenor's principles of good corporate governance have been developed independently, within the framework of the regulations, requirements and recommendations the activities are subject to.

Good Corporate Governance, Ethics and Social responsibility

In this context good corporate governance means open interaction and cooperation among the company's owners, the Corporate Assembly, the Board and Group Management, as well as other interested parties such as the Group's employees, customers, suppliers, creditors, public authorities and society in general, etc.

The presentation given herein is seeking to reflect that Telenor, when engaging in corporate governance, includes all these interested parties in an integrated and comprehensive way.

Earning public trust is essential for all companies. When submitting reports, Telenor provides both financial and non-financial information, emphasising transparency so that interested parties may be able to make informed decisions. Telenor also focuses on individual responsibility and personal integrity – values that will be promoted by concentrating on value-based leadership and business ethics. Social, competitive and industrial development will involve changes and restructuring. Flexible employees and a pliable organisation will be pivotal in achieving a successful development.

Telenor is subject to rules and regulations applicable in Norway as well as the countries where the Group conducts business. Telenor's shares are listed on the Oslo Stock Exchange and Nasdaq in the US. As an issuer of shares the company must comply with both Norwegian and US stock exchange rules. Listing on Nasdaq involves compliance with regulations promulgated by the Securities Exchange Commission and Nasdaq, and the Sarbanes-Oxley Act (SOA), which includes strict requirements and internal controls relating to financial reporting.

Telenor's good corporate governance principles are formulated independently. However, rules, requirements and recommendations to which the company is subject are included in the overall framework for good corporate governance. The Group Management is responsible for ensuring the existence of internal rules, procedures and structures which can efficiently secure value creation, and where i.a. authority and responsibilities are clearly set out and mutually understood.

Experience shows that Telenor's established values are closely connected with the values created by the company. In order to secure long-term value creation the Board will ensure that Telenor's values are firmly anchored in the organisation and that the company's activities are based on responsibility and good business practice at all levels.

Telenor's Codes of Conduct have been adopted by the Board and are a key management tool for Telenor's activities. The Codes of Conduct cover areas which are important for securing good business ethics in all aspects of the Group's activities. They contain specific and practical rules, and set the standards for how individual employees should proceed when, in their daily work, they are faced with competition and demands for meeting business objectives. Failure to comply with the Codes of Conduct will result in sanctions adapted to suit the nature and extent of the violation in question. The Codes of Conduct apply to Board members, managers, employees, hired staff and anyone acting on behalf of Telenor. During 2004 the Codes of Conduct were implemented at the Norwegian and international companies of which Telenor has operational control.

In order to make it easier to understand and comply with the Codes of Conduct, Telenor has developed an interactive, computer-based training programme whereby employees are confronted with a number of ethical dilemmas of varying degrees of difficulty. The dilemmas are presented as video inquiries received from fictitious employees around the world who are faced with an ethical dilemma in their work situation, which they need help resolving. The individual participants provide advice based on their understanding of the Codes of Conduct. A recurring element in the feedback provided in the programme is that employees should always seek help and advice in difficult situations, and always report irregularities. The training programme was implemented at Telenor's Nordic companies during the final quarter of 2004, and will be implemented at the Group's other international companies during the first quarter of 2005.

On the basis of the company's values and Codes of Conduct, Telenor's Ethical Council will promote ethical awareness within the Group. The Ethical Council is an independent forum which can bring up for discussion matters relating to ethics and reputation. The Council has no decision-making authority, but may make recommendations to Telenor's Group Management. The Council is chaired by the Chief Executive Officer and is otherwise composed of individuals from different parts of the Group.

Telenor currently conducts business in countries in which corruption and business ethics issues represent a challenge. Telenor's activities may serve to illustrate that it is possible to achieve success in business in demanding markets without compromising adopted ethical principles or international norms. Telenor will not tolerate corruption and works to prevent corruption at all levels of the organisation. The most important measures employed by the Group in the fight against corruption involve ensuring a common business ethics platform at all companies where Telenor has operational control, training of individual managers and employees in how to deal with situations involving ethical dilemmas, and ensuring that ethical issues may be raised and discussed in all units in the Group. These efforts are therefore not undertaken simply to protect Telenor's reputation, but contribute to secure sustainable trade and industry in the countries where Telenor conducts business.

Telenor's efforts to ensure socially responsible business conduct involve more than just good business ethics at all levels. They concern the manner in which we treat our employees, our relationship to nature and our surrounding environment, our efforts to ensure safe products, as well as a number of other factors. More information can be found on www.telenor.com/csr/

In 2005 Telenor will continue the work undertaken to ensure that guidelines, training and control mechanisms are up to date and adequate, and that they meet both Telenor's own requirements as well as the justified expectations of other interested parties. During 2005, Telenor's internal rules will be adapted to new US requirements placing greater focus on internal controls relating to financial reporting. One such requirement relating to internal control of financial reporting involves good, efficient Corporate Level Controls. The adaptations will also take into account Telenor's requirements relating to value-driven management, operational excellence and strategic direction. The adapted internal rules will also be implemented at international subsidiaries.

Internal and external rules and procedures provide Telenor with a sound platform for good corporate governance and for further development of a positive, responsible and healthy corporate culture. Telenor works systematically to install responsibility at all levels of the Group's activities – a requirement to successfully achieve the Group's goals of long-term value creation. Such responsibility is also important in relation to Telenor's customers, owners, employees, joint venture partners, competitors, public authorities and other interested parties. Business ethics has featured prominently in Telenor's work on social responsibility.

Owners' interests – Annual General Meeting (AGM)

The owners' interests are primarily ensured through the company's Annual General Meeting and by those members of the company's other bodies who are elected by the shareholders. The AGM is the company's highest authority. Telenor encourages as many shareholders as possible to exercise their rights by attending the AGM, and aims to ensure that the AGM remains an effective meeting place for shareholders and the Board. The shareholders receive agenda papers, including the Nomination Committee's recommendations, at least two weeks prior to the AGM. Agenda papers are prepared in such a way as to enable shareholders to make decisions about all items for discussion. The deadline for registration is set as close to the meeting as possible, and accords with the company's Articles of Association, i.e. three days before the AGM. Shareholders who are unable to attend may vote by proxy. The Board and the company's auditor are present at the AGM, and so are the representatives who sit on the Nomination Committee when an election appears on the agenda of the AGM. The company has adopted procedures to ensure independent chairmanship of the AGM by stipulating in the Articles of Association that the Chairman of the Corporate Assembly shall chair the company's AGM.

By pursuing its main objective of creating value for owners, the Board of Telenor attends to the interests of the shareholders. The Board also ensures the interests of others, e.g. employees, customers, creditors and society in general. Accordingly, such interests form an integral part of good corporate governance at Telenor.

It is important that the owners are aware of their responsibilities when exercising their ownership rights and control through the company's various bodies, and that management relates to these bodies as active and operative corporate bodies. More than 50% of Telenor is owned by one single shareholder – the Kingdom of Norway through the Ministry of Trade and Industry. Telenor is of the opinion that the Ministry of Trade and Industry does not exert any undue influence over the company. The expressed aim of the Ministry of Trade and Industry's ownership of Telenor is to secure optimal value and to secure national anchoring of the activities, cf. P. 119 of White Paper no. 22 (2001–2002). In its capacity as owner, the Ministry of Trade and Industry is subject to more clearly defined principles relating to ownership, cf. Pp. 9 and 52 of White Paper no. 22 (2001–2002). The Ministry of Trade and Industry's ownership management shall be based on 10 principles relating to good ownership. Cf. Pp. 9 and 52–59 of White Paper no. 22 (2001–2002), including equal treatment of shareholders, transparency with respect to Ministry of Trade and Industry's ownership, owner decisions and resolutions shall be made at the AGM and the composition of the Board shall ensure expertise, capacity and diversity reflecting the distinctive nature of the individual companies concerned.

Activities, strategic focus areas and management model

Telenor's activities are clearly set out in the company's Articles of Association, and its stated objectives and main strategies lie within the framework provided by the Articles. The object clause of the Articles of Association and the company's objectives and main strategies are presented in the Annual Report. See page 153.

The Group's strategy identifies three main focus areas, i.e. strategic direction, operational excellence and value-driven management, as being important in respect of the realisation of Telenor's goals.

Strategic direction comprises a number of factors, the main one being further development of Telenor as an international mobile company with long-term industrial ownership within limited geographical areas. It also comprises Telenor's "control or exit" strategy, whereby the company will seek to dispose of activities of which it is impossible or undesirable to gain operational control. It also involves a commitment to seek new opportunities for mobile expansion in defined markets, and selective Nordic expansion opportunities, mainly in mobile. Strategic direction also involves continued development of Broadcast as the leading TV distributor in Norway, as well as the realisation of values in non-critical ownership positions.

The "Dow Jones Sustainability Indexes" family follows a best-in-class approach comprising the sustainability leaders in the investable universe from each industry. Since launch, 51 licenses have been sold to asset managers in 14 countries.

The FTSE4Good Index Series has been designed to measure the performance of companies that meet globally recognised corporate responsibility standards, and to facilitate investment in those companies.

Storebrand's symbol of excellence is awarded to the companies that have earned BEST IN CLASS status for leading environmental and social performance.

Based on evaluations of its social, ethical and environmental performance, Telenor is listed and highly ranked on prestigious international indexes. The most important of these indexes are the Dow Jones Sustainability Indexes, FTSE4Good and Storebrand's "Best in Class".

Operational excellence involves stronger and clearer customer orientation, as well as simplification, standardisation and perfection of products and processes. Furthermore, it also involves a focus on optimising operations in the domestic market, the Nordic region and internationally. In 2004 a considerable amount of work was undertaken to improve efficiency. This overall effort was focused on developing Telenor towards a more simplified and more customer-oriented company. This work is continued with new areas of focus in 2005. Value-driven management means that managers should be rewarded for their contributions in respect of achieving financial results as set out in the company's business plan, and also for their contribution to the development of the organisation in accordance with Telenor's management requirements.

Telenor's management requirements constitute a framework relating to how the company's style of management should be developed and how individual managers should develop within Telenor. These management requirements thus define the framework for management at Telenor, and also take into account the different markets and cultures in which the Group conducts business. In 2004, these management requirements were incorporated into and reviewed by all the management groups at Telenor's Norwegian companies. Implementing these requirements at the international companies of which Telenor has operational control will be completed in 2005. In addition to general management requirements, Telenor has initiated an integrated process designed to evaluate, develop and reward managers in accordance with Telenor's own leadership demands and business results; Telenor Leadership Development Process (TLDP). This process provides details of overall management capacity, management teams, key positions – and the extent to which Telenor recruits relevant expertise. Under this process, candidates for key positions are identified, along with the training required to fill such positions. Talents are also identified, as are candidates for future management positions. TLDP also provides details relating to career objectives for managers, and also reflects the diversity relating to e.g. gender and nationality. In 2004, TLDP was implemented for around 70% of all managers at Telenor. The process will be completed in 2005.

Telenor has established a management model under which targets are set and results followed up in a systematic manner. This applies to a number of financial parameters such as operating profits, capital yield and cash flow. It also applies to a number of non-financial parameters such as Telenor's position in the market, its capacity for innovation, internal procedures and role as an employer. These matters are followed up in Business Reviews, at Board meetings and under the company's incentive system.

Company capital and dividends

Telenor's goal of creating value for its owners means a continuous focus on ensuring that the company's equity is adapted to the company's objectives, strategy and risk profile. The Board believes that Telenor is best served by drawing up a long-term and predictable dividend policy. This corresponds with the objective of providing its shareholders with a return on their investments at least equal to alternative investments with similar risk profiles. Such return should come in the form of cash dividends and increased share value. Telenor's repurchases of treasury shares, undertaken in 2004, must be seen in this context. Telenor shares should be seen as liquid and interesting investment opportunities. Recent improvements in equity and cash flow enable Telenor to transfer value to shareholders in the form of increased dividends, as well as through the repurchase of shares. Based on Telenor's financial position and anticipated capital requirements, the Board accounted for an amendment to dividends policy at the AGM in 2004. The aim is for shareholders to be paid annual dividends amounting to 40–60% of normalised annual profits, and the company is aiming for a relatively even growth in annual ordinary dividends per share. In 2004 the AGM authorised the Board to repurchase shares and also granted issue authority for a period of one year, i.e. until the AGM in May 2005.

Transferral rights, equal treatment of shareholders and transactions with close relatives/friends

Telenor's shares are freely transferable and have no trading restrictions in the form of Board consent, ownership limitations, etc. All Telenor shareholders have the same status through one class of shares. Telenor strictly adheres to the principle relating to equal treatment of shareholders. This is also reflected in the fact that Telenor's purchases of treasury shares take place on the Stock Exchange. If the Board wishes to propose to the AGM that the pre-emptive rights of existing shareholders be waived when undertaking capital expansions, then such proposals will be based on the common interests of the company and its shareholders. The reasons for such will be outlined in detail in a working document submitted to the AGM. Telenor prepares value assessments submitted by independent third parties when significant transactions take place between the company and Board members or close relatives/friends, and will introduce similar guidelines for its shareholders. In accordance with the Group's Codes of Conduct, individuals shall, at their own initiative, inform their superiors of any vested interests or conflicts of interest. Board members must not participate in discussions or decisions relating to issues which, due to their particular relevance to them or any of their close relatives/friends, mean that the member concerned must be considered to have strong vested personal or financial interests in the matter, or if for other reasons the qualifications of the member concerned are open to question. The same also applies to the Chief Executive Officer.

Nomination committee

It is not a legal requirement for the company to have a nomination committee, but a nomination committee is set up in accordance with resolutions determined by the AGM. Further stipulations regarding the Nomination Committee are included in the Articles of Association.

The Nomination Committee consists of four members who are shareholders or who represent the shareholders. The Chairman of the Corporate Assembly is a member and chairs the Nomination Committee. Two members are elected by the AGM and one member is elected by and from the Corporate Assembly's shareholder-elected members and alternates. Members are elected for a two-year period.

When appointing members to the Nomination Committee, consideration is given i.a. to the fact that broad shareholders' interests should be represented and to the need for independence in respect of general management and those who are elected. The CEO or members of the Group Management shall not be members of the Committee.

The Nomination Committee works in accordance with instructions that are laid down by the Corporate Assembly's shareholder-elected members, in line with proposals from the Board's shareholder-elected members. The Nomination Committee proposes candidates to the Corporate Assembly and to the Board. It also proposes the remuneration to members of these bodies.

The Nomination Committee is responsible for submitting to the AGM recommendations on the choice of shareholder-elected members and alternates to the Corporate Assembly, and recommends to the Corporate Assembly the choice of shareholder-elected Board members. The Nomination Committee forwards these proposals to the Chairman of the Board.

The Board's annual self-evaluation report is dealt with separately by the Nomination Committee.

Telenor will provide information on the company's website about who the members of the Committee are, and also information regarding deadlines for the submission of proposals to the Committee in line with Item 7 of the Norwegian Recommendations.

The corporate assembly and board of directors, composition, independence and remuneration

Pursuant to Norwegian law, Telenor has a Corporate Assembly and a Board of Directors.

The Corporate Assembly, which is a distinctly Norwegian body, is primarily a supervisory body which supervises the Board's management of company business.

The Corporate Assembly also has decision-making powers in limited, but important areas. Further stipulations concerning the composition of the Corporate Assembly and of the Board are laid down by the AGM and included in the company's Articles of Association.

The Corporate Assembly has a total of 15 members who are appointed for a period of two years. The shareholders elect ten of these members, with alternates, and five are selected from and by the employees. The Board of Directors has a total of ten members who are elected for a period of two years. Seven of these members are elected by the shareholders and three are elected from and by the employees. Telenor's CEO is not a member of the Board.

The Corporate Assembly and the Board shall be made up to ensure a broad representation of Telenor's shareholders. When appointing Telenor's Corporate Assembly and Board, emphasis is also placed on meeting Telenor's needs for expertise, capacity and balanced decisions. Six of the fifteen members of the Corporate Assembly and four of the ten Board members are women.

The shareholder-elected members of the Corporate Assembly and of the Board are independent of the company's management. The expertise and capacity of the company's Board members are highlighted in the Annual Report and Accounts. Furthermore, the shareholder-elected members a) do not receive extra remuneration from the company beyond the fees for Corporate Assembly members and Board members or fees for participation in sub-committees, b) have not been employed by the company in recent years and c) do not receive fees that are linked to profit performance or share options in the company. Remunerations additional to the regular directors' fees, in the form of fees payable for sitting on one of the Board's sub-committees, are specified in the Annual Report under Note 28 of the consolidated accounts.

Remuneration for members of the Corporate Assembly is determined by the AGM. Remuneration for Board members who are elected by the Corporate Assembly is determined by the latter. Remuneration for members of the Nomination Committee is determined by the shareholder-elected members of the Corporate Assembly. All remunerations are based on the Corporate Assembly's, the Board's and the Nomination Committee's responsibilities, expertise, hours worked and complexity of the work involved.

When electing shareholder-elected members, emphasis is placed on the relevant candidate not having cross-relations with other members or the CEO, close family ties to the CEO, or having or representing substantial business relations with the company. The shareholder-elected members shall, for all material respects, be independent of the company's main shareholder.

Should vested interests or associated interest situations arise, the company's provisions for vested interests and conflict of interests shall be applied.

The company does not provide loans to Board members or Group Management, although Board members and the company's management are encouraged to own shares in the company. Details of the number of shares are included in Note 28 in the Financial Statements.

The work of the Board of Directors

Pursuant to Norwegian law, the Board is responsible for the management of the company and the proper organisation of the operation, including a responsibility to supervise the company's management. Annually the Board adopts a plan for its work with special emphasis on objectives, strategy and implementation.

In addition to statutory requirements, the Board works in accordance with special regulations for the Board, as well as in accordance with guidelines and procedures for Telenor ASA.

The guidelines and procedures that apply to the Board include regulations for the preparation of agendas, privacy and confidentiality, competence, responsibility to establish a management system that ensures that activities are run in accordance with the company's core values, ethical guidelines and generally accepted principles of corporate governance, information on the use of steering committees and evaluation of the Board's activity and competence.

In accordance with the said guidelines and procedures, the Board is responsible, to the degree necessary, for determining strategies, business plans and budgets for the company. The Board is also responsible for ensuring that the company has a competent management with clear internal apportionment of responsibility and work.

The Board has elected a Deputy Chairman who can act when the Chairman of the Board is unable to or ought not lead the work of the Board.

The Board undertakes annual assessments of its own work and expertise.

The Board can choose to prepare issues in sub-committees which have been set up in order to process specific issues. Two such sub-committees have been set up. These committees do not have any independent decision-making powers, other than powers specially bestowed on them by the Board.

Telenor's Remuneration Committee consists of three shareholder-elected Board members. The Chairman of the Board is also the Chairman of the Committee. The Vice Chairman of the Board is also a Committee member. The Committee's third member shall be elected by the Board's shareholder-elected members for a period of two years. The Committee shall meet as required, normally twice annually. On behalf of the Board, the Committee evaluates the total remuneration to the CEO and the policy for remuneration to managers. The Remuneration Committee held two meetings in 2004.

Telenor's Audit Committee consists of two members from the Board, one of which has been approved by the Board to meet the requirements of being a Financial Expert in accordance with US standards. The Audit Committee normally meet six times per year, for the purpose of identifying, understanding and evaluating operational and financial risks. This shall include a thorough evaluation of the company's financial reporting, internal control of financial reporting, auditing, and established procedures for advance approval of the auditor's remuneration, and also the handling of complaints from the employees in respect of accounts, control and audits. The Audit Committee held seven meetings in 2004.

As regards offers for the company, the Board of Telenor will not, without just cause, seek to prevent or impede any offers made for the company's operations or shares. If an offer is submitted for the company's shares, the Board will not exercise its issue rights or adopt other measures designed to prevent the implementation of such offers without such being approved by the AGM after the offer in question becomes known. Transactions which in reality involve the sale of the activities will be decided by the AGM, except in such cases where decisions should, in accordance with the law, be made by the Corporate Assembly.

The Board shall ensure that the company has good internal controls in respect of those provisions which apply to the company, including the Group's values and Codes of Conduct.

The Chief Executive Officer

The Chief Executive Officer (CEO) is in charge of the day-to-day management of operations at Telenor ASA and in the Telenor Group, and is responsible for ensuring that the company and Group are organised, run and developed in accordance with the law, Articles of Association and decisions adopted by the Board, the Corporate Assembly and the AGM.

The Board has devised guidelines and procedures for the CEO, covering the management of the Telenor Group, the management of ownership interests, the powers of the CEO, the CEO's submission of issues to be determined by the Board and the CEO's obligation to report to the Board.

Guidelines on the exercise of authority in the Telenor Group have been drawn up pursuant to the guidelines and procedures for the CEO.

As a part of the day-to-day management and running of the company, the CEO will be an owner representative in subsidiaries, provided that the issues in question do not require that they are handled by the Board, Corporate Assembly or the AGM.

At the election to the boards of Telenor's subsidiaries, such election of the board, and its functions, shall be made in accordance with Telenor's principles of good corporate governance.

Group Management

The Group Management consist of heads of key business areas and functions at Telenor. Issues of important strategic, financial or fundamental matters to the company are dealt with in the Group Management's weekly meetings, including the preparation of items for the Board, the Corporate Assembly and AGM. This also includes strategy, ongoing follow-up of activities and coordination between the company's senior managers etc.

Control functions

Risk management and internal control are given high priority at Telenor. In connection with the annual reporting to the SEC (20-F), Telenor's CEO and CFO submit a comprehensive personal declaration relating to the quality of financial reporting, major changes in the company's internal controls and any irregularities committed by individuals with a central function in the company's financial reporting (SOA Section 302).

Beginning in 2006, the CEO and CFO shall provide an assessment of the effectiveness of Telenor's internal controls of its financial reporting (SOA Section 404). In order to implement the strict US requirements by the deadline of 31 December 2006, Telenor has implemented a comprehensive high priority project.

The Disclosure Committee supports the company's efforts to meet the requirements for financial reporting. The Committee issues guidelines for reporting, provides follow-up and helps to ensure that requirements are met. The Committee is chaired by the CFO, and consists of members who have relevant expertise. The Disclosure Committee meets five times per year in connection with reviews of the quarterly accounts and the Annual Report, as well as when required.

The Compliance Officer gives quality assurance that the company acts in accordance with applicable law, regulations and legally binding directions issued by public authorities, and that internal conduct in the organisation does not conflict with Telenor's own regulations and guidelines. Any breaches of the Group's Codes of Conduct should be reported to the Compliance Officer or manager. The Compliance Officer reports to the CEO.

The Group Auditor helps to ensure good risk management and provides follow-up of general steering and control functions through random testing, including ensuring compliance with internal steering directions. The Group Internal Auditor reports to the CEO and in some cases to the Audit Committee and the Board.

The Investment Committee shall provide quality assurance of the company's investments, including acquisitions and sales of activities. Investments of a certain size are dealt with by the Investment Committee. The evaluation of such investments shall subsequently be returned to the Investment Committee for a final analysis. The Committee, which functions in an advisory capacity to the CEO and the Group Management, is chaired by the CFO and consists of members who have relevant expertise. The company has devised a policy for the investment criteria to be used in the processing of such matters.

In order to ensure overall management and control of the company's financial affairs, the company has set up a central finance function, Telenor Finance. Telenor Finance works in accordance with the guidelines of Telenor's Finance Policy, adopted by the Telenor Board, which determines rules relating to interest and currency risks, the Group's capital structure, debt structure, profit liquidity and counter risks, as well as the capital structure and financing of subsidiaries and financial investments.

Executive remunerations

Telenor wishes to reward its executives and employees on the basis of performance which contributes towards the long-term value creation in the Group. Through working with the Compensation Committee, the Board helps to ensure independence when formulating total compensation for the company's chief executives, including basic salaries, bonuses and commission, share-based incentives, pensions and other benefits. The Compensation Committee considers the CEO's total salary and presents its recommendations to the Board, which in turn determines the CEO's salary and other benefits at a meeting. The total salary situation relating to executives who report directly to the CEO, as well as amendment proposals before they are implemented, are discussed by the Compensation Committee. The Compensation Committee is also kept informed about the salary levels of the managers of the company's business areas and their management groups, as well as staff managers who report to other members of the Group Management. Recommendations relating to policy and schemes which affect the company's executive remuneration policy, including bonus programmes and share-based schemes, etc., are submitted to the Compensation Committee. Work designed to obtain reference standards in order to map and assess overall compensation practices among the three upper levels of management were implemented in 2004. The results of this work will form the basis for formulating future strategy and guidelines for compensation practices at Telenor.

The frameworks relating to option schemes and share allocation schemes for employees are approved in advance by the AGM and are followed up by the Compensation Committee. All aspects relating to remunerations for the CEO and total remunerations for other managerial employees are shown in the Annual Report under Note 28 in the Financial Statements.

Employees

In accordance with Norwegian law, employees' interests are protected by the provisions in the Act relating to Public Limited Companies (Norway), which concern the right to membership of the Board and the Corporate Assembly, etc. (representatives elected by the employees), and by the provisions in the Working Environment Act which concern company transfers, wages and working conditions, dismissal protection, information and talks with employees at an early stage, etc. These interests are also protected by collective agreements.

Telenor regards skilled employees who enjoy their work to be an important competitive advantage. Telenor is engaged in activities in markets which are subject to change, and the company also has to relate to technological developments in which it is also an active participant. In order for Telenor to maintain its competitiveness and provide for value creation under such conditions, the company is subjected to considerable demands in its capacity as an organisation which is good at making changes. Telenor works actively to ensure that all restructuring is implemented in a predictable and fair manner. An important aspect of these processes is to involve the company's employees in the planning and implementation process. Good cooperation between managers and employees is important to meet market demands and expectations.

Telenor places emphasis on developing the expertise of its employees. As a result of the adopted strategic focus, the company's efforts in 2004 have been directed primarily at managers and management development (TLDP, cf. above under Activities, Strategic Focus and Management Model). Each year employees respond to an internal value-creation survey (IVS) which comprises targets and management, human capital, process capital, innovation and simplification. The IVS process is one of several tools used for achieving Telenor's ambitions relating to individual employees and the organisation. By comparing the results of the annual IVS survey with TLDP, a basis is achieved for the implementation of improvement measures with respect to employees in general and managers in particular.

Telenor aims to be a leader with respect to work solutions and job satisfaction. Employees should enjoy their work. The Fornebu solution represents an opportunity for employees to participate in value creation through new work forms in a dynamic environment. The manner in which the Fornebu solution works for employees has been closely followed up in a number of surveys. Emphasis has been placed on the question of whether sufficient efforts have been made to ensure high levels of job-satisfaction and high levels of productivity and efficiency. Employees are encouraged to suggest improvements to the working environment also with respect to productivity and efficiency. The results of the last survey were presented in November 2004, and improvement measures are being considered and will be implemented during the course of 2005.

Accounting and reporting

In accordance with Norwegian law, strict accounting and financial reporting requirements must be met. The Group will conduct its reporting in accordance with International Financial Reporting Standards (IFRS), effective from the first quarter of 2005, with corresponding figures from 2004. The Group is thereby adapting to international accounting principles for its financial reporting.

As a consequence of being listed on Nasdaq, Telenor is subject to further accounting and financial reporting requirements in accordance with US regulations. The compilation of quarterly reports, annual reports and 20-F shall be in accordance with Norwegian standards (up to and including 2004) and international standards (effective from 2005) and in accordance with US principles and regulations for accounting. Business Reviews and Financial Reviews are conducted quarterly.

Business Review is the Group's internal quarterly results follow-up, additional to the follow-up of the boards of the business units. The purpose is the strategic control and follow-up of results based on the prevailing strategic objectives and value drivers. Financial Reviews are conducted with each of the Group's business areas. The purpose is to analyse the economic and financial situations in such a way as to form the basis for external reporting and presentations, and to provide quality assurance of the financial reporting.

Customers and suppliers

Telenor is committed to the vision "Ideas that simplify", and will maintain a strong focus on customers. Telenor believes it is essential that customers be offered solutions that fulfil their communications requirements in a simpler and better manner. A good understanding of people's communications needs, combined with the ability to deliver as promised, is required to ensure that Telenor remains the preferred choice. The company takes its reputation and market surveys seriously, and is engaged in continuous work on improvement measures.

Telenor is committed to impartial and fair treatment of suppliers. Suppliers competing for contracts with Telenor should always be confident of the integrity of Telenor's selection process. All choices of suppliers are made in line with the Group's established guidelines and procedures for procurement. Telenor has an adopted a principle whereby all procurement should be subject to competition, regardless of whether or not such competition relates to the signing of framework agreements or project purchases. As far as possible, and provided that technical requirements are met, the lowest life cycle costs (LCC) shall serve as the main criterion for the final choice of supplier.

Information and communications

The Board provides guidelines for the company's reporting of financial and other information based on openness and transparency, and in accordance with requirements relating to equal treatment of players in the share market. Each year, Telenor announces the dates of important events such as the AGM, the publication of interim reports, open presentations and the payment of any dividends etc. Information to the company's shareholders is made available on Telenor's website at the same time as it is sent to the shareholders. Telenor's Investor Relations function ensures that contact with the company's shareholders is maintained outside the AGM. See www.telenor.com/ir/

Auditor

In accordance with Norwegian and US regulations, Telenor is subject to strict requirements for auditing, including restrictions on the type of work the auditor can undertake. Prior approval from the Audit Committee of services carried out by the auditor is a requirement. The Audit Committee is kept informed, on a quarterly basis, of all work undertaken by the auditor. Partner rotation is a further requirement, and the auditor cannot be employed by the company for a period of one year after having carried out auditing work for the company.

The auditor provides the Board with an annual written confirmation that he meets a number of requirements, including independence and objectivity.

The company's auditor presented the main features in a plan for the execution of the auditing work to the Audit Committee in 2004. The auditor attends meetings of the Audit Committee and Board meetings that deal with the Financial Statements. In addition, the auditor attends Board meetings at least once a year to review the report on the auditor's view of the company's accounting principles, risk areas, internal control routines etc.

The auditor and the company's internal audit function review the company's internal controls on an annual basis, with the purpose of identifying weaknesses, and will propose measures to amend such weaknesses.

In accordance with US requirements, the auditor and Audit Committee hold meetings which are not attended by management. At the AGM, the Board gives an account of the auditor's remuneration divided into statutory auditing work and remuneration linked to other defined work.

Information to shareholders

Telenor seeks to have a close and trusting relationship with its shareholders. Through substantial information via several channels the stock market shall be kept informed of significant developments in the Group.

Shareholder policy
Telenor's long-term primary objective is to give its shareholders a return on their investment that is at least equal to alternative investments with a corresponding risk profile. The return shall be made in the form of a cash dividend in addition to the added value of the shares. The Telenor share shall appear as a liquid and attractive investment opportunity.

Information to the stock market
Contact with the Norwegian and international stock markets has high priority at Telenor, and the company wishes to have an open dialogue with its shareholders and other players in the stock market. The reason being that the financial markets at any given time shall have sufficient information about the company in order to form the basis for an accurate share valuation. Information that may be important to shareholders and other players in the Norwegian and international markets is provided in the form of notices to the Oslo Stock Exchange and through press releases. Telenor presents its results at its headquarters at Fornebu outside Oslo every quarter. In addition, regular meetings are held with investors in Europe and in the US.

20 LARGEST SHAREHOLDERS

Name of shareholder	Nominees	Number of shares 31.12.04	Citizenship	Ownership share 31.12.04
The Ministry of Trade and Industry		944,626,908	NOR	53.99%
State Street Bank & Trust Co.	X	94,390,278	USA	5.39%
Folketrygdfondet		63,193,800	NOR	3.61%
JPMorgan Chase Bank		38,659,400	USA	2.21%
JPMorgan Chase Bank	X	24,876,033	GBR	1.42%
Mellon Bank AS Agent	X	23,935,009	USA	1.37%
Skandiniviska Enskilda Banken		16,071,694	NOR	0.92%
JPMorgan Chase Bank	X	14,683,312	USA	0.84%
Telenor ASA		14,571,700	NOR	0.83%
Skandinaviska Enskilda Banken	X	14,296,957	SWE	0.82%
Orkla ASA		14,250,000	NOR	0.81%
The Northern Trust & Co.	X	13,829,403	GBR	0.79%
Vital Forsikring ASA		13,593,380	NOR	0.78%
State Street Bank & Client Omnibus	X	10,369,182	USA	0.59%
JPMorgan Chase Bank		9,490,000	USA	0.54%
Bank of New York		9,000,000	USA	0.51%
Storebrand Livsforsikring		8,285,860	NOR	0.47%
The Northern Trust Co.	X	8,203,069	GBR	0.47%
Credit Agricole Indosuez Crayon	X	7,849,701	FRA	0.45%
JPMorgan Chase Bank		7,700,300	USA	0.44%
Total		1,351,875,986		77.26%
Total other		397,821,061		22.74%
Total number of shares		1,749 697,047		100.00%
Totalt number of shareholders (pr 31.12.04)		46,380		

Leading stockbrokers in Norway and abroad closely analyse Telenor's activities.

Ownership structure
At year-end 2004, Telenor had 46,380 shareholders. Of these, 44,798 were private shareholders. Non-Norwegian investors (not holding Norwegian citizenship) owned approximately 22.6% of the total stock. This is an increase in foreign ownership of 10% since year-end 2002. The Norwegian State, through the Ministry of Trade and Industry, is the largest single owner with 54% of the shares. Pursuant to authorisation given by the Norwegian Parliament (Storting), the Ministry of Trade and Industry may reduce its shareholding in Telenor, although no lower than 51%. The Ministry of Trade and Industry is also authorised to dilute its shareholding through structural transactions, reducing its ownership interest to a minimum of 34%.

Authorisation to issue new shares
Until 1 July 2005, the Board of Directors is authorised to increase the share capital with an amount up to NOK 524,760,294, through issuance of up to 87,460,049 shares. The Board may waive the pre-emptive rights of shareholders to such shares. From these shares, 97,736 new shares were issued as part of the Share Programme for employees in December 2004.

Share programme for employees
To encourage long-term shareholding among Telenor employees, all permanent employees in Telenor ASA and in Norwegian subsidiaries in which Telenor ASA's ownership share directly or indirectly is greater than 90%, were given the opportunity to buy shares, with a 20% cash discount, for up to NOK 7,500. Should the average share price during the last 30 days of trade, up to and including 19 November 2005 (share quotation NOK 58.84), be at least 12%

higher than a corresponding average price during the last 30 days of trade up to and including 19 November 2004 (share quotation NOK 52.54), those having subscribed for shares on the terms of this offer will be allocated "profit bonus shares" for NOK 2,500, provided, however, that they still hold the allocated shares and are still permanent employees of Telenor.

Around 27% of the employees who were offered shares took advantage of the offer. They were allocated 140 shares each at a price of NOK 53,50 per share, which was the closing price on 19 November 2004. After deducting the discount, the effective price is NOK 42.80 per share.

On 16 December 2004, 2,016 of the employees having taken part in the share programme for employees in 2003 were each allocated 46 bonus shares.

Share capital and treasury

As of 31 December 2004, Telenor ASA had a share capital of NOK 10.5 billion, divided into 1.749.697.047 shares, each with a nominal value of NOK 6. The Group holds 14,571,700 shares.

Dividends

On the basis of Telenor's financial situation and expected capital requirements, the Board of Directors has decided that Telenor's objective is to distribute a dividend to its shareholders which is equal to 40-60% of normalised annual profits, and that the Group will be aiming for a relatively even annual growth in the ordinary dividend per share. The Board of Directors proposes that a dividend of NOK 1.50 per share be distributed for 2004.

Such dividend as will be determined at the General Meeting will be paid on 6 June 2005 to the shareholders on the date of the General Meeting. The shares will be traded exclusive of dividends on the Oslo Stock Exchange from Monday 23 May 2005.

Repurchase of own shares

Telenor will consider repurchasing of own shares in periods with high cash flow, in addition to payments of dividends. Such considerations will be based on Telenor's potential investment opportunities and its financial situation.

At the Annual General Meeting (AGM) 6 May 2004, approval was given for the company to acquire up to 10% of the outstanding shares. This authorisation is valid until 1 July 2005. The Kingdom of Norway represented by the Ministry of Trade and Industry, which is Telenor's largest shareholder, is obliged to participate in Telenor's repurchase of own shares programme by voting for a proposal to redeem and cancel a proportionate part of its shares. As a consequence the Ministry of Trade and Industry's ownership percentage in Telenor remains unchanged. Telenor will at the time of redemption pay an amount to the Ministry of Trade and Industry equalling the volume weighted average of the price Telenor paid for such shares in the market, plus interest corresponding to NIBOR + 1%.

As of 31 March 2005, and in accordance with the authorisation granted by the AGM, Telenor has acquired 20,559,900 shares at an average share price of NOK 50.22. Telenor has repurchased 2.51% of the shares approved by the authorisation,

DISTRIBUTION OF SHARES AS OF 31.12.04

Interval	Number of shareholders	Share of all shareholders	Number of shares	Ownership share
1–1,000	40,981	88.4%	15,260,949	0.9%
1,001–100,000	4,999	10.8%	28,190,772	1.6%
100,001–1,000,000	274	0.6%	94,823,904	5.4%
1,000,001–10,000,000	112	0.2%	310,074,366	17.7%
10,000,001–944,626,908	14	0.0%	1,301,347,056	74.4%
Total	46,380	100.00%	1,749,697,047	100.00%

GEOGRAPHIC DISTRIBUTION OF FREE-FLOATING SHARES AS OF 31.12.04

Country	Number of shares	Share of free floating shares
USA	267,826,469	34%
Norway	219,719,496	28%
UK	116,755,023	15%
Europe (outside the Nordic region)	119,765,920	15%
The Nordic Region (outside Norway)	37,897,316	5%
The rest of the world	28,534,215	4%
Total	790,498,439	100%

Information to shareholders

including the Ministry of Trade and Industry's proportionate part. Of the total number of repurchased own shares, 368,200 shares were used in the employee stock ownership programme in November 2004.

At the AGM on 6 May 2004, Telenor's shareholders approved to reduce the company's share capital by NOK 332,669,784 through cancellation of 40,913,172 own shares and through redemption of 14,531,792 shares from the Ministry of Trade and Industry. This was in accordance with the authorisation given at the AGM on 8 May 2003 to repurchase own shares.

Share price performance

At the outset of 2004, the Telenor share was quoted at NOK 43.50. The highest quotation during the year was NOK 56.50, and the lowest was NOK 43.40. At year-end, the quotation price was NOK 55.00. Inclusive of dividends, this amounted to a 29% increase in value.The market value as at 31 December 2004 was NOK 96.2 billion, which makes Telenor ASA the third largest company quoted on the Oslo Stock Exchange.

Trade

The Telenor share is listed on the Oslo Stock Exchange under the ticker code TEL. The share is also listed on Nasdaq in the US under the ticker code TELN, where it is traded through Telenor's ADR programme. One ADR share corresponds to three Norwegian shares. The custodian bank is JP Morgan Chase Bank.

In 2004, 1.9 billion Telenor shares at a total value of NOK 95 billion were traded on the Oslo Stock Exchange. The average trading volume for Telenor shares on the Oslo Stock Exchange for the year was 7.7 million shares per day of trading. A round lot for the Telenor share on the Oslo Stock Exchange is 200 shares.

Voting rights and ownership

Telenor has one class of shares and each share carries one vote. The Group does not have any ownership restrictions beyond those stipulated in the Norwegian concession laws. The Norwegian Public Limited Companies Act regulates the exercising of shareholder rights. Pursuant to Norwegian law, only shares registered in the owner's name can be used for voting. Voting rights can be exercised no earlier than two weeks after the shareholding has been reported to the Norwegian Central Securities Depository (VPS).

Risk adjustment

In accordance with Norwegian tax regulations, such shareholders as are subject to taxation in Norway must, when calculating sales gains, make a downward or upward adjustment of the cost price of the shares with a "RISK" amount (adjustment of original cost of shares by taxed profits). The RISK amount is calculated annually based on the change in Telenor's retained, assessed capital, divided by the number of issued Telenor shares. The RISK amount for 2003 was NOK -0.93 per share, and the preliminary corresponding figure for 2004 has been calculated at NOK -1.39 per share. The final RISK amount for 2004 will not be published until 1 January 2006. Shareholders who are not subject to taxation in Norway are not affected by the Norwegian RISK regulations.

Rating

In July 2004, Telenor was rated by Moody's at A2/P1 for long and short-term financing respectively. Also in September 2004, Telenor was rated by Standard & Poor at A-/A2 for corresponding long and short-term financing.

More information – continuously updated – on shareholder related matters can be found on the Telenor IR website: www.telenor.com/ir

Report of the Board of Directors 2004

Report of the Board of Directors

In 2004, Telenor consolidated its position as an international mobile operator while simultaneously retaining its strong position in the Norwegian market. Growth in operating revenues and in numbers of subscriptions during the year has provided the company with a solid basis for continued increase in profits and value creation.

The work of the Board is based on a strategy of developing Telenor as an international mobile company, with a strong Nordic position in the mobile and fixed network services markets, as well as continued development of Broadcast's TV activities.

Telenor's financial situation at the beginning of 2005 is strong. Revenues in 2004 amounted to NOK 61.3 billion, representing a growth of NOK 8.2 billion, or approximately 15%, compared to 2003.

Telenor's share performance in 2004 was stronger than the average for the sector, but weaker, however, than the main index on the Oslo Stock Exchange.

In line with Telenor's strategy, the company's international mobile portfolio was extended in 2004. Telenor acquired the remaining shares in the Danish mobile operator Sonofon in February 2004, thereby acquiring sole ownership of the company. During the year, Telenor's remaining 9% shareholding in the Greek mobile operator Cosmote was sold. At an auction held in April 2004, Telenor acquired one of two new nationwide licences for mobile telephony in Pakistan. In addition, Telenor has on two occasions increased its ownership share in GrameenPhone in Bangladesh, now standing at 62%. In August 2004, Telenor purchased the remaining shares in the mobile operator ProMonte GSM in Montenegro, thereby acquiring sole ownership of the company. In Hungary, Pannon GSM, a wholly owned subsidiary of Telenor, acquired a UMTS licence on 8 December 2004.

Throughout 2004, Telenor has focused on promoting customer growth in its international mobile portfolio. At year-end, the total number of subscriptions in companies in which Telenor has ownership interests amounted to 52.7 million, an increase of 17.9 million compared to year-end 2003. This makes Telenor the twelfth largest mobile company in the world.

During 2004, Telenor continued the work of strengthening and coordinating its Nordic mobile operations. In order to improve its position in the Danish market, Telenor has, in addition to acquiring full ownership of Sonofon, also acquired the service provider CBB. A considerable effort has been made with respect to creating synergies in the Nordic mobile portfolio, which is a requirement to secure a satisfactory development in the region.

As regards the Norwegian mobile market, much has been done to improve customer satisfaction and to stabilise Telenor's market share. At year-end, Telenor had a 56% market share, measured in terms of subscriptions, which is approximately the same as at the beginning of 2003. In December 2004, Telenor Mobil opened its UMTS network for commercial operations.

Telenor continued to pursue its strategy of improving operational efficiency. In the first quarter of 2004 the company entered into an agreement to concentrate the Telenor Group's IT operations and transfer them to EDB Business Partner.

Fixed network operations suffered a fall in revenues. Underlying developments reveal a migration from fixed telephony and Internet dial-up to mobile telephony and ADSL. There is a significant demand for broadband (ADSL) in Norway, and the number of Telenor ADSL subscribers in the end-user market increased by 149,000 during 2004.

Activities at Broadcast were profitable, with growth in profits and improved margins. Broadcast retained its strong position in the Nordic market.

Telenor ASA's goal is to create value for its owners. On the basis of Telenor's financial situation and anticipated capital requirements, the Board has proposed an annual dividend to be paid to the company's shareholders equivalent to 40–60% of normalised annual profit. In addition, the company aims to ensure a relatively even growth in annual ordinary dividend per share.

The Board proposes to the Annual General Meeting (AGM) that a dividend of NOK 1.50 per share be paid for the 2004 financial year, compared to NOK 1.00 per share for 2003. The dividend determined at the AGM will be paid on 6 June 2005, to the company's shareholders on the date of the AGM. The company's shares will be listed on the Oslo Stock Exchange exclusive of dividend as of Monday 23 May.

The Board has also taken the initiative for the company to repurchase shares in the open market. At the AGM held 6 May 2004 a repurchase authority was granted. Since then and until 31 March 2005 the company has acquired 20,559,900 shares in the open market. The Norwegian State, in its capacity as Telenor's largest shareholder, remains committed to participate in this repurchase scheme by cancelling a proportionate part of its shares so that the State's shareholding remains unchanged.

At the forthcoming AGM on 20 May 2005, the Board will propose that Telenor shares owned by Telenor itself be cancelled, and, furthermore, request that a renewed authority to purchase own shares is given.

The Norwegian State reduced its shareholding in Telenor from 62.6% to 54% by selling 170 million shares on 30 March 2004 and a further 695,000 shares on 14 April 2004.

THORLEIF ENGER
was elected to the Board on 1 October 2001 and was made Chairman on 6 March 2003. He is Chief Executive Officer of Yara International ASA. He began working for Norsk Hydro in 1973 and has held a number of positions in the company. Mr. Enger is a member of ABB's corporate assembly. He has a doctorate in structural engineering from the University of Colorado.

BJØRG VEN
was elected to the Board on 1 October 2001. She is a solicitor with attendance rights at the Supreme Court in Norway, and since 1980 has been a partner in the law firm, Haavind Vislie, in Oslo. She is Chairman of the Appeal Board of the Oslo Stock Exchange and the Appeal Board for Public Acquisitions. Ms. Ven is substitute judge at the EFTA court in Luxembourg and Chairman of the Board of NOS ASA.

JOHN GIVERHOLT
was elected to the Board on 8 May 2003. He is presently Chief Financial Officer of Ferd AS and has previously held leading positions in Arthur Andersen, Actinor, Norsk Hydro, DnB and Orkla. He has a B.Sc. from the University of Manchester, England and is a state authorized public accountant in Norway.

At year-end, Telenor ASA had 46,380 shareholders. The company's ten largest owners represented 71.4% of the shares. The company's share capital amounted to NOK 10.5 billion, distributed between 1,749,697,047 shares. Telenor's shares are listed on the Oslo Stock Exchange and Nasdaq.

As at 31 December 2004, Telenor's shares were quoted at NOK 55.00 per share on the Oslo Stock Exchange, compared to NOK 43.40 at year-end 2003 (an increase of 27%). Telenor's market value was NOK 96.2 billion at year-end 2004, compared to NOK 78.5 billion at the end of 2003.

During the same period, the Dow Jones European Telecom Index was up by 10%, and the OSE Benchmark Index by 36%. In 2004, Telenor shares were among the most traded on the Oslo Stock Exchange.

During 2004, Telenor communicated actively with the financial market, providing accurate information to shareholders, thus ensuring that all essential information relevant to the external evaluation of the company was published in accordance with current rules and guidelines.

Throughout 2004, the Board closely monitored Telenor's strategic development. The Board also placed particular emphasis on follow-up of results, cost-reduction work and investment issues. Previous investments were followed up in separate evaluation reports.

Results

Key figures

The Telenor Group's net income for 2004 amounted to NOK 5,358 million, equalling NOK 3.07 per share. The corresponding figure for 2003 was NOK 4,560 million, equalling NOK 2.57 per share.

Profit before taxes and minority interests for 2004 amounted to NOK 8,846 million, compared to NOK 7,426 million in 2003, and was adversely affected by special items (gains and losses on disposals, write-downs, expenses relating to workforce reductions and loss contracts) amounting to a total of NOK 0.4 billion. The profit in 2003, on the other hand, was positively affected by a total of NOK 1.1 billion. Adjusted for special items, the profit before taxes and minority interests increased by NOK 3.0 billion compared to 2003, to NOK 9.3 billion in 2004. This increase was largely attributable to increased revenues without corresponding increases in expenses and reductions in depreciation. In 2004, write-downs of around NOK 2.6 billion were undertaken, mainly relating to Sonofon in Denmark. Also in 2004, a gain of NOK 2.6 billion before taxes was realized as a result of the sale of Telenor's remaining 9% shareholding in the previously associated mobile company Cosmote. In 2003, a gain of NOK 1.5 billion before taxes was realized, also from the disposal of a 9% shareholding in Cosmote.

Telenor's operating profit for 2004 amounted to NOK 6,602 million, compared to NOK 7,560 million in 2003. Compared to 2003, the operating profit in 2004 was adversely affected by write-downs. The result from associated companies amounted to a profit of NOK 781 million, compared to NOK 1,231 million in 2003. The drop in profit was mainly due to sales gains in 2003. This was partly offset by increased net income at VimpelCom in Russia, reduced losses at Bravida and lower depreciation and write-downs of excess values compared to 2003, following Sonofon's consolidation as a subsidiary, effective from 12 February 2004. Net financial items increased by NOK 2,891 million to NOK 1,526 million in 2004. This improvement was mainly due to a realized gain of NOK 2.6 billion before taxes from the sale of the remaining 9% of the shares in Cosmote.

Current and deferred income taxes totalled NOK 2,244 million in 2004, equal to 25.4% of the result before taxes and minority interests. An increased tax rate relating to the depreciation and write-down of goodwill, where deferred tax assets were not entered in the accounts, was offset by the realization of tax losses and reduced deferred tax on retained earnings in international companies. As a result of tax losses carried forward in Norway, current

JØRGEN LINDEGAARD
was elected to the Board on 1 October 2001. He is the Chief Executive Officer of the airline company SAS. Lindegaard's background is in the telecommunications industry, and since 1975 he has held managerial positions at Fyns Telefon A/S, København Telefon A/S and TeleDanmark A/S. He was Chairman of the Board of Sonofon Holding A/S until 2004. Mr. Lindegaard is a telecommunications engineer and a member of The Academy for Technical Sciences in Denmark and Norway.

HANNE DE MORA
was elected to the Board on 18 June 2002. Her work experience includes Den norske Creditbank in Luxembourg and Procter & Gamble in Geneva and Stockholm. She has been a partner with McKinsey & Company since 1996. Since June 2002, she has run her own management resource firm in Switzerland. She has an MBA from the IESE Business School in Barcelona.

taxes in 2004 were related to foreign subsidiaries.

The minority interest share of net income was NOK 1,244 million in 2004, compared to NOK 490 million in 2003. The results in 2003 and 2004 were mainly related to Kyivstar and GrameenPhone.

Cash flow from operational activities increased by NOK 5.3 billion in 2004 to NOK 19.0 billion, mainly as a result of increased revenues. The consolidation of Sonofon also contributed positively. This increase was also due to lower payments on financial items and taxes in international subsidiaries and accrual items. In 2004, Telenor invested NOK 18.5 billion, of which NOK 12.7 billion was capital expenditure. Investments outside Norway amounted to NOK 13.9 billion. Capital expenditure increased by NOK 6.3 billion, mainly related to international mobile operations where network capacity has increased as a result of a substantial subscriber growth. Capital expenditure also included the acquisition of a mobile licence in Pakistan and a UMTS licence in Hungary at a total cost of NOK 2.4 billion, and a NOK 0.6 billion investment in a stake in a new satellite.

At year-end 2004, Telenor's total assets amounted to NOK 88.1 billion and its equity ratio (including minority interests) was 47.3%, compared to NOK 86.1 billion and 47.5% respectively in 2003. Net interest-bearing liabilities totalled NOK 19.2 billion, an increase of NOK 1.4 billion during the year. In the opinion of the Board, Telenor's financial position is satisfactory.

Pursuant to Section 3-3 of the Norwegian Accounting Act, we confirm that the accounts have been prepared on the basis of a going concern assumption.

Comments relating to the operations

Mobile operations

In 2004, total revenues increased by NOK 9,142 million to NOK 32,952 million. This was mainly due to the consolidation of Sonofon and ProMonte GSM, as well as favourable growth in other operations as a result of an increase in the number of subscriptions. The operating profit was reduced by NOK 2,197 million in 2004, to NOK 3,027 million. The 2004 operating profit was adversely affected by the consolidation and write-down of Sonofon and a loss contract at Telenor Mobile Sweden. The remaining activities showed positive results. The results from associated companies and jointly controlled activities showed a profit of NOK 694 million in 2004, compared to NOK 1,639 million in 2003. The 2003 profits included a gain from the sale of shares in Cosmote. This was partly offset by an increase in net income at VimpelCom in Russia, as well as lower depreciation and write-downs of excess values compared to 2003 as a result of the consolidation of Sonofon.

Fixed

Total revenues were reduced by NOK 1,243 million, to NOK 19,266 million in 2004. This reduction was partly due to Telenor's sale of shares in Comincom/Combellga on 1 December 2003, and the fact that part of Managed Services was transferred to EDB Business Partner on 1 May 2004. Furthermore, the increase in wholesale revenues and revenues from DSL failed to compensate for the reduced income from PSTN/ISDN.

Following the migration to mobile traffic and the increased use of ADSL (where traffic volumes are not measured), the number of traffic minutes in the fixed network in the Norwegian market fell by approximately 15% in 2004. Fixed Norway's market share measured in traffic minutes has, however, remained stable at 69% since year-end 2003.

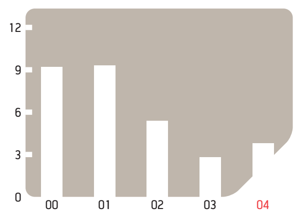
The increased operating profit at Fixed in 2004 compared to 2003 was mainly generated in Norway, and was related to reduced write-downs, partly offset by reduced EBITDA.

Broadcast

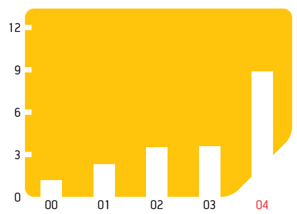
Total revenues increased by NOK 527 million to NOK 5,347 million in 2004, primarily as a result of increased prices and an increase in subscriber numbers. The overall number of subscribers with satellite dish and cable TV increased by 81,000, reaching a total of 1,448,000. Subscribers in households with small antenna TV networks increased by 114,000, reaching 1,212,000.

In 2004, the operating profit amounted to NOK 589 million, compared to NOK 181 million in 2003. This improvement was due to increased operating revenues attributable to subscriber growth, an increase in prices and reduced depreciation. Further-

Capex in Norway
(in NOK billions)



Capex outside Norway
(in NOK billions)



Key figures 2002–2004, Telenor Group

(in NOK millions)	2004	2003	2002
Revenues	61,302	53,121	48,826
EBITDA	20,821	18,302	13,469
Operating profit (loss)	6,602	7,560	(320)
Associated companies	718	1,231	(2,450)
Investments	18,554	7,017	21,300
No. of man-years	20,900	19,450	22,100

more, rental costs for satellite capacity were reduced as previously leased satellite capacity was being replaced by own capacity.

Other Activities

Total revenues were reduced by NOK 493 million, to NOK 10,318 million. The reduction in revenues was mainly due to the disposal of units in 2003 and 2004. Total operating profits for Other Activities amounted to NOK 169 million in 2004, compared to an operating loss of NOK 488 million in 2003. This improvement was primarily attributable to sales gains and the winding up of activities.

Allocations

Following the receipt of Group contributions of NOK 2,000 million before taxes, the parent company Telenor ASA's net income for the year amounted to NOK 4,656 million.

The Board of Directors proposes to the AGM that a dividend of NOK 1.50 per share before taxes be paid out.

The Board proposes the following allocations (in NOK millions):

Provisions for dividends	2,603
Transferred to other equity	2,053
Total	4,656

After these allocations, Telenor's distributable equity as at 31 December 2004 totalled NOK 14,038 million.

Non-financial information

Working environment

Throughout 2004 Telenor has been working persistently and systematically with such issues as sickness absence, ergonomics, fire prevention and follow-up of subcontractors, making continuous improvements to the working environment at all levels within the Group. A total of 72 Health, Security and Environment (HSE) reviews were carried out in order to monitor these factors at the Group's companies. During 2004, 1,715 employees completed training programmes relating to the working environment.

Together with a number of major enterprises in Norway, Telenor signed an agreement in April 2003 to promote a more inclusive working life (an IA agreement). This agreement is designed to help reduce sickness absence, ensure better adaptation of the working environment for employees with special requirements and raise the retirement age in the Group. Improvements in these areas continued in 2004. A sickness absence rate of 4.5% was registered at Telenor's Norwegian activities, which is a reduction of 0.5 percentage points compared to 2003. In 2004, 14 injuries resulting in absence from work were recorded, none of which were serious. A further 16 injuries, which did not result in absence from work, and 8 near accidents, were also recorded.

External environment

The direct impact of Telenor's activities on the environment is low, although by virtue of the Group's size and its extensive activities in a number of countries, an active effort is made to reduce the environmental impact caused by such factors as energy consumption, travel and installations.

Telenor's environmental accounting is an integral part of its management system and the accounts show that the amount of energy consumed at Telenor's activities was reduced during 2004. The work of implementing this environmental management system throughout Telenor's international portfolio is underway.

Ethical indexes

Telenor's work and involvement with respect to ethics, the environment and social issues – our social responsibilities – ensured that in 2004, Telenor was once again classified among the best companies in Europe on the Dow Jones Sustainability Indexes and the FTSE4Good index. Telenor was also awarded the Storebrand 'Best in Class' distinction.

For further information about Telenor's work on the environment and social responsibilities in 2004, please refer to Telenor's Social Responsibility website at www.telenor.com/csr/

Expertise and training

Telenor aims to attract and retain highly skilled and motivated employees and managers who display a strong passion for business and who act in accordance with Telenor's Codes of Conduct. Telenor has therefore introduced two global processes, the Telenor Leadership Development Process (TLDP) and Internal Value Creation (IVS). TLDP is a tool for systematic evaluation, development and remuneration of managers, while IVS monitors human capital, process resources and the quality of management.

Regulatory matters

Telenor's activities are adapted to suit current regulatory frameworks which the Group is subject to in different markets. The development of level playing fields is a major challenge for the authorities in all countries, and Telenor actively seeks to contribute to the development of healthy competition in the markets.

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

The Board recognises the importance of taking advantage of the opportunities afforded by the Act relating to Electronic Communications (the Electronic Communications Act) in the Norwegian market.

LISELOTT KILAAS
was elected to the Board on 8 May 2003. She is presently managing director of Zenitel ASA. She has previously held leading positions in the oil industry, PA Consulting Group and Stento AS and is currently a board member of Norges Bank. She holds a M.Sc. from the University of Oslo and an MBA from the International Institute for Management Development (IMD) in Lausanne.

This is essential to ensure the harmonisation of regulatory measures in the EEA area through the ongoing process of analysing and adopting future regulatory requirements. It is difficult to develop a well-functioning telecommunications market if individual players in Norway are subject to regulations more extensive and detailed than those applicable in other European countries. The fact that players with similar market positions have been subject to different regulations, as evident from fixed and mobile interconnections in the Norwegian market, remains an obstacle to achieve a healthy development in the market.

Certain aspects of the current regulatory regime subject Telenor to controls that do not appear to promote reorganisation and innovation in the telecommunications markets. Such regulations represent elements of uncertainty with respect to the profitability of Telenor's investments in networks and service development. They also involve considerable socio-economic costs. In the longer term this could serve to weaken incentives to make future investments in Norwegian infrastructure and service development. However, Telenor looks favourably upon the signals from the Norwegian parliament (Storting) and the telecommunications authorities with respect to securing long-term incentives for investing in infrastructure in the Norwegian market. Telenor's Board and management expect that this will be followed up in the detailed formulation of the Norwegian Post and Telecommunications Authority's new regulations, due to appear in 2005.

Norway has low telecommunications rates, and Norway is a pioneer in developing fixed and mobile communications services. In December 2004, Telenor opened its UMTS network for commercial operation, and the company has accepted the Norwegian Ministry of Transport and Communications' offer to renew its GSM900 licence with appurtenant conditions. Under an agreement with the Ministry of Transport and Communications, Telenor is committed to providing offers for stipulated services throughout the country.

Telenor has highlighted the importance of regulatory matters in its international portfolio. Of particular interest with respect to achieving more stable framework conditions is the adaptation of the EU's legal framework to accommodate the new member states in Eastern Europe. Regulatory developments in other countries seeking closer integration with Europe are also being affected, although in an indirect way. Outside Europe, WTO membership and adjustments thereto are important with respect to acquiring stable framework conditions in Telenor's international portfolio.

Increased regulation of mobile operators is expected both within and outside Europe, e.g. with regard to contributions to the USO Fund, the introduction of mobile number portability and terms for interconnections. Telenor will therefore continue to work actively to achieve optimal regulatory framework conditions for its portfolio of companies outside Norway.

Good corporate governance

The Board makes a considerable effort to ensure that Telenor has a good corporate governance system and refers to a separate chapter on this issue.

Composition and work of the Board

None of the shareholder-elected Board members or members of the Corporate Assembly were up for election in 2004. Einar Førde died on 26 September 2004. A new Board member will be elected by the Corporate Assembly on 7 April 2005. None of the Board members, other than those members elected by the employees, are employed by Telenor or engaged in work on behalf of Telenor. The Board of Telenor works in accordance with guidelines for its work and procedures. The Board undertook an assessment of its activity and competence in 2004. Thirteen Board meetings were held in 2004.

Organisation and personnel

At the end of 2004, Telenor had 21,750 employees (20,900 man-years), whereof 12,000 were employed in Norway and 9,750 outside Norway. This is an increase of 1,450 man-years compared to year-end 2003.

Telenor has in 2004, as in recent years, implemented a number of changes designed to ensure optimal efficiency in its activities. A major reorganisation was undertaken of Telenor's IT activities, including a concentration of the Group's IT operations under EDB Business Partner. Measures designed to coordinate functions in Telenor's mobile activities in the Nordic region were also introduced.

Telenor has set aside significant resources in order to provide for employees affected by the organisational restructuring. Whenever workforce reductions have been required, suitable financial support schemes and advisory services have been employed. In January 2004, Telenor was admitted to the employers' organisation NHO (the Confederation of Norwegian Business and

HARALD STAVN
was elected to the Board on 20 June 2000 as an employee representative. Mr. Stavn joined Telenor in 1974 and has held various engineering positions. He is a board member of Telenor Pensjonskasse (Pension Fund), member of the executive board of NITO (the Norwegian Society of Engineers) and employee representative for NITO in Telenor. Mr. Stavn has a technical education from the Technical College of Norwegian Telecom and was also educated as a business economist at Handelshøyskolen BI (the Norwegian School of Management) in Oslo.

PER GUNNAR SALOMONSEN
was elected to the Board on 1 November 2000 as an employee representative. Mr. Salomonsen began working for Telenor in 1973. He has held various positions in Telenor, most recently as operations engineer. From 1995 to 2000, he was a board member of Telenor Nett. Mr. Salomonsen is a group employee representative for the Norwegian trade union EL & IT Forbundet. He is an engineer.

IRMA TYSTAD
was elected to the Board of directors on 20 June 2000 as an employee representative. Ms. Tystad began working for Telenor in 1962 and has served as a board member of Telenor Plus since 1995 and of Telenor Pensjonskasse (Pension Fund) since 1997. She is the group employee representative for Kommunikasjonsforbundet (Union of Communications). Ms. Tystad is a graduate of the Technical College of Norwegian Telecom and has subsequently studied business and management.

Industry) and the trade association Abelia. Telenor has thereby joined an organisation that includes other international companies and companies exposed to competition. By switching from NAVO (the Norwegian Association of Publicly Owned Companies) to the NHO, Telenor is now comprised i.a. by the collective wage agreement applicable to the NHO and its contractual parties. During 2004, Telenor's Norwegian companies entered into new collective wage agreements with our personnel organisations.

At the beginning of 2005, Telenor made an organisational restructuring in order to strengthen and develop its activities in the Nordic region, and at the same time ensure continued international growth in its mobile operations. To simplify and reinforce Telenor's position in the Nordic market, a separate management area was established, effective from 26 January 2005, for mobile and fixed network operations in the Nordic region.

Equal opportunities

At the end of 2004, 39% of Telenor's employees in Norway were women and 61% men. As at 31 December 2004, 24% of the positions in Telenor's top four management levels were held by women. This is an improvement of 5 percentage points compared to 2003, representing a positive development in the Group's efforts to secure equal opportunities.

The average annual salary for women is lower than the salary for men, primarily due to differences in respect of qualifications, job types, part-time employment and overtime.

Achieving a good balance with respect to cultural background, age and gender is important to the effort of attaining as much skilled diversity as possible within the organisation and among managers. This is set out in the Group's Codes of Conduct, which emphasise that Telenor should be an attractive and professional workplace with an inclusive working environment where employees conduct themselves with integrity and respect.

In 2004, nine women from Telenor participated in the NHO's Female Future programme. In 2005, eight new women from different parts of the organisation will participate in this programme.

In 2004, 40% of the members of the Board of Telenor ASA were women, and 60% men. In accordance with the principles of equal opportunity on which the Board bases its work, measures have been implemented to improve the composition of the Board with respect to gender and expertise in the Group's own companies. Representatives who are appointed to our boards are offered training relating to board work.

Risk factors

Telenor's activities are exposed to a number of regulatory, legal, financial and political risks. If Telenor's growth strategy in emerging markets in Eastern Europe and Asia is to be successful and inspire the necessary confidence of shareholders and investors, then risk assessment and management must form part of the Group's core expertise. As far as the Board is concerned, it is important to ensure that the Group implements the measures required to manage and reduce risk factors, so that the overall risk picture is always confined within acceptable business limits.

The Board and management assess such risk factors thoroughly in connection with new investments, and continuously in respect of existing investments. The Group has gradually built up considerable practical experience relating to the establishment and management of activities in less economically developed areas. In addition to an extensive contact network, which includes the Norwegian authorities at home and abroad, the Board believes that this provides a good basis for undertaking proper risk assessment. The Board has also subsequently undertaken a systematic review and evaluation of the company's investments in order to assess the development of individual projects in the light of an updated risk picture.

Telenor continues to address issues relating to personal safety in the light of changes in the political threats presented in the different countries in which Telenor operates.

A major challenge and element of uncertainty in the Norwegian market is made up of new and amended rules and resolutions adopted by the regulatory authorities, as well as civil actions based on alleged breaches of telecommunications regulations. The international markets are exposed to particular risk factors in certain countries, such as political developments, currency changes, legal issues, regulatory matters, partner risks in joint venture projects, etc.

When making international commitments, the company has made an effort to balance the risk picture with respect to investments outside Norway by dividing its portfolio between mature and emerging markets.

Telenor is exposed to financial market risks relating to changes in interest and foreign exchange rates. Financial instruments are employed in order to reduce such risks. The Group has implemented the necessary measures to maintain adequate financial flexibility.

Outlook for 2005

In 2004, Telenor has taken a further step on the road from being a Norwegian operation with international ambitions, to becoming a truly international mobile company. This has been done through the consolidation of Sonofon and ProMonte GSM, the greenfield operation in Pakistan as well as through substantial growth at Kyivstar, DiGi.Com and GrameenPhone. We expect this substantial growth to continue, and an increasing percentage of Telenor's operating revenues and financial profits are expected to come from our mobile operations outside the Nordic region. This development will be of decisive importance to the priorities and choices we make in the future.

Strong growth in operating revenues and subscriptions in 2004 has provided Telenor with a good basis for continued growth in operating revenues and EBITDA, driven by the company's international mobile operations. Overall, Telenor expects a positive profit development in 2005, compared to 2004, exclusive of special items.

The Board will continue its efforts to defend the company's position in Norway, obtaining synergies, especially in the Nordic activities, and create value through continued growth in the international mobile operations.

High levels of capital expenditure are expected in 2005, due to substantial network investments at Kyivstar, Telenor Pakistan, GrameenPhone and DiGi.Com. Increased investments relating to UMTS are also expected.

A growing share of Telenor's operating revenues and profits are generated by operations outside Norway. Fluctuations in the exchange rate of the Norwegian krone vis-à-vis other currencies will to an increasing extent affect the figures reported in NOK. Political risks, including regulatory risks, may also affect the Group's results. The Board will remain particularly vigilant with respect to these issues.

Oslo, 31 March 2005

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

Jon Fredrik Baksaas
President & CEO

Financial Review and Accounts 2004

FINANCIAL REVIEW

INTRODUCTION

The following discussion should be read in conjunction with our consolidated financial statements, which have been prepared in accordance with Norwegian GAAP, which differ in certain respects from US GAAP. For a reconciliation of the material differences between Norwegian and US GAAP, you should read note 32 to our consolidated financial statements.

Due to the growth of our international mobile operations, we have determined that, commencing with the fiscal year ended 31 December 2004, Telenor Mobile can no longer be presented as one segment and has identified those mobile operations that due to their increased significance for Telenor should be reported as separate segments. The new segments are: Telenor Mobil (Norway); Sonofon (Denmark); Pannon GSM (Hungary); DiGi.Com (Malaysia); Kyivstar (Ukraine); GrameenPhone (Bangladesh); and Other mobile operations/eliminations, which comprises Telenor Mobile Sweden, Promonte GSM (Montenegro),Telenor Pakistan as well as eliminations of Group Internal trade between our mobile operations.

We are exposed to risks and uncertainties which could have a material adverse effect on our business, financial condition, liquidity, results of operations or prospects. Such risks and uncertainties relate to, among other things:

- increased competition;
- the political, economic and legal environment in the foreign countries in which we operate;
- our exposure to currency exchange rate fluctuations, when reporting in Norwegian Krone;
- regulatory developments both in and outside Norway.

GROUP OVERVIEW

In 2004, our group results improved. Profit before taxes was NOK 8,8 billion in 2004 compared to NOK 7.4 billion in 2003. Profit before taxes in 2004 included net epxenses for gains and losses, workforce reductions, loss contracts and write-downs of approximately NOK 0.4 billion compared to an income in 2003 of approximately NOK 1.1 billion. The underlying improvement, taking into account these gains and losses, expenses for workforce reductions and loss contracts and write-downs, was primarily due to increased revenues from our international mobile operations.

Our international mobile operations, especially those in emerging markets, experienced a significant growth in 2004 and are increasingly important for our business and results of operations. In 2004, we consolidated Sonofon and ProMonte GSM as a result of the acquisition of the ownership interest in each of these two companies which we did not already own. In our Norwegian fixed-line operations, a mature market with increased competition, we experienced a slight decrease in our revenues. However, our operating profit margin in Fixed Norway increased due to reduced depreciation and amortization charges. In Broadcast, we increased our number of subscribers, revenues and EBITDA.

We increased our capital expenditure in 2004 compared to 2003 primarily due to the expansion of the network capacity of our international mobile operations as a consequence of strong growth in the number of subscriptions. Capital expenditure in 2004 included NOK 2.4 billion for the purchase of a licence for mobile telephony in Pakistan and a UMTS licence in Hungary and NOK 0.6 billion for the acquisition of an ownership interest in a new satellite. High capital expenditure is expected for 2005, where capital expenditure in proportion of revenues is expected to be in line with or exceed the 2004 level. Capital expenditure is expected to be driven by considerable network investments in Kyivstar, Telenor Pakistan, GrameenPhone and DiGi.Com. In addition, we expect further UMTS investments. The actual amounts and the timing of our capital expenditure may vary substantially from our estimates.

Concurrent with the increase in our capital expenditure, we generated significant and increased cash flows from our operations in 2004 and received payments for the sale of shareholdings. However, our net debt increased slightly during 2004 due to the consolidation of Sonofon. Our current strategic focus is on preserving our market shares and continuing to streamline and realize synergies across our operations.

For an overview of the results of our mobile operations , Fixed and Broadcast, you should read "Results of Operations – Mobile operations – Overview", "Results of Operations – Telenor Fixed – Overview" and "Results of Operations – Telenor Broadcast – Overview".

RESULTS OF OPERATIONS – GROUP

REVENUES

External revenues excluding gains on disposal of fixed assets and operations increased by 14.9% in 2004 compared to 2003. In 2004, 52% of our external revenues derived from our mobile operations, compared to 43% in 2003. Part of the increase in external revenues in the Mobile operations was due to the consolidation of Sonofon and ProMonte GSM. In addition, there was an underlying growth in the Mobile operations both in Norway and especially abroad. The increase in revenues in Telenor Mobil – Norway compared to 2003, was primarily due to the increase in number of subscriptions. We experienced increased competition, also abroad, especially in the more mature markets, such as Denmark and Hungary, with a decrease in our market share. Several markets experienced high growth in number of subscriptions.

External revenues in Fixed decreased by 7.2% in 2004 compared to 2003, primarily due to the sale of our operations in Fixed – Russia as of 1 December 2003 and the sale of parts of our Operating Services business to EDB Business Partner as of 1 May 2004. Adjusted for this, external revenues in Fixed – Norway decreased slightly in 2004 compared to 2003 due to a decrease in the number of subscriptions, partially offset by increased sales of ADSL and increased sales in the wholesale market.

External revenues in Broadcast increased by 12.3%, primarily due to increased number of subscribers, partially offset by reduced revenues from analog satellite transmission.

EDB Business Partner's external revenues increased by 3.1% partially due to the acquisition of the Operating services business, effective 1 May 2004, from Fixed Norway. External revenues from Other business units decreased by 15.5% primarily due to disposals of operations and decreased revenues in Satellite Services.

Gains on disposal of fixed assets and operations in 2004 were primarily the sale of parts of the Telecom business of EDB Business Partner and the sale of our subsidiaries Venture III AS, Securinet AS and Transacty AS. Gains on disposal of fixed assets and operations in 2003 were primarily due to sales of properties in corporate functions and Group activities and the disposal of businesses in most business areas.

The table below shows our revenues broken down by operations in and outside Norway. Our proportional share of revenues from our associated companies and joint ventures are not included in our consolidated revenues. Some of our international operations are carried out in associated companies and joint ventures, especially mobile operations. The revenues in the table for consolidated companies are based on company location and do not include gains on disposal of fixed assets and operations. Revenues outside Norway have increased in recent years due to the increased number of consolidated foreign entities as well as underlying growth in existing operations, especially in our mobile operations. Effective from 12 February 2004, we consolidated Sonofon in Denmark, and effective from 12 August 2004 we consolidated ProMonte GSM in Montenegro. This was partially offset by reduced revenues from Fixed – Russia and Nextra International due to the disposal of these operations in 2003.

NOK in millions	2004	2003	2002
Consolidated revenues			
Norway	33,461	33,409	33,085
Outside Norway	27,291	19,480	15,583
Total revenues excluding gains	**60,752**	**52,889**	**48,668**

OPERATING EXPENSES

See the notes to the consolidated financial statements for a further specification of operating expenses.

Costs of materials and traffic charges (see note 4)

Traffic charges – network capacity consist primarily of traffic charges for providing fixed and mobile services. Of the increase in traffic charges – network capacity costs in 2004 compared to 2003, approximately NOK 1.1 billion was due to the net effect of purchased and sold companies, primarily the consolidation of the formerly associated company Sonofon. In addition, traffic charges – network capacity costs increased primarily due to an increase in the nmber of subscriptions in our mobile operations. Traffic charges – network capacity costs decreased in our Fixed business area, primarily due to decreased traffic in Norway and reduced termination charges for traffic to the mobile networks in Norway.

Traffic charges – satellite capacity are primarily related to sales of satellite broadcasting services (Broadcast) and satellite mobile services and satellite capacity services (Satellite Services). Rent of satellite capacity in Broadcast was reduced due to price reductions and the purchase of our ownership interest of a new satellite.

Our mobile operations and Broadcast business area in the aggregate generated approximately three-fourths of our total costs of materials etc. in 2004, primarily due to sales of customer equipment in our mobile operations and TV-program fees and equipment in Broadcast. The net effect of purchased and sold companies, primarily the acquisition of Sonofon, increased our costs of materials by approximately NOK 0.7 billion in 2004. In addition, the increase in the costs of materials etc was due to increased sales of Set-top boxes in Broadcast and handsets in our mobile operations. We also increased our cost of materials for building of networks coordinated by our Fixed business area for use within Telenor and consequently taken to income through the line item "own work capitalized" (see below).

Own work capitalized (see note 5)

Own work capitalized is presented as a separate caption and is not netted against the related expenses in the profit and loss statement. The various Group companies consolidated in Telenor perform work on their own long-lived assets, which is capitalized, if appropriate. The Group companies expense the related costs in the line items costs of materials, salaries and personnel costs, or other operating expenses as appropriate. The costs that are capitalized are then reversed as change in own work capitalized. Several companies in the Group perform work on and deliver long-lived assets to other Group companies. The purchasing company capitalizes these long-lived assets. For the Group as a whole this is regarded as a change in own work capitalized and the expenses recorded in the selling companies are reversed as a change in own work capitalized for the Group. Own work capitalized in 2004 was in line with 2003. However, the construction of Mobile and Broadcast networks, performed by our Fixed business area increased in 2004 compared to 2003. The increase was offset by decrease in work on long-lived assets in other business areas and the sale of parts of the Telecom business of EDB Business Partner where the capital expenditure now is purchased from external parties.

Salaries and personnel costs (see note 6 and 7)

Purchase and sale of companies had a minor effect on the increased total salaries and personnel costs in 2004 compared to 2003.

Salaries and holiday pay increased, primarily due to general wage increases and increased number of employees in our mobile operations as a consequence of increased activity.

Social security tax varies as a percentage salaries and holiday pay between the years, primarily due to different rates for social security tax in different countries.

The number of full-time equivalent employees at 31 December 2004 increased by approximately 1,450 compared to 31 December 2003. The number of full-time equivalent employees outside of Norway increased by approximately 2,050. In Norway we reduced the number of full-time equivalent employees by approximately 600. The increase outside of Norway was primarily due to the consolidation of Sonofon and ProMonte and the establishment of our operations in Pakistan. The decrease in Norway was primarily due to sale of businesses, including the sale of parts of the Telecom business in EDB Business Partner. The purchase and sale of businesses in 2004 increased the total number of our full-time equivalent employees by approximately 1,000. The average number of full-time equivalent employees was estimated to be approximately 450 lower in 2004 compared to 2003.

Increased pension costs in 2004 compared to 2003. In 2004, Telenor joined the employers' association NHO and our agreement-based early retirement plan (AFP) was transferred to NHO. AFP through NHO is a multiemployer plan. Until the administrator of the plan is able to calculate Telenor's share of assets and liabilities in this plan, Telenor have to account for this plan as a contribution plan, as opposed to a defined benefit plan. Due to the change to AFP through NHO, in 2004 we expensed the remaining non-amortized prior service costs related to the previous AFP arrangement and expensed AFP-pension premiums, partially offset by a reduction of the previously recognized AFP-liability. These changes contributed to increased costs for AFP of approximately NOK 25 million in 2004 compared to 2003.

In 2004, Telenor joined the employers' association NHO and our agreement-based early retirement plan (AFP) was transferred to NHO. AFP through NHO is a multiemployer plan. Until NHO is able to calculate Telenor's share of assets and liabilities in this plan, Telenor have to account for this plan as a contribution plan, as opposed to a defined benefit plan. Due to the change to AFP through NHO, we expensed the remaining non-amortized prior service costs related to the previous AFP arrangement and expensed AFP-pension premiums, partially offset by a reduction of the previously recognized AFP-liability. These changes contributed to increased costs for AFP of approximately NOK 25 million in 2004.

During 2004, long-term interest rates in Norway were reduced and we reduced our estimated discount rate as of 31 December 2004 accordingly. This contributed to an increase in the estimated net present value of our pension obligations and non-amortized actuarial losses as of 31 December 2004. However, the increase in non-amortized actuarial losses was offset by the effect of changing the method of accounting for AFP and a higher than estimated return on pension plan assets, primarily due to the increase in share prices.

Starting from 2005, we will report according to the International Financial Reporting Standards (IFRS). As a transition effect we will record our non-amortized actuarial losses to equity in our IFRS accounts as of 1 January 2004. In the IFRS calculation we also expect to reduce our discount rate as of 1 January 2004 and 31 December 2004, which will increase the estimated fair value of our pension obligations and our actuarial losses as of 1 January 2004. As a consequence of this, we expect that amortization of actuarial losses will decrease in the coming years, starting from the comparable IFRS-figures for 2004, compared to the current Norwegian GAAP figures. You should read "Critical Accounting estimates under Norwegian GAAP" and note 7 to our consolidated financial statements for additional information about our pension costs.

Other operating expenses (see note 8–11)

Other operating expenses increased by approximately NOK 2.4 billion, or 18.9%, in 2004 compared to 2003. The consolidation of Sonofon contributed to this increase by approximately NOK 1 billion.

Costs for marketing, sales commissions and advertising increased by approximately NOK 1.5 billion, of which approximately NOK 0.4 billion due to Sonofon. The increase was primarily due to the significant increase in the number of new subscriptions, primarily in our mobile operations, but also in our Broadcast business area.

The table below shows the breakdown of expenses for workforce reductions and loss contracts by operations in 2002, 2003 and 2004.

Specification of expenses for workforce reductions and loss contracts

NOK in millions	2004	2003	2002
Total Mobile operations	630	(21)	120
Fixed	86	6	311
Broadcast	5	7	65
EDB Business Partner	33	223	111
Other business units	28	38	122
Corporate functions and Group activities	116	34	272
Eliminations			47
Total [1]	**898**	**287**	**1,048**

[1] This line item corresponds to the same line item in other operating expenses in note 8, except for 2002, where NOK 66 million related to previously granted pension benefits in Teleservice is included in "salaries and personnel costs".

The increased expenses for workforce reduction and loss contracts of NOK 0.6 billion 2004 compared to 2003 was primarily due to provision of NOK 562 million for the estimated loss on the MVNO contract (Mobile Virtual Network Operator) in Telenor Mobile – Sweden. You should read note 11 to our consolidated financial statements for additional information about costs for workforce reductions and loss contracts.

Increased costs for concession fees were primarily related to increased costs for Universal Service Obligations in DiGi.Com, partially offset by a reduction in these costs for Pannon GSM in 2004 compared to 2003.

Losses on disposal of fixed assets and operations

Losses on disposal of fixed assets and operations totaled NOK 74 million in 2004. Losses on disposal of fixed assets and operations totaled NOK 229 million in 2003, of which the disposal of Nextra International companies contributed NOK 176 million.

Depreciation, Amortization and Write-downs (see note 14 and 15)

NOK in millions	2004	2003	2002
Depreciation of tangible assets	7,753	7,986	7,624
Amortization of goodwill	939	686	1,002
Amortization of other intangible assets	2,931	1,925	1,610
Total depreciation and amortization [1]	**11,623**	**10,597**	**10,236**
Write-downs of tangible assets	282	104	424
Write-downs of goodwill	2,194	16	2,632
Write-downs of other intangible assets	120	25	497
Total write-downs	**2,596**	**145**	**3,553**
Total depreciation, amortization and write-downs	**14,219**	**10,742**	**13,789**

[1] Specification of depreciation of tangible assets, amortization of goodwill and amortization of other intangible assets in 2002, 2003 and 2004:

	2004			2003			2002		
NOK in millions	Tangible assets	Goodwill	Other Intangible assets	Tangible assets	Goodwill	Other Intangible assets	Tangible assets	Goodwill	Other Intangible assets
Total Mobile	3,147	678	2,247	2,674	400	1,234	2,232	509	1,038
Fixed	3,174	(105)	399	3,774	(95)	431	3,858	134	374
Broadcast	603	192	92	755	197	78	679	133	32
EDB Business Partner	242	158	1	223	151	1	224	166	3
Other business units	267	30	75	305	34	152	359	60	163
Corporate functions and Group activities	326	–	58	355	–	29	362	–	–
Eliminations	(6)	(14)	59	(100)	(1)	–	(90)	–	–
Total	**7,753**	**939**	**2,931**	**7,986**	**686**	**1,925**	**7,624**	**1,002**	**1,610**

Increased amortization of goodwill and other intangible assets in 2004 compared to 2003 was primarily due to the consolidation of Sonofon. Reduced depreciation of tangible assets in 2004 compared to 2003 was primarily due to reduced capital expenditure over the latest years in our Norwegian Fixed networks business and our Broadcast business. Telenor Mobile Norway also showed reduced depreciation. This was partially offset by the net effect of purchased and sold businesses of approximately NOK 0.3 billion, and increased depreciation due to increased capital expenditure in our foreign mobile operations.

As of 31 December 2004 we wrote down goodwill in Sonofon by NOK 2,190 million. In 2004 the Danish market was characterized by intense competition and price reductions. Our assessment of the write-down of goodwill in Sonofon was due to Sonofon's slower than expected growth and a review of our expectations of the company's growth potential as of year-end 2004. The assessment of the fair value was based on various valuation methods, with assistance of external valuations experts. In addition, we wrote-down equipment by NOK 215 million related to our transmission network in Sonofon, based on expected cash flows. We also made write-downs of NOK 75 million, of which NOK 61 million was other intangible assets, as a consequence of the reduced expectations for our mobile business in Sweden. If, among other things, market values decline and market conditions deteriorate, we may have to continue to perform impairment tests, as well as the annual impairment test of goodwill according to US GAAP. You should read "Critical Accounting Estimates under Norwegian GAAP " for additional information on our impairment tests.

OPERATING PROFIT (LOSS) AND EBITDA

Our operating profit (loss) in the period 2002 to 2004 was affected by gains and losses on sales of fixed assets and operations, expenses for workforce reductions and loss contracts as well as write-downs, as illustrated below. We believe that information about and discussion of these items may explain in part the development of our operating performance in this period.

NOK in millions	2004	2003	2002
Operating profit	6,602	7,560	(320)
Of which:			
Gains on disposal of fixed assets and operations	550	232	158
Losses on disposal of fixed assets and operations	(74)	(229)	(147)
Expenses for workforce reductions and loss contracts [1]	(898)	(287)	(1,048)
Write-downs of tangible and intangible assets [2]	(2,596)	(145)	(3,553)
Total gains, losses, expenses for workforce reductions and loss contracts and write-downs	**(3,018)**	**(429)**	**(4,590)**

[1] For a breakdown of our expenses for workforce reductions and loss contracts, you should read "Other operating expenses".

[2] For a breakdown of our write-downs, you should see note 14 to our consolidated financial statements.

Our operating profit in 2004 was to a large extent affected by gains and losses, expenses for workforce reductions, loss contracts and write-downs. We discuss these items above under "Revenues", "Operating expenses" and "Depreciation, amortization and write-downs". The decrease in our operating profit in 2004 compared to 2003 was to a large extent affected by these items. Adjusted for these items, most of our operationsincreased operating profit in 2004 compared to 2003 primarily due to growth in revenues.

In addition, amortization of net excess values increased in 2004 compared to 2003 due to the consolidation of Sonofon.

We also focus on operating profit (loss) before the effects of amortization, depreciation and write-downs. We refer to this measure as "EBITDA" because under Norwegian GAAP operating profit is reported in our consolidated income statement before taxes and net financial items. In addition, operating profit includes amounts attributable to minority interests but does not include results from associated companies or joint ventures which are accounted for using the equity method and included in net income. We believe that providing EBITDA enhances an understanding of our operating activities and the performance of the individual units because it provides investors with a measure of operating results that is unaffected by amortization and depreciation related to acquisitions and capital expenditures, differences in capital structures, e.g. book value of tangible and intangible assets, among otherwise comparable companies or investments in and results from associated companies. We believe that EBITDA is also an indicator to demonstrate to what extent operational business activities generate earnings which are available to reduce net debt or to finance investments.

EBITDA is not a measurement of financial performance under generally accepted accounting principles. You should not consider EBITDA as an alternative to operating profit, net income or cash flow from operating activities. Since other companies may not calculate EBITDA in the same way, our EBITDA figures are not necessarily comparable with similarly titled figures of other companies.

For a reconciliation of EBITDA to net income, see note 3 to our consolidated financial statements.

Our EBITDA increased in 2004 compared to 2003 due to the underlying increase in revenues and the positive effect of the consolidation of companies.

You should read "– Results of Operations " for a more detailed discussion of operating profit and EBITDA.

ASSOCIATED COMPANIES (SEE NOTE 16)

NOK in millions	2004	2003	2002
Telenor's share of [1]			
Net income (loss) after taxes	912	329	341
Amortization of Telenor's net excess values	(266)	(579)	(862)
Write-downs of Telenor's excess values	–	(26)	(1,965)
Net gains on disposal of ownership interests	32	1,507	36
Net result from associated companies	**718**	**1,231**	**(2,450)**

[1] The figures are partially based on our management's estimates in connection with the preparation of our consolidated financial statements. Our consolidated profit and loss statement contains only the line item "net result from associated companies". Our share of the other items shown in the table is not included in our consolidated financial statements, but this information is set forth in note 16 to our consolidated financial statements. Net excess values are the difference between our acquisition cost and our share of equity at the time of the acquisition of the associated companies.

The results from associated companies were influenced by our acquisitions, disposals and consolidation of subsidiaries in 2002, 2003 and 2004 and by our write-downs in 2002. Pannon GSM was consolidated as a subsidiary as of 4 February 2002, Canal Digital was consolidated as a subsidiary as of 30 June 2002 and Kyivstar was consolidated as a subsidiary as of 1 September 2002. Extel was sold at the end of 2002 and StavTeleSot at the beginning of 2003 to VimpelCom-Region. On 30 April 2003, we announced the sale of a 9% shareholding in Cosmote and, as a result, Cosmote is no longer accounted for as an associated company. In February 2004, we disposed of our remaining interest in Cosmote. We acquired 37% of Glocalnet AB as of 31 December 2002 and 20.4% of Golden Telecom as of 1 December 2003. Sonofon and ProMonte was consolidated as subsidiaries as of 12 February and 12 August 2004, respectively.

The increase in net income after taxes from associated companies in 2004 compared to 2003 was primarily due to the growth in VimpelCom and reduced losses in Bravida ASA. At the end of 2004, Bravida ASA disposed of parts of its businesses, including the Telecom business that was transferred from Telenor in 2000. Bravida ASA recorded a gain on sale in 2004, but also incurred expenses for loss contracts and employee termination. In 2003 the results in Bravida ASA were affected by restructuring charges and write-downs.

The decrease in amortization of Telenor's net excess values in 2004 compared to 2003 was primarily due to Sonofon being consolidated as a subsidiary from 12 February 2004.

Net gains on disposal of ownership interests in 2003 primarily related to the sale of shares in Cosmote.

FINANCIAL INCOME AND EXPENSES (SEE NOTE 12)

The decrease in interest income in 2004 compared to 2003 was due to a lower level of interest-bearing financial assets and reduced interest rates. The decrease in interest-bearing financial assets was primarily due to repayment of debt, the acquisition of Sonofon, the share buy-back and the payment of dividends.

Interest expenses decreased in 2004 compared to 2003 due to lower interest-bearing liabilities on average during 2004 and reduced interest rates. The decrease in interest bearing liabilities was primarily due to repayment of debt at maturity.

Total interest expenses reflect our composition and structure of liabilities with floating rate, fixed rates and higher interest rates on liabilities in some subsidiaries with external financing. Average interest rates for Telenor ASA's debt instruments were slightly reduced in 2004, primarily due to the reduction in the duration of our debt portfolio. This was partially offset by external financing of subsidiaries with higher interest rates. You should read note 20 to our consolidated financial statements for further information about interest rates and duration of our debt portfolio. The increase in capitalized interest occurred primarily in our international mobile operations due to a higher level of capital expenditure.

Net foreign currency loss in 2004 was primarily due to cash management activities, foreign currency- denominated debt in subsidiaries and operational exposures.

As of 26 February 2004, we sold our remaining shareholding in Cosmote for NOK 3.1 billion and we recorded a gain on sale of financial assets of approximately NOK 2.6 billion before taxes related to this transaction. In 2004, some write-downs, primarily in Venture-companies, were reversed due to increased market values.

On 28 January 2005, we sold our 6.9 million shares in Intelsat for a price of 18.75 US Dollar per share. We recorded a gain before taxes of approximately NOK 386 million in 2005.

INCOME TAXES (SEE NOTE 13)

The corporate income tax rate in Norway is 28.0%. Note 13 to our consolidated financial statements shows our effective tax rate (income taxes as a percentage of profit before taxes) reconciled to the Norwegian tax rate of 28.0%

You should read note 13 "Income Taxes" to our consolidated financial statements and "Critical Accounting Estimates under Norwegian GAAP – Income Taxes" for additional information about income taxes.

As of 31 December 2004, we did not record the potential tax income related to the tax loss on the sale of shares in Sonofon Holding A/S in 2001 within the Telenor Group, the tax loss on the sale of Telenor Business Solutions AS in 2003 within the Telenor Group or the RISK adjustment we have claimed on the tax base values of the shares in Cosmote in 2003. You should read note 13 "Income Taxes" to our consolidated financial statements for additional information about these sales.

In 2004, the increased effective tax rate due to amortizations and write-downs of goodwill that are not tax deductible was offset by tax losses on the sale and liquidation of shares and a reduction in deferred tax on undistributed earnings.

In 2003, we recorded deferred taxes on undistributed earnings in certain subsidiaries and associated companies outside Norway as we expect to receive dividends from them. The effective tax rate was also affected by negative results from certain associated companies and subsidiaries outside Norway and amortization and write-downs of goodwill, on which deferred tax assets have not been recognized. This was partially offset by tax losses upon decisions for liquidation and disposal of several companies.

MINORITY INTERESTS

During 2004, we increased our ownership interest in GrameenPhone and Kyivstar, from 51.0% to 62.0% and from 55.3% to 56.5%, respectively. At the end of 2004, we sold 20% of our subsidiary Telenor Venture IV AS. The main reason for the difference between the changes in the minority interests in the balance sheet and minority part of net income for 2004 were the effects of currency fluctuations, dividends paid by some of the companies and changes in our ownership interest in some of the companies.

RESULTS OF OPERATIONS

The following tables sets forth selected financial data for our segments for the period 2002–2004. The eliminations reported in these tables are primarily related to intra group transactions.

NOK in millions	2004	2003	2002
Revenues excluding gains on disposal of fixed assets and operations			
Telenor Mobil – Norway	11,734	10,909	10,695
Sonofon – Denmark	4,393	-	-
Pannon GSM – Hungary	5,864	5,370	4,505
DiGi.Com – Malaysia	3,953	3,176	2,715
Kyivstar – Ukraine	4,346	2,634	708
GrameenPhone – Bangladesh	2,202	1,536	1,589
Other mobile operations/eliminations	455	185	134
Total mobile operations	**32,947**	**23,810**	**20,346**
Fixed	19,256	20,500	20,008
Broadcast	5,346	4,800	3,607
EDB Business Partner	4,235	4,270	4,338
Other business units	3,460	4,154	5,040
Corporate functions and Group activities	2,089	2,184	2,116
Eliminations	(6,581)	(6,829)	(6,787)
Total revenues excluding gains	**60,752**	**52,889**	**48,668**
Gains on disposal of fixed assets and operations	**550**	**232**	**158**
Total revenues	**61,302**	**53,121**	**48,826**

NOK in millions	2004	2003	2002
Operating profit (loss) [1]			
Telenor Mobil – Norway	3,213	3,115	3,008
Sonofon – Denmark	(3,248)	-	-
Pannon GSM – Hungary	453	379	297
DiGi.Com – Malaysia	785	374	(2,003)
Kyivstar – Ukraine	1,989	1,093	251
GrameenPhone – Bangladesh	1,095	843	631
Other mobile operations/eliminations	(1,260)	(580)	(770)
Total mobile operations	**3,027**	**5,224**	**1,414**
Fixed	2,794	2,531	731
Broadcast	589	181	(475)
EDB Business Partner	524	(4)	(409)
Other business units	113	(120)	(736)
Corporate functions and Group activities	(468)	(364)	(931)
Eliminations	23	112	86
Total operating profit (loss)	**6,602**	**7,560**	**(320)**

[1] Amortization and write-downs of Telenor's net excess values are included in each segment.

EBITDA

NOK in millions	2004	2003	2002
Telenor Mobil – Norway	4,283	4,262	4,330
Sonofon – Denmark	680	-	-
Pannon GSM – Hungary	2,092	1,924	1,586
DiGi.Com – Malaysia	1,732	1,295	1,022
Kyivstar – Ukraine	2,581	1,573	403
GrameenPhone – Bangladesh	1,313	1,001	757
Other mobile operations/eliminiations	(1,063)	(488)	(616)
Total mobile operations	**11,618**	**9,567**	**7,482**
Fixed	6,277	6,665	5,597
Broadcast	1,495	1,229	499
EDB Business Partner	924	399	348
Other business units	524	408	178
Corporate functions and Group activities	(81)	23	(569)
Eliminations	64	11	(66)
Total EBITDA [1]	**20,821**	**18,302**	**13,469**

[1] See note 3 for the reconciliation of EBITDA to net income for the group.

MOBILE OPERATIONS

NOK in millions	2004	2003	2002
External revenues	31,565	22,483	19,079
Internal revenues	1,382	1,327	1,267
Gains on disposal of fixed assets and operations	5	-	-
Total revenues	**32,952**	**23,810**	**20,346**
External costs of materials and traffic charges	8,680	5,481	5,020
Internal costs of materials and traffic charges	874	770	725
Total costs of materials and traffic charges	**9,554**	**6,251**	**5,745**
Own work capitalized	(72)	(97)	(69)
Salaries and personnel costs	2,695	1,917	1,898
Other external operating expenses	8,119	5,170	4,330
Other internal operating expenses	1,026	997	960
Losses on disposal of fixed assets and operations	12	5	-
Depreciation and amortization [1]	6,072	4,308	3,779
Write-downs [2]	2,519	35	2,289
Total operating expenses	**29,925**	**18,586**	**18,932**
Operating profit	**3,027**	**5,224**	**1,414**
Associated companies	694	1,639	(2,030)
Net financial items	873	(2,182)	(2,050)
Profit before taxes and minority interests	4,594	4,681	(2,666)
[1] Includes amortization of Telenor's net excess values by [*]	1,844	906	924
[2] Includes write-downs of Telenor's net excess values by [*]	2,190	-	2,138

[*] Net excess values are the difference between our acquisition cost and our share of equity at acquisition of subsidiaries.

EBITDA	11,618	9,567	7,482
Depreciation and amortization	6,072	4,308	3,779
Write-downs	2,519	35	2,289
Operating profit	**3,027**	**5,224**	**1,414**
Operating profit/Total revenues (%)	9.2	21.9	6.9
EBITDA/Total revenues (%)	35.3	40.2	36.8
Investments:			
– Capex	9,427	3,667	3,731
– Investments in businesses	4,711	95	8,894
No. of man-years (end of period)	9,335	6,924	6,551
– Of which abroad	7,767	5,201	4,673

Revenues

NOK in millions	2004	2003	2002
Telenor Mobil – Norway	11,734	10,909	10,695
Sonofon – Denmark	4,393	-	-
Telenor Mobile Sweden	223	127	81
Pannon GSM – Hungary	5,869	5,370	4,505
DiGi.Com – Malaysia	3,953	3,176	2,715
GrameenPhone – Bangladesh	2,202	1,536	1,589
Kyivstar – Ukraine	4,346	2,634	708
ProMonte GSM – Montenegro	200	-	-
Other including eliminations	32	58	53
Total revenues	**32,952**	**23,810**	**20,346**

EBITDA

NOK in millions	2004	2003	2002
Telenor Mobil – Norway	4,283	4,262	4,330
Sonofon – Denmark	680	–	–
Telenor Mobile Sweden	(725)	(114)	(77)
Pannon GSM – Hungary	2,092	1,924	1,586
DiGi.Com – Malaysia	1,732	1,295	1,022
GrameenPhone – Bangladesh	1,313	1,001	757
Kyivstar – Ukraine	2,581	1,573	403
ProMonte GSM – Montenegro	91	–	–
Other including eliminations	(429)	(374)	(539)
Total EBITDA	**11,618**	**9,567**	**7,482**

Overview

The results from our mobile operations in 2002, 2003 and 2004 were affected by the consolidation of:

- ProMonte as a subsidiary effective from 12 August 2004, when we increased our ownership interest in the Montenegrin operator from 44.1% to 100%.
- Sonofon as a subsidiary effective from 12 February 2004, when we increased our ownership interest in the Danish operator from 53.5% to 100%.
- Kyivstar as a subsidiary effective from 1 September 2002, when we increased our ownership interest in the Ukrainian operator from 45.4% to 54.2%. As of May 2003, our ownership interest increased to 55.4% and as of April 2004, our ownership interest in Kyivstar increased further to 56.5%.
- Pannon GSM as a subsidiary effective from 4 February 2002, when we increased our ownership interest in the Hungarian operator from 25.8% to 100%.

On 14 April 2004, Telenor acquired a license for mobile telephony in Pakistan. Telenor secured a 15-year license, renewable on application, for USD 291 million. Telenor launched mobile services in Pakistan on 15 March 2005. December 2004, Pannon GSM was awarded a UMTS license for 15 years with an option for an additional 7.5 years for NOK 630 million.

In 2004, in our more mature markets, particularly Norway, Denmark and Hungary, penetration rates for mobile telephony services continued to increase, but we experienced increased competition and challenges to our market position. As a consequence of increased competition, operators in mature markets tend to shift their focus from the acquisition of new customers to customer retention, reducing churn and stabilizing market shares. In 2004, this have resulted in increased costs related to sales, marketing and commissions and, more generally, in increased pressure on margins. In addition, operators in mature markets tend to focus on increased average usage and revenues per subscriber as the main source of potential growth by introducing new and attractive services. We further believe that our constant focus on improving the operational efficiency of our mobile operations will contribute to improving or at least stabilizing overall profitability in mature markets.

In our emerging markets, particularly Bangladesh, Pakistan and Ukraine, which still offer a significant growth potential and are characterized by low penetration rates, we continue to focus primarily on acquiring new subscribers. Typically, new customers tend to be prepaid subscribers. The average revenue per new subscription tends to be lower than the average revenue per existing subscription. In addition, we seek to improve the cost efficiency of our operations in the emerging markets by realizing economies of scale and sharing the best practices created across our international mobile operations.

Both in our mature and emerging markets we have seen trends towards price reductions, due to regulatory reasons or as a consequence of intensified competition. Churn levels vary between our different operations, but tend to be higher in markets with fierce competition and high pressure on prices. Regulatory factors, for example restrictions on lock-in periods, may also affect churn levels. The importance of minimizing churn tends to increase as penetration increases and customer growth slows down.

During the period 2002 to 2004, we optimized our capital expenditure without reducing the quality of our mobile networks operations. This was due in part to the realization of important synergies across these operations, such as global contracts and framework agreements and continued focus on sharing best practices for network utilization and optimization. Capital expenditure has been and will continue to be driven by considerable network investments in emerging markets. For example, capital expenditure in DiGi.Com is expected to increase significantly due to requirements of national coverage in 2005 and 2006. In addition, in 2004 we acquired a UMTS license in Hungary and we expect further UMTS investments in the future.

Fluctuations in currency exchange rates between the Norwegian Krone and the functional currencies of our mobile operations could affect our reported earnings and the value in Norwegian Krone of the investments. For example, in 2003 the significant strengthening of the Norwegian Krone against the US Dollar and other currencies linked to the US Dollar had an adverse effect on the results of operations of, and the value of our investment in, our mobile subsidiaries DiGi.Com (Malaysia), Kyivstar (Ukraine), whose functional currency in 2003 was the US Dollar, and GrameenPhone (Bangladesh) when reported in Norwegian Krone.

TELENOR MOBIL – NORWAY

NOK in millions	2004	2003	2002
External revenues			
Mobile outgoing traffic	3,845	3,712	3,880
Mobile incoming traffic	541	455	389
Roaming [1]	1,182	1,224	1,220
Total traffic	**5,568**	**5,391**	**5,489**
SMS, MMS and content services [1] [2]	1,595	1,537	1,530
Subscriptions and connections	1,533	1,216	1,350
Customer equipment	589	722	616
Service providers and other	1,220	773	456
Total external revenues	**10,508**	**9,639**	**9,441**
Internal revenues	1,226	1,270	1,254
Gains on disposal	–	–	–
Total revenues	**11,734**	**10,909**	**10,695**
Total operating expenses	**8,521**	**7,794**	**7,687**
Operating profit	**3,213**	**3,115**	**3,008**
EBITDA	4,283	4,262	4,330
Depreciation and amortization	1,056	1,147	1,207
Write-downs	14	–	115
Operating profit	**3,213**	**3,115**	**3,008**
Operating profit/Total revenues (%)	27.4	28.6	28.1
EBITDA/Total revenues (%)	36.5	39.1	40.5
Investments			
– Capex	973	500	750
– Acquisition of businesses	52	–	–
No. of man-years (end of period)	1,413	1,602	1,713
No. of subscriptions (in thousand)	2,645	2,364	2,382

[1] Compared to previously reported external revenues SMS services from abroad (roaming) have been reclassified from "Roaming" to "SMS, MMS and content services"

[2] Includes terminated SMS

Operating profit and EBITDA – Telenor Mobil – Norway

Operating profit in 2004 increased by 3.1% compared to 2003. Depreciation, amortization and write-downs of tangible and intangible assets decreased due to a decrease in capital expenditure during 2003 and first half of 2004. EBITDA increased slightly in 2004 compared to 2003, whereas the EBITDA margin decreased. This decrease was primarily due to increased operating expenses in connection with increased sales, retention and marketing activities due to the fierce competition.

Revenues – Telenor Mobil – Norway

Our estimated market share for GSM subscriptions as of 31 December 2004 was 56.3% compared to 56.8% as of 31 December 2003. During the same period, mobile penetration in Norway increased from 90% to approximately 102%, calculated by dividing the total number of SIM cards by population. The average revenue per user was stable compared to 2003. Revenue increased in 2004 compared to 2003 due to the increased number of subscriptions. This was partly offset by price reductions due to increased competition.

In 2004, external revenues from outgoing mobile traffic in Norway increased primarily due to the increase in the number of subscriptions and changes in the mix of subscriptions and higher average minutes per user (AMPU). Price reduction and free airtime during the summer prepaid campaign partly offset these effects.

External revenues from incoming mobile traffic increased in 2004 compared to 2003, due primarily to an increase in traffic volume from subscribers of other mobile operators. This was partly offset by reduced prices on terminating traffic fom February 2004.

A small increase in external revenues from roaming in 2004 was due to increased traffic volume from subscribers of foreign operators visiting Norway (inbound roaming) and minutes from Norwegian subscribers abroad (outbound roaming).

In 2004, external revenues from subscriptions and connections increased compared to 2003 due to migration of customers from lower priced subscription plans and prepaid to postpaid plans generating higher revenues. We also experienced an increase in supplementary fees from business subscriptions.

In 2004 external revenues from SMS, MMS and Content services were in line with 2003. The number of messages increased by 239 million to 2,165 million in 2004 compared to 2003. The increase was offset by lower average prices, primarily due to an increase in the number of free messages and reduced prices. The number of SMS messages terminating from other operators increased by approximately 68 million to approximately 618 million in 2004 compared to 2003.

Revenue from service providers increased by NOK 326 million from 2003 to 2004. This was due to increased number of subscribers of service providers. Our external revenues from sales of customer equipment are derived primarily from sales of handsets and computer equipment through our own distributors. These external revenues were relatively stable compared to 2003.

Operating expenses – Telenor Mobil – Norway

NOK in millions	2004	2003	2002
External costs of materials and traffic charges	2,291	2,127	1,872
Internal costs of materials and traffic charges	867	775	722
Total costs of materials and traffic charges	**3,158**	**2,902**	**2,594**
Own work capitalized	(23)	(33)	(52)
Salaries and personnel costs	884	936	1,064
Other external operating expenses	2,593	2,019	1,970
Other internal operating expenses	839	823	789
Losses on disposal of fixed assets and operations	–	–	–
Depreciation and amortization	1,056	1,147	1,207
Write-downs	14	–	115
Total operating expenses	**8,521**	**7,794**	**7,687**

Increased operating expenses in 2004 compared to 2003 were primarily due to the increase in costs of materials and traffic charges and costs related to sales, marketing and commissions.

Costs of materials and traffic charges in 2004 increased compared to 2003 due primarily to the increase in outgoing traffic (voice and SMS) terminating in other telecom operators' networks in Norway.

Salaries and personnel costs decreased in 2004 compared to 2003 due to the reduced number of employees resulting from the transfer of employees to other areas within Telenor.

Other operating expenses increased in 2004 compared to 2003 due primarily to increased costs related to sales, marketing and commissions. In 2004, this increase was due primarily to our increased focus on customer retention as a result of increased competition. Rent and other cost related to properties increased. Costs related to support and maintenance-agreements to GSM, GPRS and UMTS also increased due to higher capital expenditures and increased activities.

Depreciation and amortization decreased in 2004 compared to 2003 due to reduced capital expenditure in 2003 and the first half of 2004. In addition, the expected useful life of parts of our IT-system portfolio increased, resulting in lower depreciations in 2003. Capital expenditure in 2004 was significantly higher than in 2003 and we expect this will increase depreciation in 2005.

Capital expenditure – Telenor Mobil – Norway

Capital expenditure was higher in 2004 compared to 2003 due to increased investments in EDGE and UMTS equipment throughout the year. In addition, Telenor Mobil continued to increase coverage and capacity for the GSM-network.

SONOFON – DENMARK

(ownership interest 100% as of 31 December 2004) [1]

NOK in millions	2004	2003	2002
Mobile related revenues	3,369	–	–
Other revenues	1,024	–	–
Total revenues	**4,393**	**–**	**–**
Total operating expenses	**7,641**	**–**	**–**
Operating (loss)	**(3,248)**	**–**	**–**
EBITDA	680	–	–
Depreciation and amortization	1,523	–	–
Write-downs	2,405	–	–
Operating (loss)	**(3,248)**	**–**	**–**
EBITDA/Total revenues (%)	15.5	–	–
Capex	388	–	–
No. of man-years (end of period)	1,343	–	–
No. of subscriptions (in thousand)	1,286	–	–

1) The table shows figures included in the accounts for Telenor from the date of consolidation.

The preceding table shows figures included in the accounts for Telenor from the date of acquisition. We consolidated Sonofon as a subsidiary effective 12 February 2004, when we increased our ownership interest in the company from 53.5% to 100%. The following discussion and analysis of Sonofon's results of operations is based on Sonofon's financial statements for the years ended 31 December 2003 and 31 December 2004, as prepared by Sonofon, which we have adjusted to conform materially with Norwegian GAAP. We believe that such information provides a more useful measure of comparative financial performance for a period when we had not yet consolidated Sonofon. However, such information does not purport to represent what the actual results of operations would have been had Sonofon been consolidated from 1 January 2003 and is not necessarily indicative of our future operating results.

Operating profit (loss) and EBITDA – Sonofon

Operating loss in 2004 was NOK 274 million exclusive depreciation and amortization of Telenor's net excess values and write-downs of Telenor's net excess values. EBITDA decreased compared to 2003 due to the high costs of customer acquisition and, in particular, retention activities. In addition, the increase in traffic offset only in part the price reductions resulting from increased price competition in 2004 and 2003. Expenses for workforce reduction had a negative impact on Sonofon's operating loss and EBITDA. In 2004 there was a write-down of NOK 2.4 billlion, of which NOK 2.2 billion was goodwill.

Revenues – Sonofon

Total revenues for 2004 increased compared to 2003. The increase in revenue was due to increased traffic, which resulted both from an increase of 276,000 in the number of subscriptions in 2004 and a stable development in average minutes per user. The increase was partially off-set by increased competition, which resulted in lower subscription fees, and discounts on handsets sold in connection with customer acquisition.

In May 2004, Sonofon purchased the service provider CBB, previously a service provider on Sonofon's network, which added approximately 180,000 prepaid subscriptions to the Sonofon subscription base. As a result, revenues from retail subscriptions increased from 2003 to 2004, while revenue from wholesale decreased.

Sonofon's market share of GSM subscriptions at 31 December 2004 was estimated to be 27%. The estimated mobile penetration in Denmark at 31 December 2004 was 88%.

Operating expenses – Sonofon

NOK in millions	2004	2003	2002
External costs of materials and traffic charges	2,090	–	–
Internal costs of materials and traffic charges	33	–	–
Total costs of materials and traffic charges	**2,123**	**–**	**–**
Own work capitalized	(30)	–	–
Salaries and personnel costs	586	–	–
Other external operating expenses	1,032	–	–
Other internal operating expenses	2	–	–
Losses on disposal of fixed assets and operations	–	–	–
Depreciation and amortization [1]	1,523	–	–
Write-downs [2]	2,405	–	–
Total operating expenses	**7,641**	**–**	**–**
1) Includes amortization of Telenor's net excess values by [*]	880	–	–
2) Includes write-downs of Telenor's net excess values by [*]	2,190	–	–

*) Net excess values are the difference between our acquisition cost and our share of equity at acquisition of subsidiaries.

Operating expenses exclusive depreciation and amortization of Telenor's net excess values and write-downs of Telenor's net excess values increased by approximately NOK 522 million from 2003 to 2004, primarily due to high costs of customer acquisition activities and, in particular, customer retention activities. In connection with Telenor's annual impairment test of entities containing goodwill, the market value of the mobile company Sonofon in Denmark at the end of 2004 has been assessed to be lower than the book value. This has led to a write-down of NOK 2.4 billlion, of which NOK 2.2 billion was goodwill.

Capital expenditure – Sonofon

In 2004, capital expenditure was in line with 2003.

TELENOR MOBILE SWEDEN

(ownership interest 100% as of 31 December 2004)

NOK in millions	2004	2003	2002
Total revenues	**223**	**127**	**81**
Total operating expenses	**1,072**	**265**	**166**
Operating (loss)	**(849)**	**(138)**	**(85)**
EBITDA	(725)	(114)	(77)
Depreciation and amortization	49	24	8
Write-downs	75	–	–
Operating (loss)	**(849)**	**(138)**	**(85)**
Capex	17	79	16
No. of man-years (end of period)	16	21	17
No. of subscriptions (in thousand)	105	81	54

The Norwegian Krone depreciated against the Swedish Krone by 5% in 2004 compared to 2003.

Operating loss and EBITDA – Telenor Mobile Sweden

Operating loss and EBITDA loss increased in 2004 compared to 2003, primarily due to provision for an estimated loss of NOK 562 million on the MVNO contract in Sweden in 2004. In 2002, Telenor entered into a MVNO contract to purchase capacity in a mobile network in Sweden, which partly included fixed prices, as an alternative to the existing service provider agreement. Following price reductions in the Swedish market and reduced expectations in respect of future earnings potential, the loss was estimated as the difference between expected future economic benefits and unavoidable costs in the contract. Further, the book value of NOK 75 million as of 31 December 2004 on all fixed assets was written down to zero.

Depreciation and amortization increased in 2004 compared to 2003, due to depreciation and amortization related to the phasing out of the service provider operation.

Revenues – Telenor Mobile Sweden

Revenues increased during the 2004 compared to 2003 , due primarily to increased traffic resulting from an increase in the number of subscriptions. The change in the subscription composition, from service provider customers in 2002 to MVNO customers in 2004, also contributed to increased average revenue per subscription because termination revenues for MVNO customers are included in the revenue basis.

Operating expenses – Telenor Mobile Sweden

NOK in millions	2004	2003	2002
External costs of materials and traffic charges	200	65	48
Internal costs of materials and traffic charges	45	7	–
Total costs of materials and traffic charges	**245**	**72**	**48**
Own work capitalized	–	–	–
Salaries and personnel costs	17	23	11
Other external operating expenses	655	131	94
Other internal operating expenses	31	15	5
Losses on disposal of fixed assets and operations	–	–	–
Depreciation and amortization	49	24	8
Write-downs	75	–	–
Total operating expenses	**1,072**	**265**	**166**

Excluding the provision for loss in 2004, operating expenses in 2003 and 2004 consist primarily of costs of materials and traffic charges.

Capital expenditure – Telenor Mobile Sweden

Capital expenditure decreased in 2004 compared to 2003 because investment in MVNO operations was completed in 2003.

PANNON GSM – HUNGARY

(ownership interest 100% as of 31 December 2004)

NOK in millions	2004	2003	2002
Mobile related revenues	5,499	5,005	4,187
Other revenues	370	365	318
Total revenues	**5,869**	**5,370**	**4,505**
Total operating expenses	**5,416**	**4,991**	**4,208**
Operating profit	**453**	**379**	**297**
EBITDA	2,092	1,924	1,586
Depreciation and amortization	1,618	1,535	1,274
Write-downs	21	10	15
Operating profit	**453**	**379**	**297**
Operating profit/Total revenues (%)	7.7	7.1	6.6
EBITDA/Total revenues (%)	35.6	35.8	35.2
Capex	1,166	644	825
No. of man-years (end of period)	1,384	1,499	1,523
No. of subscriptions (in thousand)	2,770	2,618	2,450

The preceding table shows figures included in the accounts for Telenor from the date of acquisition. We consolidated Pannon GSM as a subsidiary effective 4 February 2002, when we increased our ownership interest in the company from 25.8% to 100%.

The Norwegian Krone depreciated against the Hungarian Forint by 5% in 2004 compared to 2003.

Operating profit and EBITDA – Pannon GSM

Operating profit and EBITDA increased in 2004 compared to 2003 due to higher traffic as a result of a 10% increase in average usage per subscription. The operating profit margin (operating profit as a percentage of total revenues) increased due to reduced depreciation and amortization, while the EBITDA margin were in line with the corresponding margins in 2003.

Revenues – Pannon GSM

In 2004, Pannon GSM had a 9.3% increase in revenues measured in NOK compared to 2003 (3% measured in local currency). This growth was primarily due to increased traffic resulting from an increase in average usage per subscription in 2004. The fact that the proportion of customers with postpaid subscriptions increased during 2004 contributed to this increase. General reduction in prices partially off-set the increase in usage, and average revenue generated per subscriber were in line with 2003. Most of the 152,000 net subscriptions increase in 2004 occurred close to year end.

Pannon GSM's market share of GSM subscriptions in Hungary at 31 December 2004 was 34% compared to 36% at 31 December 2003. The reduction was due to increased competition. At 31 December 2004, the mobile penetration in Hungary had increased to 80% compared to 73% at 31 December 2003 (penetration figures are now based on 3 months active usage for prepaid for all operators in Hungary).

Operating expenses – Pannon GSM

NOK in millions	2004	2003	2002
External costs of materials and traffic charges	2,243	2,048	1,754
Internal costs of materials and traffic charges	5	2	2
Total costs of materials and traffic charges	**2,248**	**2,050**	**1,756**
Own work capitalized	–	–	–
Salaries and personnel costs	378	385	298
Other external operating expenses	1,125	1,001	865
Other internal operating expenses	22	10	–
Losses on disposal of fixed assets and operations	4	–	–
Depreciation and amortization [1]	1,618	1,535	1,274
Write-downs	21	10	15
Total operating expenses	**5,416**	**4,991**	**4,208**
[1] Includes amortization of Telenor's net excess values by*)	683	646	574

*) Net excess values are the difference between our acquisition cost and our share of equity at acquisition of subsidiaries.

Operating expenses increased by NOK 0.4 billion in 2004 compared to 2003 primarily due to increased costs of materials and traffic charges as a result of increased traffic terminating in other operators' networks. Other operating expenses increased in 2004 compared to 2003 as a result of higher marketing costs and higher commissions related to the increased sales of contract subscriptions. Depreciation and amortization increased in 2004 compared to 2003 as a result of a higher level of capital expenditures in 2004.

Capital expenditure – Pannon GSM

Capital expenditure increased by NOK 0.5 billion in 2004 compared to 2003, primarily due to our investment in a UMTS license in December 2004 and to the upgrading of the GSM network to EDGE functionality.

DIGI.COM – MALAYSIA
(ownership interest 61.0% as of 31 December 2004)

NOK in millions	2004	2003	2002
Mobile related revenues	3,437	2,713	2,273
Other revenues	516	463	442
Total revenues	**3,953**	**3,176**	**2,715**
Total operating expenses	**3,168**	**2,802**	**4,718**
Operating profit (loss)	**785**	**374**	**(2,003)**
EBITDA	1,732	1,295	1,022
Depreciation and amortization	947	903	875
Write-downs	–	18	2,150
Operating profit (loss)	**785**	**374**	**(2,003)**
Operating profit/Total revenues (%)	19.9	11.8	nm
EBITDA/Total revenues (%)	43.8	40.8	37.6
Capex	920	1,043	1,457
No. of man-years (end of period)	1,549	1,450	1,443
No. of subscriptions (in thousand)	3,242	2,207	1,616

The Norwegian Krone appreciated 5% against the Malaysian Ringgit in 2004 compared to 2003.

Operating profit and EBITDA – DiGi.Com
Operating profit and EBITDA measured in NOK and in local currency increased in 2004 compared to 2003 due to the increase in revenues, which more than offset the increase in operating expenses. Depreciation and amortization increased due to a higher level of capital expenditure in the recent years. The EBITDA margin was strengthened through increased revenues and economies of scale, although this was partially offset by increased costs of materials and traffic charges as a result of the increased customer base. The operating profit margin increased even more due to the fact that depreciations and amortizations comprise of a smaller portion of operating expenses.

Revenues – DiGi.Com
In 2004, DiGi.Com had a 24% increase in revenues measured in NOK compared to 2003. Measured in local currency, the increase was 30%. The increase in revenues was primarily driven by higher traffic volumes and an increase of 1,035,000 in the number of subscriptions in 2004. However, on average each subscription generated less revenue as new customers and customers with prepaid subscriptions reduced the average number of call minutes and revenues per subscription. However, non-voice revenues increased considerably and represented 14.6% of mobile revenues in 2004 compared to 13.4% in 2003. This was primarily driven by increased SMS volumes. Other revenues, primarily coming from DiGi.Com's international carrier business, increased in 2004 compared to 2003 due to higher traffic volumes.

DiGi.Com's market share of GSM subscriptions in Malaysia at 31 December 2004 was estimated to be 22% compared to 20% at 31 December 2003. During 2004, the mobile penetration in Malaysia increased from 44% to 57%.

Operating expenses – DiGi.Com

NOK in millions	2004	2003	2002
External costs of materials and traffic charges	904	801	730
Internal costs of materials and traffic charges	3	3	3
Total costs of materials and traffic charges	**907**	**804**	**733**
Own work capitalized	(6)	(7)	(3)
Salaries and personnel costs	212	197	194
Other external operating expenses	1,095	886	760
Other internal operating expenses	13	1	9
Losses on disposal of fixed assets and operations	–	–	–
Depreciation and amortization [1]	947	903	875
Write-downs [2]	–	18	2,150
Total operating expenses	**3,168**	**2,802**	**4,718**
[1] Includes amortization of Telenor's net excess values by [*]	118	123	296
[2] Includes write-downs of Telenor's net excess values by [*]	–	–	2,138

[*] Net excess values are the difference between our acquisition cost and our share of equity at acquisition of subsidiaries.

Operating expenses increased in 2004 compared to 2003 due primarily to increased costs of materials and traffic charges resulting from the higher traffic volumes generated by the higher number of subscriptions, as well as increased Universal Service Obligation provisions and commission expenses as a result of higher gross sales revenues.

Capital expenditure – DiGi.Com
Capital expenditure decreased by NOK 0.1 billion (0.04 billion if measured in local currency) in 2004 compared to 2003 due to reduced prices for network-related equipment. With coverage expansion planned for 2005, capital expenditure will increase in 2005.

KYIVSTAR – UKRAINE
(ownership interest 56.5% as of 31 December 2004)

NOK in millions	2004	2003	2002
Mobile related revenues	4,278	2,569	681
Other revenues	68	65	27
Total revenues	**4,346**	**2,634**	**708**
Total operating expenses	**2,357**	**1,541**	**457**
Operating profit	**1,989**	**1,093**	**251**
EBITDA	2,581	1,573	403
Depreciation and amortization	592	480	152
Write-downs	–	–	–
Operating profit	**1,989**	**1,093**	**251**
Operating profit/Total revenues (%)	45.8	41.5	35.5
EBITDA/Total revenues (%)	59.4	59.7	56.9
Capex	2,608	979	329
No. of man-years (end of period)	1,880	1,269	994
No. of subscriptions (in thousand)	6,252	3,037	1,856

The preceding table shows figures included in the accounts for Telenor from the date of consolidation. In 2002, we increased our ownership interest in Kyivstar from 45.4% to 54.2% and consolidated Kyivstar as a subsidiary effective 1 September 2002. As of May 2003, our ownership interest increased to 55.4% and as of April 2004, our ownership interest in Kyivstar increased further to 56.5%.

The functional currency for Kyivstar is the Ukrainian Hryvnia. Until 1 May 2004, the US Dollar was the functional currency for Kyivstar. Effective as of 1 May 2004, when the company changed its nominal prices from US Dollar to local currency, the Ukrainian Hryvnia (UAH) was adopted as the functional currency. The Norwegian Krone appreciated against the US Dollar by 5% in 2004 compared to 2003. The Norwegian Krone appreciated against the Ukrainian Hryvnia by 4% in 2004 compared to 2003. The UAH has been generally stable against the US Dollar during the latest years. The change in functional currency had no material effect on our results in 2004.

Operating profit and EBITDA – Kyivstar
Operating profit increased by 82% measured in Norwegian Krone and by 91% measured in local currency in 2004 compared to 2003. EBITDA increased by 64% measured in Norwegian Krone and by 72% measured in local currency in 2004 compared to 2003. The increase was due to increased revenues, which more than offset the increase in operating expenses.

Revenues – Kyivstar
In 2004, the company had a 65% increase in revenues measured in Norwegian Krone (a 73% increase if measured in local currency) compared to 2003. The increase in revenues was due primarily to increased traffic resulting from an increase of 3,215,000 subscriptions in 2004. However, on average each subscription generated marginally less revenue as the customer base consisted of proportionally more prepaid subscribers than in the previous year. In addition, the company reduced its prices in the spring of 2004. Such price reduction was due to increased competition in the Ukrainian market. Increased usage was offset by a decrease in average prices.

Kyivstar's market share of GSM subscriptions in the Ukraine at 31 December 2004 was estimated to be 45% compared to 47% at 31 December 2003. During 2004, the estimated mobile penetration in the Ukraine increased from 13.7% to 29.2%.

Operating expenses – Kyivstar

NOK in millions	2004	2003	2002
External costs of materials and traffic charges	646	276	92
Internal costs of materials and traffic charges	5	–	–
Total costs of materials and traffic charges	**651**	**276**	**92**
Own work capitalized	–	–	–
Salaries and personnel costs	183	89	25
Other external operating expenses	920	684	179
Other internal operating expenses	11	12	9
Losses on disposal of fixed assets and operations	–	–	–
Depreciation and amortization [1]	592	480	152
Write-downs	–	–	–
Total operating expenses	**2,357**	**1,541**	**457**
[1] Includes amortization of Telenor's net excess values by [*]	130	137	54

[*] Net excess values are the difference between our acquisition cost and our share of equity at acquisition of subsidiaries.

Operating expenses increased in 2004 compared to 2003 due primarily to the increased number of subscriptions. Costs of materials and traffic charges increased significantly as a result of higher traffic volume and the introduction of the new interconnection regime in September 2003. In addition, advertising costs and commission expenses increased in 2004 compared to 2003 due to increased competition and the high number of new customers. The number of man-years also increased in 2004, thus leading to an increase in salaries and personnel costs.

Capital expenditure – Kyivstar
Capital expenditure increased in 2004 compared to 2003 as a consequence of high subscription growth and also to improve mobile coverage.

GRAMEENPHONE – BANGLADESH
(ownership interest 62.0% as of 31 December 2004)

NOK in millions	2004	2003	2002
Mobile related revenues	2,194	1,529	1,203
Other revenues [*]	8	7	386
Total revenues	**2,202**	**1,536**	**1,589**
Total operating expenses	**1,107**	**693**	**958**
Operating profit	**1,095**	**843**	**631**
EBITDA	1,313	1,001	757
Depreciation and amortization	215	158	126
Write-downs	3	–	–
Operating profit	**1,095**	**843**	**631**
Operating profit/Total revenues (%)	49.7	54.9	39.7
EBITDA/Total revenues (%)	59.6	65.2	47.6
Capex	1,318	429	342
No. of man-years (end of period)	1,147	829	692
No. of subscriptions (in thousand)	2,388	1,141	769

[*] With effect from the third quarter of 2002, Government royalty and license fees collected by GrameenPhone on behalf of the Government authority have been excluded from 'other revenues'. With effect from 1 January 2003, sales of handsets by GrameenPhone are regarded as commission sales and are therefore excluded from revenues and costs of materials. These changes contributed to a significant decrease in "other revenues" and "costs of materials" in 2003 but had no effect on profits.

In December 2003, Telenor increased its ownership interest in GrameenPhone from 46.4% to 51.0%. In October 2004, we increased our ownership interest in GrameenPhone to 55.5% and in December 2004 further increased our ownserhip interest to 62%. The Norwegian Krone appreciated against the Bangladeshi Taka by 7% in 2004 compared to 2003.

Operating profit and EBITDA – GrameenPhone
Operating profit and EBITDA increased in 2004 compared to2003, due to higher traffic as a result of the increase in the number of subscriptions, which more than offset the increase in operating expenses. Depreciation and amortization increased in 2004 compared to 2003 due to a higher level of capital expenditure during 2004.

Revenues – GrameenPhone
Measured in Norwegian Krone, mobile-related revenues increased by 44% in 2004 compared to 2003 (53% increase in local currency) due to increased traffic resulting from an increase of 1,247,000 in the number of subscriptions. However, each new subscription generated on average less revenue than existing subscriptions and prepaid subscriptions, who are the main growth segment, generated less traffic and revenue. This resulted in a decline in average revenue per subscription.

GrameenPhone's estimated market share in Bangladesh at 31 December 2004 was 62% (including both GSM and CDMA subscriptions), which was unchanged from 31 December 2003. During 2004, the estimated mobile penetration in Bangladesh increased to 2.8% from 1.3% at end of 2003.

Operating expenses – GrameenPhone

NOK in millions	2004	2003	2002
External costs of materials and traffic charges	245	164	524
Internal costs of materials and traffic charges	–	–	–
Total costs of materials and traffic charges	**245**	**164**	**524**
Own work capitalized	–	–	–
Salaries and personnel costs	75	51	42
Other external operating expenses	539	309	266
Other internal operating expenses	22	6	–
Losses on disposal of fixed assets and operations	8	5	–
Depreciation and amortization	215	158	126
Write-downs	3	–	–
Total operating expenses	**1,107**	**693**	**958**

Operating expenses increased in 2004 compared to 2003 due to primarily the increased number of subscriptions. Costs of materials and traffic charges increased more than revenue due to the introduction of the interconnect regime with revenue sharing between the mobile operators. Advertising costs and commission expenses increased as a result of the increase in competition and the high number of sales. Salaries and personnel costs, as well as operation and maintenance expenses, increased due to the enlarged operation. Depreciation and amortization increased in 2004 compared to 2003 due to increased capital expenditure during 2004.

Capital expenditure – GrameenPhone

Capital expenditure increased in 2004 compared to 2003 as a consequence of high subscription growth and due to the expansion of the network to improve coverage.

PROMONTE GSM – MONTENEGRO

(ownership interest 100% as of 31 December 2004) [1]

NOK in millions	2004	2003	2002
Mobile related revenues	189	–	–
Other revenues	11	–	–
Total revenues	**200**	**–**	**–**
Total operating expenses	**177**	**–**	**–**
Operating profit	**23**	**–**	**–**
EBITDA	91	–	–
Depreciation and amortization	68	–	–
Write-downs	–	–	–
Operating profit	**23**	**–**	**–**
Operating profit/Total revenues (%)	11.5	–	–
EBITDA/Total revenues (%)	45.5	–	–
Capex	16	–	–
No. of man-years (end of period)	224	–	–
No. of subscriptions (in thousand)	279	–	–

[1] The table shows figures included in the accounts for Telenor from the date of consolidation.

In 2004, we increased our ownership interest in ProMonte from 44.1% to 100% and consolidated ProMonte as a subsidiary effective 12 August 2004. The following discussion and analysis of ProMonte's results of operations is based on ProMonte's financial statements for the years ended 31 December 2003 and 2004, as prepared by ProMonte, which we have adjusted to conform materially with Norwegian GAAP. We believe that such information provides a more useful measure of comparative financial performance for a period when we had not yet consolidated ProMonte. However, such information does not purport to represent what the actual results of operations would have been had ProMonte been consolidated from January 2003 and is not necessarily indicative of our future operating results.

Operating profit and EBITDA – ProMonte GSM

Operating profit and EBITDA increased in 2004 compared to 2003 due to higher traffic as a result of the increase in the number of subscriptions, which more than offset the increase in operating expenses.

Revenues – ProMonte GSM

In 2004, revenues increased by 3.4% measured in local currency due to increased traffic resulting from an increase of 38,000 in the number of subscriptions. However, on average each subscription generated less revenues due to reduced average number of call minutes and revenues per subscription.

ProMonte's market share of GSM subscriptions at 31 December 2004 was estimated to be 58% compared to 56% at 31 December 2003.

Operating expenses – ProMonte GSM

NOK in millions	2004	2003	2002
External costs of materials and traffic charges	57	–	–
Internal costs of materials and traffic charges	–	–	–
Total costs of materials and traffic charges	**57**	**–**	**–**
Own work capitalized	–	–	–
Salaries and personnel costs	15	–	–
Other external operating expenses	34	–	–
Other internal operating expenses	3	–	–
Losses on disposal of fixed assets and operations	–	–	–
Depreciation and amortization [1]	68	–	–
Write-downs	–	–	–
Total operating expenses	**177**	**–**	**–**
[1] Includes amortization of Telenor's net excess values by *)	33	–	–

*) Net excess values are the difference between our acquisition cost and our share of equity at acquisition of subsidiaries.

Operating expenses increased in 2004 compared to 2003. A decrease in costs of materials and traffic charges was partly offset by an increase in advertising costs and commission expenses as a result of increased competition. Costs of materials and traffic charges decreased in 2004 compared to 2003 due to to reduction in interconnect tariffs (new interconnect agreements with Monet and Telecom).

Capital expenditure – ProMonte

Capital expenditure decreased in 2004 compared to 2003 due to reduced prices for network-related equipment.

OTHER INCLUDING ELIMINATIONS

NOK in millions	2003	2002	2001
EBITDA	(429)	(374)	(539)
Depreciation and amortization	5	61	137
Write-downs	–	7	9
Operating (loss)	**(434)**	**(442)**	**(685)**
Investments			
Capex	2,021	(7)	12
No. of man-years (end of period)	380	254	169

Other mobile units include the greenfield operation in Pakistan, and costs related to the management and administration of Telenor's international mobile operations and eliminations of internal trade between the mobile operations.

The EBITDA loss increased in 2004 compared to 2003 primarily due to operating costs related to the operations in Pakistan. The EBITDA loss for the operation in Pakistan was NOK 78 million in 2004. The significant increase in capital expenditure in 2004 compared to 2003 was due primarily to the purchase of a licence for mobile telephony in Pakistan.

ASSOCIATED COMPANIES AND JOINT VENTURES

NOK in millions	2004	2003	2002
Telenor's share of [1]			
Net income after taxes	857	608	612
Amortization of Telenor's net excess values	(163)	(534)	(798)
Write-downs of Telenor's excess values	–	(15)	(1,884)
Gain on disposal of ownership interests	–	1,580	40
Net result from associated companies	**694**	**1,639**	**(2,030)**

[1] These figures are partly based on our management's estimates in connection with the preparation of our consolidated financial statements. Our consolidated profit and loss statement contains only the line item "net result from associated companies". Our share of the other items shown in the table is not included in our consolidated financial statements but this information is set forth in note 16 to our consolidated financial statements. Net excess values are the difference between our acquisition cost and our share of equity at acquisition of the associated companies.

The results from associated companies were affected by:
- The sale of Extel in 2002, and the sale of Stavtelesot, OniWay and 9% of the shares in Cosmote in 2003.

- Pannon GSM, Kyivstar, Sonofon and ProMonte GSM being accounted for as subsidiaries effective 4 February 2002, 1 September 2002, 12 February 2004 and 12 August 2004, respectively.

Our associated mobile companies, particularly VimpelCom in Russia and DTAC in Thailand, experienced a significant increase in their customer base in 2004 and in 2003.

Amortization of Telenor's net excess values decreased in 2004 compared to 2003 due to the consolidation of Sonofon.

Adjusted for associated companies sold or becoming subsidiaries, net income after taxes increased by NOK 0.3 billion in 2004 compared to 2003, primarily due to VimpelCom.

Gains on disposals in 2003 were related to the sale of Stavtelesot in January 2003 and the sale of 9% of the shares in Cosmote in April 2003. In February 2004, we sold the remaining 9% of the shares in Cosmote with a gain before tax of NOK 2.6 billion reported as a part of financial items.

TELENOR FIXED

NOK in millions	2004	2003	2002
External revenues	17,430	18,787	18,338
Internal revenues	1,826	1,713	1,670
Gains on disposal of fixed assets and operations	10	9	14
Total revenues	**19,266**	**20,509**	**20,022**
External costs of materials and traffic charges	3,731	3,903	3,649
Internal costs of materials and traffic charges	1,327	1,529	1,626
Total costs of materials and traffic charges	**5,058**	**5,432**	**5,275**
Own work capitalized	(132)	(117)	(110)
Salaries and personnel costs	3,490	3,650	3,577
Other external operating expenses	2,881	3,140	3,966
Other internal operating expenses	1,667	1,714	1,685
Losses on disposal of fixed assets and operations	25	25	32
Depreciation and amortization [1]	3,468	4,110	4,366
Write-downs [2]	15	24	500
Total operating expenses	**16,472**	**17,978**	**19,291**
Operating profit	**2,794**	**2,531**	**731**
Associated companies	50	8	(5)
Net financial items	(438)	(736)	(297)
Profit before taxes and minority interests	**2,406**	**1,803**	**429**
[1] Includes amortization of Telenor's net excess values by [*]	(102)	(76)	157
[2] Includes write-downs of Telenor's net excess values by [*]	-	-	160
EBITDA	6,277	6,665	5,597
Depreciation and amortization	3,468	4,110	4,366
Write-downs	15	24	500
Operating profit	**2,794**	**2,531**	**731**
Operating profit/Total revenues (%)	14.5	12.3	3.7
EBITDA/Total revenues (%)	32.6	32.5	28.0
Investments			
– Capex	1,791	1,867	3,260
– Investments in businesses	105	294	270
No. of man-years (end of period)	5,651	6,087	7,215
– Of which abroad	643	652	1,583

[*] Net excess values are the difference between our acquisition cost and our share of equity at acquisition of subsidiaries.

Revenues

NOK in millions	2004	2003	2002
Norway	17,518	18,189	18,281
Sweden	1,692	1,603	1,073
Russia [1]	-	703	682
Other	175	162	149
Eliminations	(119)	(148)	(163)
Total revenues	**19,266**	**20,509**	**20,022**

EBITDA

NOK in millions	2004	2003	2002
Norway	6,271	6,512	5,489
Sweden	8	(56)	(100)
Russia [1]	-	215	228
Other	6	(8)	(23)
Eliminations	(8)	2	3
Total EBITDA	**6,277**	**6,665**	**5,597**

Operating profit (loss)

NOK in millions	2004	2003	2002
Norway	3,025	2,720	1,157
Sweden	(167)	(198)	(333)
Russia [1]	–	71	70
Other	(64)	(71)	(166)
Eliminations	–	9	3
Total operating profit	**2,794**	**2,531**	**731**

[1] 11 months in 2003. On 1 December 2003, we exchanged the shares in our consolidated subsidiary Comincom/Combellga (Russia) for an ownership interest in the listed company Golden Telecom, which is reported as an associated company

Owerview

In 2004, our market share of retail subscribers (PSTN/ISDN) as well as our revenues from retail subscribers both decreased, partially offset by an increase in wholesale revenues. The decreased market share and revenues was primarily a consequence of increased competition, including competition from service providers to whom we provide telephony access (PSTN/ISDN) on a wholesale basis. In spite of the increased competition from other fixed operators and service providers for PSTN/ISDN and DSL services, we maintained a stable market share for fixed telephony traffic and increased our market share for DSL subscriptions. The increase in revenues from DSL and the wholesale market offset only in part the decrease in retail revenues due to reduced subscription and connection revenue as a result of declining market share for telephony access and the decrease in the market as a whole and traffic revenues due to migration of voice traffic to mobile traffic and data traffic to IP (ADSL).

Compared to 2003, Fixed's results were also affected by the sale of Comincom/Combellga (Russia) to Golden Telecom on 1 December 2003 and the sale of parts of the Managed Services business from Fixed to EDB Business Partner with effect from 1 May 2004.

Operating profit and EBITDA

Operating profit increased in 2004 compared to 2003 due to decreased depreciation, amortization and write-downs. In 2004, we recorded costs for workforce reductions and loss contracts totaling NOK 86 million, compared to NOK 6 million in 2003.

FIXED – NORWAY

NOK in millions	2004	2003	2002
Business market – fixed network			
Subscriptions and connections – analog (PSTN)/digital (ISDN)	1,062	1,240	1,335
Subscriptions and connections – ADSL/Internett	264	226	194
Fixed to fixed traffic domestic, excluding traffic to service providers (ISP)	496	625	776
Traffic to Internet service providers (ISP)	63	116	170
Traffic to mobile	633	647	666
Traffic abroad	148	159	180
Other traffic	536	621	669
Total fixed network business market	**3,202**	**3,634**	**3,990**
Residential market – fixed network			
Subscriptions and connections – analog (PSTN)/digital (ISDN)	2,621	3,060	3,026
Subscriptions and connections – ADSL/Internett	1,051	815	543
Fixed to fixed traffic domestic, excluding traffic to service providers (ISP)	933	1,061	1,190
Traffic to Internet service providers (ISP)	347	445	520
Traffic to mobile	1,023	1,069	1,144
Traffic abroad	229	250	279
Other traffic	497	630	660
Total fixed network residential market	**6,701**	**7,330**	**7,362**
Other retail revenues			
Leased lines	301	329	341
Data services (frame relay, ATM, lan-lan, datapak)	854	836	828
Managed Services (Operating Services)	454	726	679
Other	509	377	388
Total other retail revenues	**2,118**	**2,268**	**2,236**
Total retail revenues	**12,021**	**13,232**	**13,588**
Wholesale market – fixed network			
Sale to service providers and operators	711	249	107
Domestic interconnect	608	643	629
International interconnect	329	339	340
Transit traffic	993	1,038	1,027
Leased lines	614	631	647
Other wholesale	393	277	194
Total wholesale market – fixed network	**3,648**	**3,177**	**2,944**
Total external revenues	**15,669**	**16,409**	**16,532**
Internal revenues	1,844	1,776	1,749
Gains on disposal of fixed assets and operations	5	4	–
Total revenues	**17,518**	**18,189**	**18,281**
Total operating expenses	**14,493**	**15,469**	**17,124**
Operating profit	**3,025**	**2,720**	**1,157**
EBITDA	6,271	6,512	5,489
Depreciation and amortization	3,244	3,773	3,919
Write-downs	2	19	413
Operating profit	**3,025**	**2,720**	**1,157**
Operating profit/Total revenues (%)	17.3	15.0	6.3
EBITDA/Total revenues (%)	35.8	35.8	30.0
Investments			
– Capex	1,473	1,568	2,919
– Investments in businesses	2	1	11
No. of man-years (end of period)	5,000	5,440	5,653

Operating profit and EBITDA – Fixed – Norway

Compared to 2003, the results in 2004 were affected by the sale of part of the Managed Services business from Fixed to EDB Business Partner with effect from 1 May 2004. The transferred business provided services in connection with the operation of the IT systems to other Telenor companies and to external customers.

Operating profit increased in 2004 compared to 2003 due to decreased depreciation, amortization and write-downs, partially offset by decreased EBITDA. Deprecation and amortization decreased due to write-downs in earlier years, decreased capital expenditure and the impact of the sale of part of the Managed Services business to EDB Business Partner. Decreased EBITDA in 2004 compared to 2003 was due to the sale of part of the Managed Services business to EDB Business Partner, partially offset by reduced operating costs. We expensed NOK 71 millions to workforce reductions and loss contracts in 2004.

External revenues – Fixed – Norway

Business and residential market

External subscription and connection revenues from PSTN/ISDN decreased in 2004 compared to 2003 due to transition to sales of access lines on a wholesale basis and a decrease in the number of subscriptions in the market as a whole.

Increased external revenues from ADSL and Internet subscriptions were due to the increase in the number of ADSL subscriptions. The number of ADSL subscriptions (business and residential) was 326,000 at 31 December 2004, an increase of 149,000 compared to the end of 2003.

Reduced external traffic revenue in 2004 compared to 2003 was due to an approximately 15% (approximately 15% in both the business – and residential market) decrease in total traffic in Telenor's fixed network (total market) measured in minutes. The decrease in traffic resulted from migration of fixed voice traffic to mobile traffic and of data traffic from dial-up Internet to ADSL.

Telenor's market share measured in traffic minutes was 69% in December 2004 (72% in the business market and 68% in the residential market), the same as in December 2003.

Other external retail revenues

Due to the sale of parts of our Managed Services business from Fixed to EDB Business Partners as of 1 May 2004, the external revenue from managed services declined in 2004 compared to 2003. Revenues from other retail products such as sales of equipment, maritime radio services increased in 2004 due to new contracts and increased revenues from our Internet portal services.

Wholesale market

Increased revenues from sales to service providers and other operators in 2004 compared to 2003 were due to a growth in sales of unbundled telephony access (PSTN/ISDN) lines and ADSL. The number of PSTN/ISDN lines sold on a wholesale basis was 438,000 at December 2004, an increase of 208,000 lines, compared to 230, 000 lines at the end of 2003. The number of ADSL subscriptions sold on a wholesale basis was 91,000 at December 2004, an increase of 35,000, compared to 56,000 at the end of 2003. External revenues from domestic interconnections decreased in 2004 compared to 2003 due to decline in the number of fixed access lines and reductions in interconnection prices.

Decreased revenues from international interconnection and transit traffic were due to price and volume reductions.

Other wholesale revenues increased in 2004 compared to 2003 primarily due to increased sales of local loop unbundled subscriptions. The number of local loop unbundled subscription sold at the end of 2004 was 145,000, an increase of 65,000, compared to 80,000 at December 2003.

Internal revenues – Fixed – Norway

Increased sales of leased lines and contractor work to Telenor Mobil and Broadcast offset the decrease in sales of managed services due to the sale of parts of our Managed Services business to EDB Business Partners as of 1 May 2004.

Internal revenues consist of intra group sales of network capacity, leased lines and interconnections, primarily to Telenor Mobil – Norway, sales of other wholesale products, such as co-location and contractor work, and sales of managed services and data services, primarily to Fixed-Sweden.

Operating expenses – Fixed – Norway

NOK in millions	2004	2003	2002
External costs of materials and traffic charges	2,562	2,545	2,759
Internal costs of materials and traffic charges	1,327	1,583	1,704
Total costs of materials and traffic charges	**3,890**	**4,128**	**4,463**
Own work capitalized	(116)	(103)	(96)
Salaries and personnel costs	3,150	3,189	3,175
Other external operating expenses	2,659	2,792	3,563
Other internal operating expenses	1,640	1,682	1,658
Losses on disposal of fixed assets and operations	24	(11)	29
Depreciation and amortization [1]	3,244	3,773	3,919
Write-downs [2]	2	19	413
Total operating expenses	**14,493**	**15,469**	**17,124**
[1] Includes amortization of Telenor's net excess values by [*]	2	9	23
[2] Includes write-downs of Telenor's net excess values by [*]	-	-	89

[*] Net excess values are the difference between our acquisition cost and our share of equity at acquisition of subsidiaries.

Total cost of materials and traffic charges decreased in 2004 compared to 2003 due to decreased traffic, especially traffic to Internet service providers (ISP) and fixed to mobile traffic, decreased prices for termination in mobile networks from 1 February 2004 and the impact of the sale of parts our Managed Services business from Fixed to EDB Business Partners as of 1 May 2004.

Salaries and personnel costs decreased in 2004 compared to 2003 due to the decline in the number of man-years as a result of the sale of parts of our Managed Services business to EDB Business Partners as of 1 May 2004 and to pension obligations being recognized as income due to a change in accounting treatment of pensions in the Telenor group. This decrease was partly offset by a general increase in salaries.

Costs related to workforce reductions and loss contracts increased by NOK 71 million in 2004 compared to 2003.

Depreciation and amortization decreased in 2004 compared to 2003 due to reduction in capital expenditure in 2002–2004 and the impact of the sale of parts our Operating Services business from Fixed to EDB Business Partners as of 1 May 2004.

Capital Expenditure – Fixed – Norway

Decreasing capital expenditure in 2004 compared to 2003 was due to declining demand for fixed network services, improved efficiency, e.g. in the use of capital, and reduced equipment prices.

FIXED – SWEDEN

NOK in millions	2004	2003	2002
External revenues	1,588	1,517	983
Internal revenues	99	81	76
Gains on disposal of fixed assets and operations	5	5	14
Total revenues	**1,692**	**1,603**	**1,073**
Total operating expenses	**1,859**	**1,801**	**1,406**
Operating (loss	**(167)**	**(198)**	**(333)**
EBITDA	8	(56)	(100)
Depreciation and amortization	164	141	218
Write-downs	11	1	15
Operating (loss)	**(167)**	**(198)**	**(333)**
Investments			
– Capex	279	85	84
– Investments in businesses	93	13	257
No. of man-years (end of period)	455	443	551

In December 2003, after acquiring slightly more than 90% of the shares in Utfors AB, we initiated a compulsory acquisition procedure in accordance with Swedish law for the remaining outstanding shares of Utfors, and launched a cash offer to purchase the remaining outstanding shares in Utfors in order to accelerate the process. After the expiration of the tender period under the cash offer at the end of January 2004, we owned 100% of the shares in Utfors AB.

Operating (loss) – Fixed – Sweden

The decrease in operating loss in 2004 compared to 2003 was primarily due to increased revenues from sales of voice traffic and data services, which offset the increased operational expenses primarily due to the roll out of DSL. The increase in depreciation and amortization in 2004 compared to 2003 was due to increase in capital expenditure connected with the roll out of DSL.

Revenues – Fixed – Sweden

The increase in revenues in 2004 compared to 2003 was primarily due to the increase in sales of voice traffic on a wholesale basis and data services. In addition, a one-time impact of non-recurring revenue of sales of data services on a wholesale basis and a prepaid sale of capacity for delivery in the future where the delivery obligation was terminated. The increase in revenues offset the impact of termination of volume contracts related to internal interconnect and reduced sales of telephony services on a wholesale basis.

Operating Expenses – Fixed – Sweden

NOK in millions	2004	2003	2002
External costs of materials and traffic charges	1,084	1,047	626
Internal costs of materials and traffic charges	110	93	69
Total costs of materials and traffic charges	**1,194**	**1,140**	**695**
Own work capitalized	(16)	–	–
Salaries and personnel costs	296	294	236
Other external operating expenses	184	198	222
Other internal operating expenses	26	18	20
Losses on disposal of fixed assets and operations	–	9	–
Depreciation and amortization [1]	164	141	218
Write-downs [1]	11	1	15
Total operating expenses	**1,859**	**1,801**	**1,406**
[1] Includes amortization and write-downs of Telenor's net excess values by [*]	(104)	(143)	31

[*] Net excess values are the difference between our acquisition cost and our share of equity at acquisition of subsidiaries.

Total costs of materials and traffic charges increased in 2004 compared to 2003 due to provisioning for an ongoing dispute between telecom operators in Sweden regarding termination regimes prior to 2001. In addition we had expenses related to loss contracts and increased ADSL site costs.

Depreciation and amortization increased in 2004 compared to 2003 due to growing ADSL capital expenditure in 2004.

FIXED – RUSSIA

Telenor sold its shareholding in Comincom/Combellga on 1 December 2003 in exchange for shares in the listed company Golden Telecom. Comincom/Combellga was consolidated as a subsidiary until 1 December 2003. Golden Telecom was accounted for as an associated company from this date. Telenor had an ownership interest n Golden Telecom of 20.3% at 31 December 2004.

FIXED – OTHER COUNTRIES

Fixed – Other Countries comprises our fixed networks and Internet activities in the Czech Republic and Slovakia. Increased revenues from retail and wholesale of ADSL and reduced operating expenses resulted in a positive EBITDA and reduced operating loss i in 2004 compared to 2003.

TELENOR BROADCAST

Overview

In 2004, the results of our Broadcast business area were positively affected by continued growth in the numbers of subscribers, price increase for DTH services and reduced cost of leased satellite capacity.

In September 2004, we purchased an ownership interest in a new satellite, Intelsat 10-02, to replace our formerly leased capacity with our own satellite transponders. The investment reduced our costs of materials and traffic charges and increased depreciation within Transmission.

NOK in millions	2004	2003	2002
External revenues	5,211	4,641	3,366
Internal revenues	135	159	241
Gains on disposal of fixed assets and operations	1	20	(2)
Total revenues	**5,347**	**4,820**	**3,605**
External costs of materials and traffic charges	2,072	1,934	1,477
Internal costs of materials and traffic charges	98	92	94
Total costs of materials and traffic charges	**2,170**	**2,026**	**1,571**
Own work capitalized	(10)	(18)	(32)
Salaries and personnel costs	576	570	609
Other external operating expenses	864	734	700
Other internal operating expenses	251	271	252
Losses on disposal of fixed assets and operations	1	8	6
Depreciation and amortization [1]	886	1,030	844
Write-downs [1]	20	18	130
Total operating expenses	**4,758**	**4,639**	**4,080**
Operating profit (loss)	**589**	**181**	**(475)**

Cont.	2004	2003	2002
Associated companies	1	(84)	(264)
Net financial items	(471)	(909)	(812)
Profit (loss) before taxes and minority interests	**119**	**(812)**	**(1,551)**
[1] Includes amortization and write-downs of Telenor's net excess values by [*]	243	256	161

	2004	2003	2002
EBITDA	1,495	1,229	499
Depreciation and amortization	886	1,030	844
Write-downs	20	18	130
Operating profit (loss)	**589**	**181**	**(475)**
Operating profit (loss)/Total revenues (%)	11.0	3.8	nm
EBITDA/Total revenues (%)	28.0	25.5	13.8
Investments			
– Capex	243	252	384
– Investments in businesses	–	14	2,385
No. of man-years (end of period)	774	809	972
– Of which abroad	222	210	226

Revenues

NOK in millions	2004	2003	2002
Distribution	4,310	3,794	2,162
Transmission	1,211	1,277	1,457
Other	461	354	326
Eliminations	(635)	(605)	(340)
Total revenues	**5,347**	**4,820**	**3,605**

EBITDA

NOK in millions	2004	2003	2002
Distribution	749	686	19
Transmission	685	554	581
Other	61	(10)	(102)
Eliminations	–	(1)	1
Total EBITDA	**1,495**	**1,229**	**499**

[*] Net excess values are the difference between our acquisition cost and our share of equity at acquisition of subsidiaries.

Operating profit and EBITDA

Operating profit and EBITDA increased in 2004 compared to 2003 primarily due to subscriber growth, increased prices for DTH, and reduced costs for leasing satellite capacity and the replacement of formerly leased satellite capacity with our own satellite transponders from September 2004. Depreciation and amortization decreased in 2004 compared to 2003 due to fully depreciated fixed assets within Distribution.

DISTRIBUTION

NOK in millions	2004	2003	2002
External revenues			
DTH	2,917	2,528	1,099
Cable TV	986	888	742
SMATV	382	335	252
Other	15	10	55
Total external revenues	**4,300**	**3,761**	**2,148**
Internal revenues	9	13	16
Gains on disposal of fixed assets and operations	1	20	(2)
Total operating expenses	**4,310**	**3,794**	**2,162**
Total operating expenses	**4,168**	**3,870**	**2,740**
Operating profit (loss)	**142**	**(76)**	**(578)**
EBITDA	749	686	19
Depreciation and amortization	592	754	541
Write-downs	15	8	56
Operating profit (loss)	**142**	**(76)**	**(578)**
Operating profit/Total revenues (%)	3.3	nm	nm
EBITDA/Total revenues (%)	17.4	18.1	0.9
Investments			
– Capex	120	112	235
– Investments in businesses	–	–	2,369
No. of man-years (end of period)	373	416	563

Operating profit (loss) and EBITDA – Distribution

In Distribution, we had an operating profit in 2004 of NOK 142 million compared to an operating loss of NOK 76 million in 2003. Both operating profit and EBITDA increased primarily due to subscriber growth and price increases for DTH services. Depreciation and amortization decreased due to fully depreciated assets.

Revenues – Distribution

External revenues in Distribution in 2004 increased by 14% compared to 2003 primarily due to a higher number of subscribers, price increases for DTH services and a weakening of the Norwegian Krone against the Swedish Krona.

The number of our DTH Pay-TV subscribers was 824,000, an increase of 8% compared to 31 December 2003. The number of our Cable TV subscribers increased by 20,000 to 624,000 in 2004. The numbers of SMATV households was 1,212,000 at 31 December 2004, an increase of 8.6% compared to 31 December 2003.

Operating expenses – Distribution

NOK in millions	2004	2003	2002
External costs of materials and traffic charges	1,883	1,591	1,075
Internal costs of materials and traffic charges	481	480	233
Total costs of materials and traffic charges	**2,364**	**2,071**	**1,308**
Own work capitalized	–	(8)	(16)
Salaries and personnel costs	256	263	274
Other external operating expenses	710	570	452
Other internal operating expenses	230	204	125
Losses on disposal of fixed assets and operations	1	8	–
Depreciation and amortization [1]	592	754	541
Write-downs [1]	15	8	56
Total operating expenses	**4,168**	**3,870**	**2,740**
[1] Includes amortization and write-downs of Telenor's net excess values by [*]	243	255	160

[*] Net excess values are the difference between our acquisition cost and our share of equity at acquisition of subsidiaries.

Total operating expenses in Distribution increased in 2004 compared to 2003 primarily due to subscriber growth and increased marketing costs as a result of increased competition.

Salaries and personnel costs in 2004 decreased compared to 2003 primarily due to workforce reductions in 2003.

Other operating expenses in 2004 increased primarily due to subscriber growth and increased marketing costs as a result of increased competition.

Depreciation and amortization in 2004 decreased compared to 2003 primarily due to fully depreciated set-top boxes.

TRANSMISSION

NOK in millions	2004	2003	2002
External revenues			
Satellite Broadcasting	317	352	655
Norkring	471	464	455
Total external revenues	**788**	**816**	**1,110**
Internal revenues	423	461	347
Gains on disposal of fixed assets and operations	-	-	-
Total revenues	**1,211**	**1,277**	**1,457**
Total operating expenses	**803**	**996**	**1,207**
Operating profit	**408**	**281**	**250**
EBITDA	685	554	581
Depreciation and amortization	276	266	290
Write-downs	1	7	41
Operating profit	**408**	**281**	**250**
Operating profit (loss)/Total revenues (%)	33.7	22.0	17.2
EBITDA/Sum driftsinntekter (%)	56.6	43.4	39.9
Investments			
– Capex	735	116	115
– Investments in businesses	-	-	-
No. of man-years (end of period)	220	222	252

Operating profit and EBITDA – Transmission

In 2004, operating profit and EBITDA in Transmission increased compared to 2003 primarily due to reduced prices for leasing of satellite capacity and the replacement of formerly leased capacity with our own satellite transponders on Intelsat 10-02 from September 2004.

Revenues – Transmission

External revenues in Transmission decreased in 2004 compared to 2003 due to the phasing out of analog transmission via satellite.

Operating expenses – Transmission

NOK in millions	2004	2003	2002
External costs of materials and traffic charges	135	287	354
Internal costs of materials and traffic charges	15	45	70
Total costs of materials and traffic charges	**150**	**332**	**424**
Own work capitalized	(7)	(7)	(10)
Salaries and personnel costs	159	159	194
Other external operating expenses	90	90	152
Other internal operating expenses	134	149	116
Losses on disposal of fixed assets and operations	-	-	-
Depreciation and amortization	276	266	290
Write-downs	1	7	41
Total operating expenses	**803**	**996**	**1,207**

In 2004, costs of materials and traffic charges in Transmission decreased compared to 2003 due primarily to reduced prices for leased satellite capacity and the replacement of leased satellite capacity with our own satellite transponders from September 2004.

Depreciation and amortization increased in 2004 compared to 2003, primarily due to our investment in satellite transponders on the new satellite, Intelsat 10-02.

Other

Other primarily consists of Conax, which offers conditional access systems (such as smart cards) and the corporate functions of Broadcast.

Positive EBITDA in 2004 compared to EBITDA loss in 2003 was primarily due to increased external revenues in Conax and reduced costs within corporate functions.

Capital Expenditure

Capital expenditure increased in 2004 compared to 2003 due to the purchase of an ownership interest in a new satellite, Intelsat 10-02, in September 2004. This capacity replaces the former leased capacity from Intelsat.

Associated Companies

NOK in millions	2004	2003	2002
Telenor's share of [1]			
Net income (loss) after taxes	18	10	(138)
Amortization of Telenor's net excess values	(11)	(22)	(55)
Write-downs of Telenor's excess values	-	-	(71)
Loss on disposal of ownership interests	(6)	(72)	-
Net result from associated companies	**1**	**(84)**	**(264)**

[1] The figures are partly based on our management's estimates in connection with the preparation of our consolidated financial statements. The consolidated profit and loss statement contains only the line item "net result from associated companies". Telenor's share of the other line items in the table is not included in our consolidated financial statements but this information is set forth in note 16 to our consolidated financial statements. Net excess values are the difference between our acquisition cost and our share of equity at acquisition of the associated companies.

We consolidated Canal Digital as a subsidiary as of 30 June 2002 and, therefore, the results for our associated companies in Broadcast are not comparable for the period 2002 to 2003.

In 2003 and 2004, the associated companies in Broadcast consisted primarily of Otrum ASA and APR Media Holding AS.

During 2003, we transferred our 29.1% ownership interest in A-Pressen ASA to APR Media Holding AS in return for a 44.8% ownership interest in APR Media Holding AS. We recorded a loss of NOK 72 million in connection with the transaction.

OTHER UNITS

EDB BUSINESS PARTNER
(ownership interest 51.8% as of 31 December 2004)

NOK in millions	2004	2003	2002
External revenues	3,311	3,210	3,383
Internal revenues	924	1,060	955
Gains on disposal of fixed assets and operations	295	19	3
Total revenues	**4,530**	**4,289**	**4,341**
Total operating expenses	**4,006**	**4,293**	**4,750**
Operating profit (loss)	**524**	**(4)**	**(409)**
Associated companies	–	(13)	(5)
Net financial items	(44)	(71)	(86)
Profit (loss) before taxes and minority interests	**480**	**(88)**	**(500)**
EBITDA	924	399	348
Depreciation and amortization	400	375	393
Write-downs	–	28	364
Operating profit (loss)	**524**	**(4)**	**(409)**
Investments:			
– Capex	233	210	167
– Investments in businesses	1,076	95	88
Total full-time equivalent employees (period end)	3,008	2,477	2,760
– Of which outside Norway	512	266	308

Overview
EDB Business Partner ASA is listed on the Oslo Stock Exchange. EDB Business Partner encompasses the former Telenor Programvare and EDB ASA, which were consolidated effective as of 1 May 1999. The figures are affected by the acquisitions of Managed Services business from Fixed (1 May 2004) and Apoteket AB (1 April 2004) within IT Operations and Incatel AS (1 May 2003) within Telecom. The Consulting area was discontinued as from 1 July 2003 and the System Integration area within Telecom was divested as from 25 March 2004.

EDB Business Partners' main area of business is the Nordic strategic outsourcing industry. The company focuses on retaining current and receiving new larger long-term outsourcing contracts.

The effects of cost reducing measures implemented in 2002, 2003 and 2004 had a positive impact on the results of EDB Business Partner in 2004.

Operating profit (loss) and EBITDA
Operating profit increased in 2004 compared to 2003 primarily due to improved cost efficiency and gains from the disposal of System Integration (part of the Telecom area). EBITDA increased in 2004 compared to 2003 due to improved profitability in the IT Operations and Bank & Finance areas, while the Telecom area experienced reduced earnings due to the divestment of parts of its business. In 2004 we recorded total expenses of NOK 33 million for workforce reductions and loss contracts compared to NOK 223 million in 2003. The IT Operations area continued to show improved profitability as a result of increased revenues, primarily from the acquisition of Managed Services business from Fixed, and cost efficiency. EBITDA in the Banking & Finance area increased as a result of the cost reducing measures and revenue growth that was in line with the market. In the Telecom area, EBITDA decreased due to the sale of System Integration and to reduced revenues from the remaining parts of the business area.

Revenues
Revenues excluding gains decreased by 1% in 2004 compared to 2003, adjusted for businesses divested and discontinued total revenues in 2004 increased by 9% compared to 2003. In the IT Operation area, revenues increased by 11% in 2004 compared to 2003, primarily due to revenues from the Managed Services business , acquired as of 1 May 2004. Revenues in the Banking & Finance area increased as a result of increased sales of software and high activity level for the consultancy business, in particular in the second half of 2004. Revenue in the Telecom area declined due to the divestment of the System Integration, which represented a large portion of the business area.

Operating Expenses

NOK in millions	2004	2003	2002
Costs of materials and traffic charges	355	370	393
Own work capitalized	(1)	–	–
Salaries and personnel costs	1,660	1,753	1,862
Other operating expenses	1,592	1,761	1,738
Losses on disposal of fixed assets and operations	–	6	–
Depreciation and amortization	400	375	393
Write-downs	–	28	364
Total operating expenses	**4,006**	**4,293**	**4,750**

Operating expenses in 2004 decreased compared to 2003 due to NOK 223 million was expensed in 2003 for workforce reductions and loss contracts and the effects of cost reduction programs. Consulting services, operations, maintenance and rent of hardware and software and other IT-services that are billed to our customers are included in other operating expenses and not as costs of materials and traffic charges.

Costs of materials decreased in 2004 compared to 2003 due to reduced revenues and changed business mix.

The reduction in salaries and personnel costs in 2004 compared to 2003 was due to the decrease in the number of employees following the implementation of certain restructuring measures. The reduction as a result of the divestment of System Integration was offset by the acquisition of Managed Services business from Fixed.

There were no write-downs of goodwill in 2004. Write-downs of goodwill in 2003 was NOK 16 million.

Capital Expenditure
Capital expenditure 2003 and 2004 related primarily to investments in computer hardware and software for the mainframe platform within the IT Operations area. In 2004, part of the capital expenditure related to the replacement of equipment used in IT operations outsourced from our customers.

Investments in businesses
Investments in businesses included four acquisitions in 2004. In the second quarter, Apoteket AB and Managed Services business from Fixedwere acquired for a total of NOK 400 million. As of 31 December 2004, two other acquisitions. EDB Business Partner took over IBM's activities in the area of IT operations and application services for Norwegian customers in the local government sector, distribution and industry for a total consideration of NOK 485 million. In addition, EDB Business Partner acquired Capgemini's infrastructure management operations in Sweden and Norway for a total consideration of NOK 191 million.

OTHER BUSINESS UNITS

NOK in millions	2004	2003	2002
External revenues	2,979	3,539	4,255
Internal revenues	481	615	785
Gains on disposal of fixed assets and operations	135	51	-
Total revenues	**3,595**	**4,205**	**5,040**
External costs of materials and traffic charges	1,361	1,527	2,017
Internal costs of materials and traffic charges	164	214	265
Total costs of materials and traffic charges	**1,525**	**1,741**	**2,282**
Own work capitalized	-	1	(2)
Salaries and personnel costs	870	1,088	1,465
Other external operating expenses	467	580	854
Other internal operating expenses	188	210	237
Losses on disposal of fixed assets and operations	21	177	26
Depreciation and amortization [1]	372	491	582
Write-downs [1]	39	37	332
Total operating expenses	**3,482**	**4,325**	**5,776**
Operating profit (loss)	**113**	**(120)**	**(736)**
Associated companies	(32)	(318)	(132)
Net financial items	(27)	(314)	(943)
Profit (loss) before taxes and minority interests	54	(752)	(1,811)
[1] Includes amortization and write-downs of Telenor's net excess values by [*]	37	40	99
Investments			
– Capex	215	235	301
– Investments in businesses	200	30	771
No. of man-years (end of period)	1,127	2,244	3,541
– Of which abroad	357	1,076	2,075

[*] Net excess values are the difference between our acquisition cost and our share of equity at acquisition of subsidiaries.

Revenues

NOK in millions	2004	2003	2002
Satellite Services	2,385	2,566	2,764
Nextra International	-	272	725
Software Services	60	121	185
Itworks	-	-	188
Other	1,150	1,241	1,194
Eliminations	(3)	5	(16)
Total revenues	**3,595**	**4,205**	**5,040**

EBITDA

NOK in millions	2004	2003	2002
Satellite Services	410	554	412
Nextra International	13	(195)	(155)
Software Services	(18)	33	62
Itworks	-	-	(16)
Other	119	16	(125)
Total EBITDA	**524**	**408**	**178**

Operating profit (loss)

NOK in millions	2004	2003	2002
Satellite Services	108	234	139
Nextra International	13	(220)	(260)
Software Services	(87)	(86)	(372)
Itworks	-	-	(23)
Other	79	(48)	(220)
Total operating profit (loss)	**113**	**(120)**	**(736)**

Overview

In 2003, we completed the integration of the operations of SAIT and COMSAT Mobile Communication in Satellite Services. In 2004, the sub-units Satellite Services and Satellite Networks were merged into one unit under the name of Satellite Services. In 2004, Teleservice was sold to Telenor Venture and is now included in the Other section.

SATELLITE SERVICES

The decrease in revenues in Satellite Services in 2004 compared to 2003 was primarily due to the strengthening of the Norwegian Krone against the US Dollar, increased downwards pressure on prices on many of the Inmarsat products in 2004 and reduced accruals for project revenue.

The strengthening of the Norwegian Krone (NOK) against the US Dollar adversely affected revenues measured in NOK from the operations in all of the countries in which Satellite Services operates.

The decrease in operating profit in 2004 compared to 2003 was due to the appreciation of the Norwegian Krone against the US Dollar, reduced sales and margins on many Inmarsat products as well as reduced accruals for project revenues. In addition, the results in 2003 were positively affected by the profit from the sale of our Polish activity.

Capital expenditure in 2004 (NOK 158 million) related primarily to investments in Sealink equipment and to the technical up-grade of our operations at the land earth stations.

In addition to further strengthening our position in the retail part of the value chain, we acquired a 100% ownership interest in GMPCS Personal Communications (US) and Neratek AS (Norway) and an additional 5% of World Wide Mobile Communications AS (Norway/UK) for a total consideration of NOK 142 million in 2004, reported as investments in businesses. We now own 45% of the shares in World Wide Mobile Communications AS.

SOFTWARE SERVICE

The agreement with Computer Associates (CA) was transferred to EDB Business Partner in July 2004 and, as a result, revenues decreased in 2004 compared to 2003.

The operating loss in 2004 was due to the transfer of the agreement with CA to EDB Business Partner and the discontinuation of Software Services.

OTHER

Other includes principally Telenor Venture (which as of 1 October 2004 includes Teleservice) and Telenor International Business. Teleservice are included in the comparable figures.

Revenues in Telenor Venture decreased in 2004 compared to 2003 primarily due to disposals of subsidiaries and ownership interests in companies. Reduced revenues in Teleservice in 2004 compared to 2003 were primarily due to the disposal of operations. As of 1 January 2004, the MeetAt operations were transferred to the business area Fixed and parts of the operations outside Norway were sold.
A reduced total market for directory enquiry services also contributed to reduced revenues, partially offset by increased prices as of 1 June 2004 and increased market share. Revenues in Telenor International Business decreased in 2004 compared to 2003 due to disposals of subsidiaries.

The operating profit in 2004 compared to the operating loss in 2003 was primarily due to gains on disposals of subsidiaries and ownership interests in companies. The operating profit in Teleservice in 2004 compared with the operating loss in 2003 was a result of increased prices, reduced expenses and increased market share

CORPORATE FUNCTIONS AND GROUP ACTIVITIES

NOK in millions	2004	2003	2002
External revenues	256	229	247
Internal revenues	1,833	1,955	1,869
Gains on disposal of fixed assets and operations	104	133	143
Total revenues	**2,193**	**2,317**	**2,259**
External costs of materials and traffic charges	57	38	43
Internal costs of materials and traffic charges	21	13	-
Total costs of materials and traffic charges	**78**	**51**	**43**
Own work capitalized	(3)	(2)	(7)
Salaries and personnel costs	884	781	875
Other external operating expenses	1,129	1,193	1,608
Other internal operating expenses	155	263	226
Losses on disposal of fixed assets and operations	31	8	83
Depreciation and amortization [1]	384	384	362
Write-downs [1]	3	3	-
Total operating expenses	**2,661**	**2,681**	**3,190**
Operating (loss)	**(468)**	**(364)**	**(931)**
Associated companies	3	(2)	(1)
Net financial items	1,646	2,846	1,929
Profit before taxes and minority interests	1,181	2,480	997
EBITDA	(81)	23	(569)
Depreciation and amortization	384	384	(362)
Write-downs	3	3	-
Operating (loss)	**(468)**	**(364)**	**(931)**
Investments			
– Capex	234	253	1,064
– Investments in businesses	54	93	56
No. of man-years (end of period)	1,008	888	1,077
– Of which abroad	22	20	21

This area comprises real estate, research and development, strategic group projects, internal insurance company, group treasury, international services and central staff and support functions.

In 2004 EBITDA decreased due to increased pension cost and reduced gain on property sales. This was partly offset by decreased other operating expenses.

Revenues

Gains on disposal of fixed assets and operations in 2003 and 2004 were due primarily to sales of properties and some subsidiaries.

Operating (loss) and EBITDA

EBITDA decreased by NOK 104 million in 2004 compared to 2003. Changed accounting treatment of our agreement based early retirement pension plan in the group increased pension costs by more than NOK 100 million in Corporate Functions and Group Activities. The total effect for the group was slightly negative. Internal reorganization in Telenor during 2004 increased the number of employees in this unit, but the salaries and personnel costs are primarily covered by the service receivers. Expenses for workforce reductions and loss contracts increased by NOK 82 million in 2004 compared to 2003. NOK 73 million of the restructuring costs was caused by the assembling of most of Teleors IT-operations in EDB Business Partner. These costs are reported as a part of Corporate Functions and Group Activities and are a part of an efficiency improvement program. This transaction also increased other operating expenses. Net gains on disposals of properties decreased by NOK 51 million. On the other hand expenses on owned properties and hired consultants were reduced.

Capital Expenditure

Capital expenditure decreased in the period 2002 to 2004, due primarily to the completion of our head office at Fornebu outside Oslo during 2002.

WORKING CAPITAL

Working capital (current assets less short-term liabilities) was negative by NOK 5.4 billion as of 31 December 2004 and negative by NOK 2.4 billion as of 31 December 2003. Installments on interest-bearing liabilities to be paid during the next 12 months are classified as short-term interest-bearing liabilities and contribute to the negative working capital. This is a change in the classification compared to previous years, and the comparative balance sheet figures as of 31 December 2003 have been adjusted accordingly. We believe that taking into consideration our established credit facilities and having due regard for our sources of liquidity reserves (including committed credit facilities), credit rating and access to capital markets, we have sufficient liquidity and working capital to meet our present and future requirements. Our capital resources are described below.

LIQUIDITY

You should read the cash flow statement in our consolidated financial statements.

NOK in millions	2004	2003	2002
Aggregated cash flow statement			
Net cash flow from operating activities	18,991	13,676	12,858
Net cash flow from investment activities	(13,031)	(3,454)	(21,727)
Net cash flow from financing activities	(8,255)	(7,887)	8,641
Effect on cash and cash equivalents of changes in foreign exchange rates	(268)	45	(347)
Net change in cash and cash equivalents	(2,563)	2,380	(575)
Cash and cash equivalents 1 January	7,644	5,264	5,839
Cash and cash equivalents 31 December	**5,081**	**7,644**	**5,264**

Net cash flow from operating activities increased in 2004 compared to 2003 by NOK 5.3 billion, primarily due to increased revenues. The consolidation of Sonofon as of 12 February 2004 also contributed to this increase. We paid income taxes of NOK 3.1 billion 2003. In 2004, we paid income taxes of NOK 1.7 billion, of which NOK 0.6 billion was payment of taxes on the gain on sale of VIAG Interkom in 2001. Payments of income taxes occurred primarily in Mobile companies outside Norway. We do not expect to pay income taxes in Norway in 2005 due to tax losses carried forward of approximately NOK 5 billion as of 31 December 2004 and because income taxes in Norway are paid in the year subsequent to the fiscal year. Our net interest-bearing liabilities were lower during 2004 than during 2003, which contributed to reduced payments of interest and increased cash flow from operating activities. We had a positive effect in 2004 compared to 2003 from changes in accruals in the indirect method. This was primarily due to the provision for a loss on the MVNO-contract in Sweden which did not involve any cash payment in 2004. Net cash payments from investment activities increased by approximately NOK 9.6 billion in 2004 compared to 2003. Telenor's cash payments for capital expenditure and investment in businesses increased in 2004 compared to 2003 by approximately NOK 5.1 billion and NOK 5.8 billion respectively. Payments for acquisitions of businesses (net of cash acquired) in 2004 included the acquisition of the remaining shares in Sonofon Holding A/S. The difference between our reported capital expenditure of NOK 12.7 billion and payments of NOK 11.6 billion was primarily due to the acquisition of Mobile telephony licenses in Hungary and Pakistan where some of the license fees will be paid in future periods. Payments for acquisitions of businesses of NOK 6.3 billion were higher than the reported figure of NOK 5.8 billion in 2004. At the time of purchase of the remaining shares in Sonofon we also took over the shareholder's loan on Sonofon, and the corresponding payment of NOK 0.8 billion was classified as payment for acquisition of business. Telenor received approximately NOK 0.8 billion in 2004 from sales of businesses (net of cash transferred), primarily for the disposals of some subsidiaries. This was NOK 1.5 billion lower than in 2003, when we received cash payments of NOK 2.3 billion upon sale of shares in associated companies, primarily Cosmote. You should read "Investments" for further information about Telenor's investments in 2004 and note 1 "Acquisitions and Disposals" to our consolidated financial statements for more information about our major acquisitions and disposals of businesses. Our remaining shares in Cosmote were sold in 2004 and we received cash payment of NOK 3.1 billion, included as part of sale of other shareholdings. Furthermore, we received NOK 0.2 billion from the sale of our shares in New Skies Satellites B.V. as well as payments of NOK 0.6 billion from some other investments, primarily repayment of equity from Inmarsat Group Holdings Ltd. We also received NOK 0.3 billion from the sale of fixed assets in 2004, primarily sale of properties. NOK 0.2 billion was paid for other investments in 2004.

In 2004, we made net cash payments of NOK 4.3 billion on our interest-bearing liabilities due to cash inflows from operating activities exceeding net cash outflow from investment activities. Telenor paid dividends of NOK 1.8 billion to the shareholders of Telenor ASA in 2004 and our subsidiaries paid NOK 0.2 billion to the minority interests, primarily in Kyivstar. The corresponding figures in 2003 were NOK 0.8 billion and NOK 0.1 billion respectively. In addition, Telenor paid NOK 2.0 billion in 2004 for the buy back of own shares.

Our cash and cash equivalents decreased by approximately NOK 2.6 billion during 2004 to NOK 5.1 billion as of 31 December 2004, due to the factors mentioned above. Our cash and cash equivalents were negatively affected by approximately NOK 0.3 billion in 2004 when measured in Norwegian Krone, primarily due to the weakening of the US Dollar compared to the Norwegian Krone.

INVESTMENTS

NOK in millions	2004	2003	2002
Fixed networks	2,153	2,099	3,001
Mobile networks	4,175	2,487	2,205
Properties	233	546	2,840
Support systems (office and computer equipment, software, cars etc.)	2,159	1,991	3,042
Other intangible assets	2,654	81	455
Satellites	636	-	-
Work in progress (net additions) and other	735	(750)	(2,654)
Total Capital expenditure (Capex) [1]	12,745	6,454	8,889
Investments in businesses [2]	5,809	563	12,411
Total	**18,554**	**7,017**	**21,300**

[1] Capital expenditure (Capex) is investments in tangible and intangible assets.

[2] Investments in businesses are acquisition of shares and participations, including acquisition of subsidiaries and businesses not organized as separate companies.

In 2005, we expect high levels of capital expenditure. In addition, capital expenditure as a proportion of revenues is expected to be in line with or exceed that of 2004. Such trends are expected to result from considerable network investments in Kyivstar, Telenor Pakistan, GrameenPhone and DiGi.Com. In addition, we expect further UMTS investments. The actual amounts and the timing of our capital expenditure may vary substantially from our estimates.

Our capital expenditure in 2004 amounted to NOK 12.7 billion, which was an increase of NOK 6.3 billion compared to 2003. The increase was primarily due to the increased investment in network capacity of our international mobile operations due to strong growth in the number of subscriptions. In 2004, the most significant investments in mobile networks were in Kyivstar (NOK 2 billion), Grameen (NOK 0.8 billion) and DiGi.Com (NOK 0.7 billion). In addition, capital expenditure in other intangible assets in 2004 included NOK 2.4 billion for the purchase of a license for mobile telephony in Pakistan and a UMTS license in Hungary and NOK 0.6 billion for the purchase of an ownership interest in a satellite in Broadcast.

Of our total capital expenditure in 2004, NOK 3.8 billion was invested in Norway and NOK 8.9 billion outside Norway, primarily in our mobile subsidiaries. Of our investments in businesses in 2004, NOK 5.0 billion was outside Norway.

The table below lists our most significant investments in businesses and the acquisition cost, including capital contributions to our associated companies, for each of the last three years.

NOK in millions	2004	2003	2002
Sonofon Holding A/S	3,639	–	–
European Telecom Luxembourg SA (Promonte)	541	–	–
GrameenPhone Ltd	298	86	–
CBB AS	147	–	–
Nordialog	52	–	–
Kyivstar G.S.M. JSC	35	8	294
Pannon GSM RT	–	–	7,906
VimpelCom (incl VimpelCom-Region)	–	–	432
OniWay	–	–	217
ONE GmbH (Connect Austria)	–	–	44
Purchase of IT-operations in EDB Business Partner	738	–	–
GMPCS Personal Communications Inc.	85	–	–
Neratek AS	42	–	–
Bravida ASA	27	82	91
COMSAT Mobile Communications	–	–	743
Utfors AB	70	13	153
OJSC Comincom/Combellga	–	217	–
OJSC Golden Telecom	–	63	–
Glocalnet AB	–	–	102
Canal Digital	–	–	2,166
Other	135	94	263
Total investments in businesses	**5,809**	**563**	**12,411**

In 2004, exchanges of shares in some associated companies owned by Telenor Venture amounting to approximately NOK 69 million were not reported as investments in businesses in the preceding table.

INFORMATION ABOUT CONTRACTUAL CASH PAYMENTS AND OFF BALANCE SHEET ARRANGEMENTS

The following table shows our contractual obligations and commercial commitments as of 31 December 2004.

Contractual Cash Payments

		Payments due			
NOK in millions	Total	Less than 1 year (2005)	2–3 years	4–5 years	Over 5 years
Interest-bearing liabilities	23,144	3,660	9,349	5,752	4,383
Finance lease obligations	1,449	331	434	565	119
Committed purchase obligations [1]					
Rent of premises	4,534	737	1,151	928	1,718
Rent of cars, office equipment etc	131	63	61	7	–
Rent of satellite and network capacity	2,479	1,052	407	288	732
IT-related agreements	1,260	372	365	439	84
Other contractual obligations	860	565	196	62	37
Committed investments [1]					
Properties and equipment	2,791	2,478	223	60	30
Other contractual investments	13	13	–	–	–
contractual cash obligations	**36,661**	**9,271**	**12,186**	**8,101**	**7,103**
Guarantees (expire)	2,169	48	1,964	–	157

[1] The table does not include agreements under which we have no binding obligation to purchase or future investments required under the UMTS licenses awarded to us in Norway and Hungary.

Telenor's off balance sheet arrangements primarily consist of guarantees issued in connection with our operations. You should read note 25 to our consolidated financial statements for more information about our contractual obligations and note 23 for our pledges andf guarantees. You should read "Capital resources" and note 20 to our consolidated financial statements for additional information on our interest-bearing liabilities.

In addition we have some interest rate derivatives to manage the interest rate risk of the debt portfolio. For interest rate derivatives that qualify for hedge accounting under Norwegian GAAP, Telenor does not recognize unrealized changes in fair value due to changes in interest rates, see note 20 and 21 to our consolidated financial statements for more information. We also have some associated companies that according to US GAAP are defined as "Variable Interest Entities" that are not consolidated, see note 32 to our consolidated financial statements for more information.

In addition, we entered into cross border QTE leases for telephony switches, GSM Mobile network and fixed-line network in 1998, 1999 and 2003. You should read note 15, 20, 21, 23 and 32 to our consolidated financial statements for additional information on our QTE leases.

CAPITAL RESOURCES

We will use cash flow from operations, debt, equity financing and proceeds from potential disposals of assets to finance our future investments. You should read note 20 and 21 to our consolidated financial statements for additional information on our interest bearing liabilities, note 23 for pledges, note 28 and 29 for share option plans and the employee stock ownership program and note 30 for equity financing. You should also read note 30 for information on the authority to the Board of Directors to acquire own shares and our agreement with the Kingdom of Norway regarding buyback of shares.

Telenor ASA issues debt in the domestic and international capital markets primarily in the form of commercial paper and bonds. Telenor ASA uses its Euro commercial paper program, U.S. commercial paper program, Euro medium term note program and three domestic "open bond programs" with different maturities. In order to have satisfactory access to these external sources of financing in terms of both volume and price we should maintain a satisfactory credit rating. Our long term and short-term credit rating is currently A2/P-1 from Moody's and A-/A-2 from Standard & Poor's, both with stable outlook.

In order to secure satisfactory financial flexibility, in 2003 we established a committed syndicated revolving credit facility of Euro 1.5 billion with maturity in 2008. In accordance with our financing policy, this committed credit facility should be available to serve at any time as refinancing source for all of our outstanding commercial paper.

At the General Meeting held on 6 May 2004, our shareholders resolved to grant a new authority to the board of directors to increase the share capital up to NOK 524.760.294 through issuance of up to 87.460.049 ordinary shares of NOK 6 nominal value each. The board's authority supersedes the authorization given at the General Meeting of 8 May 2003 and is valid until 1 July 2005.

MARKET RISK

Please refer to note 20 and 21 of the consolidated financial statements for a description of funding and financial risk management activities in Telenor.

Sensitivity analysis

We adopted sensitivity analysis as the approach to quantify market risk.

Fair values have been estimated in conjunction with the principles described in note 21 to our consolidated financial statements.

Interest rate risk is quantified by change in fair value given a 10% parallel shift in interest rate curves. Exchange rate risk is quantified by change in fair value from a 10% change in spot rates against the Norwegian Krone. Changes in market volatilities will change the fair value of option instruments. Volatility risk is quantified by change in fair value from a 10% change in implied volatilities.

The model underlying the sensitivity analysis includes derivatives as well as cash and short-term money market investments and borrowings, short- term interest-bearing investments, commercial paper and bonds. The fair values of our equity investments or cash flows from these assets are not taken into account. As such the analysis does not show our total net exposure to financial market risk.

The assumptions used in the model for partial movements in risk factors are not based upon empirical observations. Correlations between different exchange rates, short and long-term interest rates as well as the interest rates of the different currencies in the portfolio are not taken into account. As a result, the total effects of deficiencies in the assumptions implicit in the model might be substantial and the hypothetical gains and losses calculated do not express management's expectations of future changes in fair value.

2004

NOK in millions	Book value as of 31.12.04	Fair value as of 31.12.04	Interest rates -10%	Interest rates 10%	Exchange rates -10%	Exchange rates 10%	Volatility of options -10%	Volatility of options 10%
Foreign exchange derivatives	727	967	39	(38)	(111)	111	–	–
Interest rate derivatives	54	26	28	(24)	(28)	28	(10)	10
Net interest-bearing liabilities [1]	(19,854)	(21,180)	(265)	260	2,277	(2,277)	–	–
Total	**(19,073)**	**(20,187)**	**(198)**	**198**	**2,138**	**(2,138)**	**(10)**	**10**

2003

NOK in millions	Book value as of 31.12.03	Fair value as of 31.12.03	Interest rates -10%	Interest rates 10%	Exchange rates -10%	Exchange rates 10%	Volatility of options -10%	Volatility of options 10%
Foreign exchange derivatives	940	1,515	62	(61)	(576)	576	–	–
Interest rate derivatives	49	(26)	(8)	11	(32)	32	(10)	10
Net interest-bearing liabilities [1]	(18,800)	(20,147)	(287)	280	2,034	(2,034)	–	–
Total	**(17,811)**	**(18,658)**	**(233)**	**230**	**1,426**	**(1,426)**	**(10)**	**10**

[1] Includes interest-bearing liabilities and Cash and short-term money market investments.

As of 31 December 2004, the interest rate sensitivity was reduced compared to 31 December, 2003. The duration of interest bearing liabilities decreased, resulting in a decrease in the quantified interest rate sensitivity. As of 31 December 2004, the exchange rate risk quantified in this analysis increased compared to 31 December 2003. The portfolio of foreign currency denominated financial instruments increased in this period. The risk arising from changes in option volatilities is insignificant due to the small volume of options in the portfolio.

CRITICAL ACCOUNTING ESTIMATES UNDER NORWEGIAN GAAP

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 (traffic etc) 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 the borderlines. 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.

Impairment

We have made significant investments in tangible assets, goodwill and other intangible assets, associated companies and joint ventures 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;
- Significant negative industry or economic trends.

The principles for impairment testing are described in the accounting policies. For tangible and intangible assets, the assessment is made based on the estimated recoverable amount, which is the higher of estimated discounted future cash flow and sales price less cost to sell. When such amounts are less than the carrying amount of the asset, a write-down to the estimated recoverable amount is recorded.

If quoted market prices for an asset or a company are not available, or the quoted market prices cannot be regarded as fair market value due to low trading liquidity, fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Estimating fair values 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 assumptions may give rise to impairment losses in the relevant periods.

Goodwill is reviewed based on an estimated fair value of the reporting unit it refers to. Fair value of the reporting unit is based on quoted market share price (adjusted to reflect a control premium for those subsidiaries in which we have effective control) or discounted cash flows of the reporting unit where quoted market share price is not available. U.S. GAAP prescribes a two-phase process for impairment testing of goodwill. The first phase screens for impairment by comparing fair value to the book value of the reporting entities. If the fair value is less than the book value the second phase measures the impairment. When an impairment is identified, the carrying amount of goodwill is reduced to its estimated fair value of the reporting unit.

For the impairment test in accordance with U.S. GAAP, we use undiscounted cash flows, except for goodwill. This did not result in any material difference from the results of our impairment test in accordance with Norwegian GAAP for the years ending 31 December 2004, 2003 and 2002.

In 2004 we made some write-downs, primarily related to Sonofon in Denmark due to its slower than expected growth and a review of our expectations of the company's growth potential as of year-end 2004. Write-downs in 2003 were not significant. In 2003, we experienced an increase in the market value of our assets and investments. On the other hand, during 2002 the market value of telecom companies and assets decreased significantly. Consequently, in 2002, we made substantial write-downs of tangible assets, goodwill and other intangible assets, associated companies and joint ventures and other investments.

Depreciation and amortization

Depreciation and amortization is based on management estimates of the future useful life of tangible 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. In addition, in our Norwegian operations we have reduced our capital expenditure in the "old" technology during the the latest years, as we have been able to utilize our previous capital expenditure more efficiently. We review the future useful life of tangible and intangible assets periodically taking into consideration the factors mentioned above and all other important factors. In case of significant changes in our estimated lives, depreciation and amortization charges are adjusted prospectively. As of 1 January 2005 we made some changes in our estimated useful lives for some of our assets, primarily an increase in estimated useful lives.

Business combinations

We are required to allocate the purchase price of acquired companies to the tangible and intangible 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 estimates and assumptions. The significant purchased intangible assets recorded by Telenor include customer contracts, brands and licenses. The significant tangible assets include primarily networks.

Critical estimates in valuing certain tangible and intangible assets include but are not limited to: future expected cash flows from customer contracts and licenses, replacement cost for brand and for tangible assets. Management's estimates of fair value 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 record valuation allowances to reduce our deferred tax assets to an amount that is more likely than not to be realized. Our valuation allowances relate primarily to our foreign operations. Furthermore, we have not recorded deferred tax assets that may be realized upon possible future disposal of subsidiaries and associated companies, until a liquidation or sale has been decided. While we have considered future taxable income and feasible tax planning strategies in determining the amount of our valuation allowances, 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.

We have realized significant tax losses on shareholdings, both through liquidation and sale of shares to third parties and between companies in our group. Even though we believe that these tax losses are tax deductible, in 2002 the Norwegian tax authorities challenged our evaluations in connection with one of our transactions. Our accounting policy is that we make provisions to cover for changes in our in tax assessments, pending the outcome of our appeal against these decisions. You should read note 13 and 24 to our consolidated financial statements for additional information on the challenge by the Norwegian tax authorities.

In December 2004, the Norwegian Parliament enacted new tax rules. You should read note 13 to our consolidated financial statements for additional information on the new rules and the transitional rules. Generally, when new rules are introduced there may be disagreements on the interpretation of the new rules and the transitional rules.

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, but are not recorded in our financial statements unless the accumulated effect of such changes and deviations exceed 10% of the higher of our pension benefit obligations and our pension plan assets at the beginning of the year. From 10% up to 15%, the excess amount is recognized in the profit and loss statement over an estimated average remaining service period of 12 years and any amount in excess of 15% is recognized over a shorter period of 5 years. Our actuarial losses as of 31 December 2004 were estimated to be approximately NOK 1.0 billion, on level with 31 December 2003. The increase due to a reduced discount rate was offset by the effect of changing in the financing of our agreement based early retirement plan (AFP). You should read "Results of Operations – Group – salaries and personnel costs" and note 7 to our consolidated financial statements for additional information about the change in our AFP arrangement. Our actuarial losses related primarily to our Norwegian defined benefit plans and constituted approximately 19% of the estimated fair value of our pension benefit obligations as of 31 December 2004.

The increase in our actuarial losses in previous years was primarily due to the reduction in our discount rates, a lower than estimated actual return on plan assets due to the reduction in share prices in the period 1999 to 2002, that was partially offset by a higher than estimated return in 2003 and 2004, and higher salary increases and pensions adjustments than we had originally estimated in the period 1999 to 2002. Our key assumptions for our defined benefit plans are evaluated each year. Our Norwegian plans constitute the major part of our pension plans. In 2003 and 2004, the long-term interest rates in Norway were reduced and, consequently, we reduced our discount rates and our expected return on plan assets during each year. The decreased discount rate increased the estimated fair value of our pension obligations.Our assumptions are found in note 7 to our consolidated financial statements. Changes in these assumptions, as well as deviations from these assumptions and other actuarial assumptions, may affect the estimated net present value of our net pension obligations, actuarial gains and losses and future years pension expenses.

You should also read "Results of Operations – Group – salaries and personnel costs" for additional information about changes when we implement IFRS from 2005. Our estimated pension expenses for 2004 according to IFRS was approximately NOK 826 million, compared to NOK 932 million in our Norwegian GAAP accounts for 2004. Of these, our defined benefit plans amounted NOK 685 million (IFRS) and NOK 791 million (Norwegain GAAP), respectively. As of 31 December 2004, we estimate our pension expense for 2005 for our Norwegian defined benefit plans to be approximately NOK 830 million according to IFRS.

The table below shows an estimate of the potential effects of a one-percentage point change in our key assumptions for our defined benefit plans in Norway according to Norwegian GAAP.

The following estimates and our estimated pension expense for 2005 are based on facts and circumstances as of 31 December 2004. Actual results may materially deviate from these estimates.

NOK in millions	Discount rate +1% [1]	Discount rate -1% [1]	Compensation rate +1% [1]	Compensation rate -1% [1]	Social Security base amount +1% [1]	Social Security base amount -1% [1]	Annual adjustments to pensions +1% [1]	Annual adjustments to pensions -1% [1]
Changes in:								
Pension liabilities	(830)	890	660	(540)	(220)	220	500	(410)
Unrecognized actuarial losses	(830)	890	660	(540)	(220)	220	500	(410)
Expenses due to amortization of actuarial losses	(110)	150	110	(90)	(40)	40	90	(70)
Net periodic benefit cost including effect due to amortization of actuarial losses (as shown above	(280)	340	250	(210)	(90)	90	190	(160)

[1] One-percentage point change

Legal proceedings
We are subject to various legal proceedings and claims, the outcomes of which are subject to significant uncertainty. We evaluate, among other factors, the degree of probability of an unfavorable 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. You should read note 24 to our consolidated financial statements for additional information on legal proceedings.

INFLATION

Our results in recent years have not been substantially affected by inflation. Inflation in Norway as measured by the consumer price index during the years ended 31 December 2002, 2003 and 2004 was 1.3%, 2.5% and 0.4% respectively.

NORWEGIAN GAAP COMPARED WITH U.S. GAAP

Our consolidated financial statements have been prepared under Norwegian GAAP, which differs from U.S. GAAP in several respects. We have prepared a reconciliation of our net income for the years ended 31 December 2002, 2003 and 2004, and of our shareholders' equity as of 31 December 2003 and 2004.

The significant differences between Norwegian GAAP and U.S. GAAP affecting our net income and shareholders equity are described in note 32 to our audited consolidated financial statements.

Under U.S. GAAP, net income (loss) for the years ended 31 December 2002, 2003 and 2004 would have been NOK (3,658) million, NOK 5,036 million and NOK 5,639 million, respectively, as compared to, NOK (4,298) million, NOK 4,560 million and NOK 5,358 million, respectively, under Norwegian GAAP.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Telenor Group 1 January–31 December

In NOK millions, except per share amounts	Note	2004	2003	2002
Revenues	2	**60,752**	52,889	48,668
Gains on disposal of fixed assets and operations	2	**550**	232	158
Total revenues		**61,302**	53,121	48,826
Operating expenses				
Costs of materials and traffic charges	4	**16,070**	13,094	12,485
Own work capitalized	5	**(557)**	(571)	(567)
Salaries and personnel costs	6, 7	**10,021**	9,561	10,104
Other operating expenses	8, 9	**14,873**	12,506	13,188
Losses on disposal of fixed assets and operations		**74**	229	147
Depreciation and amortization	14, 15	**11,623**	10,597	10,236
Write-downs	14, 15	**2,596**	145	3,553
Total operating expenses		**54,700**	45,561	49,146
Operating profit (loss)		**6,602**	7,560	(320)
Associated companies	16	**718**	1,231	(2,450)
Financial income and expenses				
Financial income		**496**	586	567
Financial expenses		**(1,534)**	(2,023)	(1,833)
Net currency loss		**(87)**	(1)	(311)
Net gain (loss and write-downs) of financial items		**2,651**	73	(789)
Net financial items	12	**1,526**	(1,365)	(2,366)
Profit (loss) before taxes and minority interests		**8,846**	7,426	(5,136)
Taxes	13	**(2,244)**	(2,376)	480
Profit (loss) before minority interests		**6,602**	5,050	(4,656)
Minority interests		**(1,244)**	(490)	358
Net income (loss)		**5,358**	4,560	(4,298)
Net income (loss) per share in NOK (basic), excluding treasury shares		**3.07**	2.57	(2.42)
Net income (loss) per share in NOK (diluted), excluding treasury shares		**3.06**	2.57	(2.42)

CONSOLIDATED BALANCE SHEET

Telenor Group at 31 December

In NOK millions	Note	2004	2003
Assets			
Deferred tax assets	13	2,999	3,850
Goodwill	15	12,963	9,224
Other intangible assets	15	10,001	5,536
Tangible assets	15	37,676	35,722
Associated companies	16	6,428	10,166
Other financial assets	16	1,292	3,848
Total fixed assets		**71,359**	**68,346**
Inventories		596	504
Current receivables, etc.	17	10,165	9,232
Short-term investments	18	893	384
Cash and cash equivalents	27	5,081	7,644
Total current assets		**16,735**	**17,764**
Total assets		**88,094**	**86,110**
Equity and liabilities			
Shareholder's equity		37,594	37,237
Minority interests		4,074	3,646
Total equity and minority interests		**41,668**	**40,883**
Liabilities			
Provisions	19	**3,120**	**1,645**
Long-term interest-bearing liabilities	20, 21	20,602	22,703
Long-term non-interest-bearing liabilities	22	572	754
Total long-term liabilities		**21,174**	**23,457**
Short-term interest-bearing liabilities	20	3,991	3,059
Short-term non-interest-bearing liabilities	22	18,141	17,066
Total short-term liabilities		**22,132**	**20,125**
Total equity and liabilities		**88,094**	**86,110**
Assets pledged	23	8,752	8,148
Guarantee liabilities	23	2,169	2,557
Contingent liabilities	24		

Oslo, 31 March 2005

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

Jon Fredrik Baksaas
President & CEO

CONSOLIDATED CASH FLOW STATEMENT

Telenor Group 1 January–31 December

NOK in millions	Note	2004	2003	2002
Proceeds from sale of goods and services		**61,107**	53,208	50,480
Payments to suppliers of goods and services and of other operating expenses		**(30,639)**	(25,714)	(25,056)
Payments to employees, pensions, social security tax and tax deductions		**(9,280)**	(9,400)	(9,643)
Interest etc. received		**913**	1,318	796
Interest etc. paid		**(1,428)**	(2,494)	(1,629)
Other proceeds and payments related to operating activities		**(22)**	(131)	(142)
Payment of taxes and public duties		**(1,660)**	(3,111)	(1,948)
Net cash flow from operating activities [1]		**18,991**	13,676	12,858
Proceeds from sale of tangible and intangible assets		**263**	523	210
Purchase of tangible and intangible assets		**(11,613)**	(6,536)	(9,098)
Cash receipts from sale of subsidiaries and associated companies, net of cash transferred	27	**849**	2,327	191
Cash payments on purchase of subsidiaries and associated companies, net of cash received	27	**(6,281)**	(506)	(12,232)
Proceeds from sale of other investments		**3,960**	1,072	271
Payments for other investments		**(209)**	(334)	(1,069)
Net cash flow from investment activities		**(13,031)**	(3,454)	(21,727)
Proceeds from long-term liabilities		**2,486**	779	19,567
Proceeds from short-term liabilities		**55**	311	164
Payments on long-term liabilities		**(6,044)**	(4,990)	(10,140)
Payments on short-term liabilities		**(43)**	(3,122)	(549)
Net change in overdrafts		**(765)**	-	20
Proceeds from issuance of shares, inclusive from minority interests		**47**	32	200
Share buy back		**(2,020)**	(7)	-
Payment of equity and dividends to minorities in subsidiaries		**(207)**	(91)	-
Payment of dividends		**(1,764)**	(799)	(621)
Net cash flow from financing activities		**(8,255)**	(7,887)	8,641
Effect on cash and cash equivalents of changes in foreign exchange rates		**(268)**	45	(347)
Net change in cash and cash equivalents		**(2,563)**	2,380	(575)
Cash and cash equivalents at 1 January		**7,644**	5,264	5,839
Cash and cash equivalents at 31 December		**5,081**	7,644	5,264

[1] **Reconciliation**

Net income	**5,358**	4,560	(4,298)
Minority interests	**1,244**	(490)	(358)
Taxes	**2,244**	(2,376)	(480)
Profit before taxes and minority interests	**8,846**	7,426	(5,136)
Taxes paid	**(1,516)**	(3,283)	(2,050)
Net (gain) loss including write-downs of financial items	**(3,127)**	(76)	778
Depreciation, amortization and write-downs	**14,219**	10,742	13,789
Associated companies	**(718)**	(1,231)	2,450
Changes in inventories	**(79)**	3	(39)
Changes in accounts receivable and prepayments from customers	**387**	1,017	1,593
Changes in accounts payable and prepaid expenses	**237**	119	126
Difference between expensed and paid pensions	**362**	134	359
Currency (gains) losses not relating to operating activities	**57**	(78)	391
Change in other accruals	**323**	(1,097)	597
Net cash flow from operating activities	**18,991**	13,676	12,858

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Telenor group

	Number of shares	Nom amount (NOK)	Share capital (NOK mill.)	Other paid capital (NOK mill.)	Other equity (NOK mill.)	Cumulative translation adjustments (NOK mill.)	Treasury Shares (NOK mill.)	Total (NOK mill.)
Balance as of 31 December 2001	**1,802,730,652**	**6**	**10,816**	**18,619**	**13,023**	**(145)**	**(169)**	**42,144**
Net income for the year 2002					(4,298)			(4,298)
Dividends					(799)			(799)
Translation adjustments						(2,723)		(2,723)
Employee share issue	695,520	6	4	15				19
Consolidation Canal Digital AS					(658)			(658)
Balance as of 31 December 2002	**1,803,426,172**	**6**	**10,820**	**18,634**	**7,268**	**(2,868)**	**(169)**	**33,685**
Net income for the year 2003					4,560			4.560
Dividends					(1,776)			(1,776)
Translation adjustments						816		816
Employee share issue	595,109	6	4	22				26
Increased owership interest Comincom/Combellga					(35)			(35)
Increased owership interest GrameenPhone Ltd.					(39)			(39)
Balance as of 31 December 2003	**1804,021,281**	**6**	**10,824**	**18,656**	**9,978**	**(2,052)**	**(169)**	**37.237**
Net income for the year 2004	–	–	–	–	5,358	–	–	5,358
Dividends for the year 2004 and adjusted dividends for the year 2003 [1]	–	–	–	–	(2,590)	–	–	(2,590)
Translation adjustments	–	–	–	–	–	(508)	–	(508)
Share buy back	–	–	–	–	–	–	(2,020)	(2,020)
Cancellation of shares	(55,444,964)	6	(332)	(1,152)	–	–	1,484	,
Sale of shares and share issue to employees	1,120,730	6	6	35	–	–	18	59
Increased owership interest GrameenPhone Ltd	–	–	–	–	(168)	–	–	(168)
Increased owership interest ProMonte GSM	–	–	–	–	164	–	–	164
Equity adjustments in associated companies	–	–	–	–	62	–	–	62
Balance as of 31 December 2004	**1,749,697,047**	**6**	**10,498**	**17,539**	**12,804**	**(2,560)**	**(687)**	**37,594**

[1] Adjusted dividends for the year 2003 related to purchase of shares in the market prior to the Annual General Meeting for 2004.

	2004	2003	2002
Average number of shares basic (exclusive treasury shares)	**1,747,864,560**	1,775,340,935	1,774,637,008
Average number of shares fully diluted (exclusive treasury shares)	**1,749,326,657**	1,775,755,932	1,774,637,008
Dividend per share in NOK	**1.50**	1.00	0.45

See note 30 for further information about number of shares etc.

In 2004, Telenor increased its ownership interests in the subsidiary GrameenPhone Ltd. Net excess values were allocated to other intangible assets and recorded directly against the shareholders' equity. In 2004 the acquisition of the remaining shares of European Telecom Luxembourg S.A, the owner of ProMonte GSM, was completed. Net excess values were calculated for 100% of the shares, and the net excess values on the shares Telenor already owned were recorded directly against the shareholders' equity. Equity adjustments in associated companies for the year 2004 were primarily related to VimpelCom and Bravida ASA.

In 2003, Telenor increased its ownership interests in the subsidiaries Comincom/Combellga and GrameenPhone Ltd. The increase in net excess values beside goodwill was recorded directly against the shareholders' equity in 2003.

In 2002, the shareholders' equity decreased by NOK 658 million in connection with the consolidation of Canal Digital AS. As of 30 June 2002, the acquisition of the remaining 50% of Canal Digital AS was completed and Telenor obtained effective control. Due to the transfer of risk for the company's results of operations at the time of entering into the agreement to acquire Canal Digital AS in June 2001, 50% of the company's loss, amortization of net excess values and calculated financing expenses in the period between the agreement and consolidation has been recorded directly against the shareholders' equity.

Equity available for distribution as dividends from Telenor ASA was NOK 14,038 million as of 31 December 2004.

Minority interests

NOK in millions	Minority share in % 31.12.04	Minority part of net income (loss) 2004	Minority part of net income (loss) 2003	Minority part of net income (loss) 2002	Minority interests in the balance sheet 31.12.04	Minority interests in the balance sheet 31.12.03
Telenor Venture AS	-	-	(30)	(6)	-	-
Telenor Venture II ASA	49.9	12	(32)	(67)	134	136
OJSC Comincom/Combellga	-	-	14	15	-	-
Kyvistar GSM JSC	43.5	588	256	51	1,255	998
DiGi.Com bhd	39.0	187	68	47	1,191	1,131
GrameenPhone Ltd.	38.0	411	283	162	528	448
EDB Business Partner ASA	48.2	28	(26)	(555)	895	888
Telenor Venture IV AS	20.0	-	-	-	52	-
Other	-	18	(43)	(5)	19	45
Total		1,244	490	(358)	4,074	3,646

In the fourth quarter of 2004, Telenor increased its ownership interest to 62.0% in GramenPhone Ltd. In April 2004, Telenor increased its ownership interest to 56.5% in Kyivstar GSM JSC. At the end of December 2004, Telenor sold 20.0% of the shares in the subsidiary Telenor Venture IV AS.

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Telenor Group

General

When Telenor AS was established as a public company on 31 October 1994, assets and liabilities were transferred at their carrying values as recorded in the final records of the Norwegian State Administration, except for required adjustments to comply with Norwegian generally accepted accounting principles (Norwegian GAAP).

The Norwegian Government formed Telenor ASA in July 2000 to act as the holding company for the Telenor Group. In October 2000, the Norwegian Government contributed all of the shares of Telenor AS (subsequently renamed Telenor Communications AS), the former holding company for the Telenor Group, to Telenor ASA in exchange for all of the issued shares of Telenor ASA. Telenor ASA was formed with identical share capital as Telenor AS and, prior to its acquisition of Telenor AS, had no assets or liabilities and conducted no operations other than those incident to its formation.

The consolidated financial statements for Telenor ASA and its subsidiaries (the Group) are prepared in accordance with Norwegian GAAP. The Group's accounting principles differ, in certain respects, from United States generally accepted accounting principles (US GAAP). The differences and the related effects on the Group's net income (loss), shareholder's equity, revenues and total assets are set forth in note 32. From 2005, Telenor will prepare its financial statements in accordance with the "International Financial Reporting Standards" (IFRS).

Consolidation principles

The Group's consolidated accounts include Telenor ASA and subsidiaries in which Telenor ASA has effective control. Subsidiaries are consolidated from the date effective control is obtained. Effective control generally exists when Telenor has more than 50% ownership.

Successive share purchases are treated separately when the successive purchases are small, fair value has increased significantly or a long time has passed since the previous share purchase. Increase in value of identifiable assets and liabilities between the time of consolidation and subsequent share purchase is recorded against the shareholders' equity. Increase of goodwill for the majority interest is capitalized for every acquisition.

All significant intercompany transactions and balances have been eliminated.

Investments in joint ventures and entities in which Telenor has an equity ownership interest normally of 20% to 50% and exercises significant influence are accounted for using the equity method. Investments considered to be of a temporary nature are accounted for at cost.

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

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net of tangible and intangible assets acquired and liabilities incurred in business combinations. Goodwill is amortized on a straight-line basis over the estimated useful economic life, based on an individual assessment.

Revenue recognition

Revenues are primarily comprised of 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, and sale of software and customer equipment.

For PSTN/ISDN, mobile telephony, leased lines, TV distribution, satellite services and other network based services, traffic revenues and interconnection revenues are recognized based on actual traffic while subscription fees, including ADSL, are recognized as revenue over the subscription period. Revenues related to prepaid phone cards are deferred and recorded as revenue based on the actual use.

Revenues from connection fees that are received from the sale of new subscriptions are recognized at the time of sale to the extent of related costs incurred. Costs incurred related to mobile connection revenues consist primarily of the first payment of distributor commission, costs for credit check, cost of the SIM card and the cost of the printed new customer information package. For the fixed line connection revenues, the costs consist primarily of installation work and expenses for order handling. To date, costs associated with connection fees have exceeded such revenues.

Revenues from sale of customer equipment are recognized when products are delivered to customers. Revenues from sale of equipment which are delivered together with services are recognized at the time of delivery of the equipment when the delivery of the equipment can be separated from the delivery of the services. If the delivery of equipment cannot be separated from the sale of services, revenue from equipment is recognized when revenue from services are recognized. Revenues from operating services are recognized on the basis of actual use for volume-based contracts, and on a linear basis over the contract period for term-based contracts. Revenues from software licenses are recognized when delivered. Revenues from software developed specifically for customers are recognized over the development period in line with the percentage of completion.

Revenues are normally reported gross with a separate recording of expenses to vendors of products or services. However, when Telenor only acts as an agent or broker on behalf of suppliers of products or services, revenues are reported on a net basis.

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 (12 years). Accumulated effect of changes in estimates, changes in assumptions and deviations from actuarial assumptions (actuarial gains or losses) that is 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 between 10% and 15% the excess amount is recognized in the profit and loss statement over the estimated average remaining service period. Accumulated effects above 15% are recognized in the profit and loss statement over 5 years. The net pension cost for the period is classified as salaries and personnel costs.

Research and development costs
Research and development costs are expensed as incurred.

Software costs
Direct development costs associated with internal-use software are capitalized and amortized. This includes external direct costs of material and services and payroll costs for employees devoting time to the software projects.

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

Leases
Finance leases, which provide the Group with substantially all the rights and obligations of ownership are capitalized as fixed assets. The capital lease liabilities are valued at the present value of minimum lease payments.

Foreign currency transactions
Transactions involving foreign currencies are translated into Norwegian Krone using the prevailing exchange rates at the time of the transactions. Financial instruments denominated in foreign currencies are translated using period end exchange rates. The resulting gain or loss is charged to financial items for the period, unless hedge accounting is applied.

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

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

Derivatives and hedge accounting for interest-bearing liabilities and firm commitments
For interest-bearing liabilities Telenor does not recognize changes in fair value due to changes in interest rates.

Telenor uses derivatives to manage its exposure to fluctuations in exchange rates and interest rates. To qualify for hedge accounting, the instruments must meet pre-defined correlation criteria. This involves prospective documentation that justifies expectations that the hedge will be effective in the future, as well as assessment of sufficient hedge effectiveness during the lifetime of the hedge. It is a requirement that the hedges generate financial statement effects which substantially offset the position being hedged.

For interest rate derivatives that qualify for hedge accounting, Telenor does not recognize unrealized changes in fair value due to changes in interest rates. Amounts to be paid or received under interest rate swaps and cross currency interest rate swaps that are designated and effective as a hedge of interest-bearing liabilities are accrued as interest income or expense, respectively. Hedge of interest rate risk on interest-bearing liabilities is primarily conducted on a portfolio basis.

Exchange rate effects on currency swaps designated as hedges of interest-bearing assets or liabilities are recorded as foreign exchange gain or loss and included in the carrying value of the hedged item. Foreign currency forward contracts are marked to market and changes in fair value are recorded as foreign exchange gain or loss.

Gains and losses on foreign exchange contracts that are designated as hedges of firm commitments are deferred and recognized in income at the same time as the related transactions, provided that the hedged transaction is eligible for hedge accounting.

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

Derivatives that do not meet the hedging criteria are recorded at their market value with the resulting gain or loss reflected under financial items.

Taxes
Deferred tax assets and liabilities are calculated with full allocation for all temporary differences between the carrying amount of assets and liabilities in the financial statements and for tax purposes, including tax losses carried forward. The enacted tax rates at the balance sheet date and undiscounted amounts are used. Deferred tax assets are recorded in the balance sheet to the extent it is more likely than not that the tax assets will be utilized. Deferred tax assets which 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.

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.

Investments

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

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

For investments in associated companies and joint ventures, a loss in value which is other than a temporary decline is recognized.

Impairment is assessed when changes in circumstances indicate that the carrying amount of the investments may not be recoverable. This may be indicated by a fall in market values or revised earnings forecasts for the individual companies. When evaluating if a decline in value has occurred and if the decline is other than temporary, several factors are considered, including discounted cash flows, quoted share prices (if available), market values of similar companies and third party evaluations where appropriate.

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.

Tangible assets, intangible assets, depreciation and amortization

Tangible and intangible assets are carried at historical cost less accumulated depreciation and amortization. Interest has been capitalized on assets under construction.

Impairment of tangible and intangible assets is assessed when changes in circumstances indicate that their carrying amount may not be recoverable. The assessment is made based on estimated recoverable amount, which is the highest of estimated discounted future cash flows and sales price less cost to sell. When such amounts are less than the carrying amount of the asset, a write-down to estimated recoverable amount is recorded.

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

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

Intangible assets are amortized over the expected economic useful life, mainly on a straight-line basis.

Assets retirement obligations

Asset retirement obligations are limited to known and planned removals within a reasonable timeframe.

Share options and employee stock ownership program

For share options that have intrinsic values when they are granted compensation expense is recognized over the estimated option periods. Options with no intrinsic values as of grant date are not expensed. Social security tax on options is recorded over the estimated option period. Discounts in the employee stock ownership program have been recorded as salaries and personnel costs when the discount is given or when bonus shares are issued. 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 subsidiaries option plans are recorded as an increase in minority interests.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Changes in classification

In 2004, interest-bearing liabilities with maturity within the next 12 months were reclassified from long-term interest-bearing liabilities to short-term interest-bearing liabilities. This reclassification increased short-term liabilities by NOK 2,673 million as of 31 December 2003. Comparable figures are restated.

In 2004, Telenor changed the segment presentation by disclosing the significant mobile operations as separate reportable segments.

In 2003, a reclassification of software in administrative support systems from tangible assets to intangible assets was made. NOK 648 million in amortization and NOK 101 million in write-downs for 2002 were reclassified. Comparable figures are restated. These changes affected mainly our Mobile Norway and Fixed business areas.

Implementation of International Financial Reporting Standards (IFRS)

Regulations of the European Union (EU) require that puclicly listed companies within the EU prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) by 2005. Due to the European Economic Area (EEA) agreement Norwegian listed companies will also be required to follow IFRS. Telenor will be reporting according to IFRS in the 2005 quarterly reports with comparable figures for 2004.

Telenor has made an evaluation of the differences between Telenor's current accounting principles and the accounting principles in accordance with IFRS. The final accounting principles according to IFRS may be changed during 2005, and consequently other material differences may occur beside those mentioned below.

The implementation of IFRS will affect several items, including the accounting for:

- Revenue and partially related costs.
- Business combinations.
- Goodwill.
- Tangible and intangible assets including depreciation, amortization and write-downs, and asset retirement obligations.
- Financial investments, liabilities and derivatives including hedge accounting.
- Pensions, including the discount rate used.
- Share-based payments.
- Dividends; not recorded as deduction to equity before it is declared.
- Translation adjustments.
- Deferred taxes and tax assets.
- Minority interests.

The most significant effect on Telenor's net income according to IFRS compared to Norwegian GAAP for the year 2004 is that goodwill is not amortized but reviewed annually for impairment. The most significant effects on the shareholders' equity as of 1 January 2004 are that net actuarial losses are charged against shareholders' equity and that dividends are not recorded as deduction to equity before it is declared.

In addition, presentation and note disclosures will be affected.

01 Acquisitions and disposals

The following significant acquisitions and disposals have taken place over the past three years. Each acquisition is recorded using the purchase method of accounting. The summary does not include capital increases or other types of financing by Telenor.

Significant acquisitions in 2004

NOK in millions **Company**	**Country**	**Change in interest %**	**Business**	**Purchase price**	**Net excess value**	**Amortization period**
Sonofon Holding A/S	Denmark	46.5	Mobile Communication	3,639	3,753	4-20 years
European Telecom Luxemburg SA. (ProMonte)	Montenegro	55.9	Mobile Communication	541	474	5–35 years
GrameenPhone Ltd	Bangladesh	11.0	Mobile Communication	298	168 [1]	-
CBB A/S	Denmark	100.0	Mobile Communication	147	188	4–20 years
GMPCS Personal Communication Inc	USA	100.0	Satellite Mobile Communications	85	66	10 years
Utfors AB	Sweden	8.3	Telecommunication	70	25 [4]	15 years
IT-operation	Norway/Sweden	100.0	Operation and application services	738	379 [2) 3)]	10 years

1) Net excess values is not allocated to goodwill and are recorded against shareholders' equity.
2) Asset purchases by EDB Business Partner ASA.
3) Preliminary evaluations and allocations
4) Telenor owns 100% of the shares in the company as of 31 December 2004.

Acquisition of Sonofon Holding A/S in 2004
On 12 February 2004, Telenor acquired the remaining 46.5% of the outstanding common shares in Sonofon Holding A/S that we did not already own. After completion of the acquisition, Telenor owns 100% of the outstanding common shares and the result of operations has been included in the consolidated financial statements from that date. Sonofon Holding A/S is one of the leading mobile operators in Denmark and offers high quality GSM voice and data communication services on 900 and 1800 MHz frequency in addition to fixed line telephony and Internet access primarily to the business market based on "Fixed Wireless Access (FWA) Technology". This acquisition was part of Telenor's strategy to gain control of operations to take advantage of synergies stemming from coordinated activities in a number of markets. The aggregate purchase price was approximately NOK 3.6 billion and was paid in cash. The value was set based on a fair value after negotiations between the parties. The allocation of the purchase price has been based on independent financial experts' estimates of the fair values of assets and liabilities acquired.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of consolidation [1]:

NOK in millions	**Sonofon 12 February 2004**
Goodwill	6,480
Other intangible assets	2,558
Tangible assets and financial fixed assets	2,988
Current assets	1,187
Total assets	**13,213**
Deferred taxes	737
Long-term liabilities	3,040
Short-term liabilities	1,825
Total liabilities	**5,602**
Minority interest	-
Net assets at the date of consolidation	**7,611**
Book value as an associated company at the date of consolidation	3,972
Purchase price last acquisition	**3,639**

1) These figures include consideration for the last acquisitions and the carrying value for the prior investment, when the company was accounted for as an associated company. They reflect the final allocation of net excess values that deviates somewhat from the preliminary allocation.

Total other intangible assets of Sonofon Holding A/S were NOK 2,558 million at the date of consolidation, of which NOK 1,541 million relates to identified intangible assets in Telenor's latest acquisition. Of this amount NOK 539 million was assigned to customer relationship (4 years average useful life), NOK 248 million to roaming-agreeements (12 years average useful life), NOK 373 million to trademarks (15 years average useful life), NOK 22 million to licenses (8 years average useful life) and NOK 359 million in administrative software systems (5 years average useful life).

Goodwill of NOK 6,480 million relates to the segment Sonofon. Of this NOK 2,837 million relates to Telenor's latest acquisition and is estimated to have a useful life of 20 years. Goodwill on prior acquisitions is amortized according to original plan. See note 14 for information regarding the write-down of goodwill in Sonofon in 2004.

Pro forma information (unaudited)
The following unaudited pro forma financial information presents results as if the acquisition of Sonofon Holding A/S, European Telecom Luxemburg SA (ProMonte GSM D.O.O.), CBB A/S, GMPCS Communication Inc. and IT operations had occurred at the beginning of the respective periods:

in NOK millions, except per share data	2004	2003
Pro forma revenues	63,119	59,233
Pro forma profit before taxes and minority interests	8,609	6,732
Pro forma net income	5,163	4,057
Pro forma net income per share in NOK	2.95	2.28

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

Significant disposals 2004
Telenor sold 100% of its shares in Securinet AS, which was owned by Telenor Venture III AS, and at the end of 2004, Telenor sold 100% of its shares in Telenor Venture III AS. Total consideration was NOK 394 million. A gain of NOK 135 million before taxes was recorded. Telenor sold 100% of its shares in Transacty Slovakia j.s.c for a consideration of NOK 133 million and recorded a gain before taxes of NOK 71 million. Telenor's subsidiary EDB Business Partner ASA sold part of its telecom business during 2004 for NOK 400 million and recorded a gain of NOK 295 million.

Significant Acquisitions in 2003

NOK in millions Company	Country	Change in interest %	Business	Purchase price	Net excess value	Amortization period
Golden Telecom Inc. [3]	Russia	20.4	Telecommunication	1,378	850 [1]	5–20 years
APR Media Holding AS [4]	Norway	44.8	TV-distribution	402	74 [1]	5–15 years
GrameenPhone Ltd.	Bangladesh	4.6	Mobile communication	84	39 [2]	10 years
OJSC Comincom/Combellga [3]	Russia	25.0	Telecommunication	217	30 [2]	18 years

[1] Net excess value is included in the book value of associated companies and joint ventures.
[2] Partially recorded directly to equity.
[3] In 2003 OJSC Comincom/Combellga became a wholly owned subsidiary and later in 2003 Telenor sold its ownership interest in exchange for share in Golden Telecom Inc.
[4] The ownership interest in APR Media Holding AS was acquired by exchange of Telenor's shareholding in A-Pressen ASA.

Significant disposals 2003
Telenor sold the shares in OJSC Comincom/Combellga in exchange for shares in the listed Russian fixed-line operator Golden Telecom Inc. A loss of NOK 26 million before taxes was recorded. Telenor sold 9% of its shares in Cosmote SA and recorded a gain before taxes of NOK 1,515 million. The cash consideration was NOK 2.1 billion.

Significant Acquisitions in 2002

NOK in millions Company	Country	Change in interest %	Business	Purchase price	Net excess value	Amortization period
Pannon GSM Rt.	Hungary	74.2	Mobile Communication	7,906	7,741	5–20 years
Canal Digital AS	Norway [4]	50.0	TV-distribution	2,166	2,244	5–15 years
Kyivstar GSM JSC [5]	Ukraine	8.8	Mobile Communication	294	1,005 [6]	5–20 years
COMSAT Mobile Comunications Inc. [2]	USA	100.0	Satellite Mobile Communications	743	22	10 years
Utfors AB [1]	Sweden	90.0	Telecommunication	153	(424)	18 years
Glocalnet AB	Sweden	37.2	Telecommunication	102	50 [3]	10 years
VimpelCom-Region	Russia	17.5	Mobile Communication	432	–	–

[1] Telenor holds convertible loans, which may increase the ownership share up to 96%. Net excess value is recorded as negative goodwill.
[2] Asset purchase agreement.
[3] Net excess value is included in the book value of associated companies and joint ventures.
[4] The parent company is Norwegian. Canal Digital Group conducts business in the Nordic region via subsidiaries.
[5] Telenor has an option to acquire a further 2.3% of the share capital.
[6] Includes minority share of NOK 533 million.

Acquisition of Pannon GSM Rt, Canal Digital AS and Kyivstar GSM JSC in 2002
On 4 February 2002, Telenor acquired an additional 74.2% of the outstanding common shares in Pannon GSM Rt. After completion of the acquisition, Telenor owns 100% of the outstanding common shares and the result of Pannon GSM Rt. operations have been included in the consolidated financial statements from that date. Pannon GSM Rt. is one of the leading mobile operators in Hungary and offers high quality GSM voice and data communication services on 900 and 1800 MHz frequency. This acquisition was part of Telenor's strategy to gain control of operations to take advantage of synergies stemming from coordinated activities in a number of markets. The aggregate purchase price was

approximately NOK 8 billion and was paid in cash. The value was set based on a fair value after negotiations between the parties. The allocation of the purchase price has been based on independent financial experts estimates of the fair values of assets and liabilities acquired.

On 30 June 2002, Telenor acquired an additional 50% of the outstanding common shares in Canal Digital AS. After completion of the acquisition, Telenor owns 100% of the outstanding common shares and the result of Canal Digital operations have been included in the consolidated financial statements from that date. As a result of the transfer of risk for the company's operating results at the time of entering into the agreement in June 2001, 50% of the Canal Digital's loss, amortization of net excess values and calculated financing expenses in the period between agreement and consolidation has been recorded directly against the shareholders' equity in 2002. Canal Digital distributes subscription based satellite broadcasting to households based on smart cards and to cable-TV operators. Furthermore, the company delivers solutions for distribution and management. The aggregate purchase price was approximately NOK 2.2 billion and was paid in cash. This acquisition is part of Telenor's strategy to gain control of operations to take advantage of synergies stemming from coordinated activities in a number of markets. The value was set based on a fair value after negotiations between the parties. The allocation of the purchase price has been based on independent financial experts' estimates of the fair values of assets and liabilities acquired.

In 2002, Telenor acquired an additional 8.8% of the outstanding common shares in Kyivstar GSM JSC. After completion of the acquisition, Telenor owned 54.2% of the outstanding common shares and the result of Kyivstar GSM JSC's operations have been included in the consolidated financial statements from 1 September 2002. Telenor had an option to acquire a further 2.3% of the share capital of which 1.6% was exercised in 2004. Telenor's owner share is 56.6% as of December 2004. Kyivstar GSM JSC is a leading mobile operator in the Ukraine and offers high quality GSM voice and data communication services on 900 and 1800 MHz frequency. This acquisition is part of Telenor's strategy to gain control of operations to take advantage of synergies stemming from coordinated activities in a number of markets. The aggregate purchase price was approximately NOK 0.3 billion and was paid in cash. The value was set based on a fair value after negotiations between the parties. The allocation of the purchase price has been based on independent financial experts' estimates of the fair values of assets and liabilities acquired.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the dates of consolidation[1]:

	Pannon GSM Rt 4 February 2002	Canal Digital AS 30 June 2002	Kyivstar GSM JSC 1 September 2002
Deferred tax assets	–	128	31
Goodwill	5,613	1,988	371
Other intangible assets	2,626	298	956
Tangible assets and financial fixed assets	2,517	636	1,644
Current assets	1,102	520	271
Total assets	**11,858**	**3,570**	**3,273**
Deferred taxes	308	63	153
Long-term liabilities	1,793	653	740
Short-term liabilities	1,121	981	840
Total liabilities	**3,222**	**1,697**	**1,733**
Minority interests	–	–	671
Net assets at the date of consolidation	**8,636**	**1,873**	**869**
Book value as an associated company at the date of consolidation	(730)	(365)	(575)
Recorded directly against equity		658	
Purchase price last acquisition	**7,906**	**2,166**	**294**

[1] These figures include consideration for the last acquisitions and the carrying values for the prior investments, when the companies were accounted for as associated companies.

Total other intangible assets of Pannon GSM Rt. were NOK 2,626 million at the date of consolidation, of which NOK 2,128 million relates to identified intangible assets in Telenor's latest acquisition. Of this amount NOK 1,727 million was assigned to customer relationship (5 years average useful life) and NOK 275 million was assigned to trademarks (10 years average useful life) and NOK 126 million to licenses (6–12 years average useful life).

Goodwill of NOK 5,613 million relates to the segment Pannon GSM Rt. with a useful life of 20 years. Goodwill on prior acquisitions is amortized according to original plan.

Total other intangible assets of Canal Digital AS were NOK 298 million at the date of consolidation, of which NOK 227 million relates to identified intangible assets in Telenor's latest acquisition. Of this amount NOK 111 million was assigned to customer relationship (5 years average useful life) and NOK 116 million was assigned to trademarks (15 years average useful life).

Goodwill of NOK 1,988 million relates to the segment Broadcast with a useful life of 15 years. Goodwill on prior acquisitions is amortized according to original plan.

Total other intangible assets of Kyivstar GSM JSC were NOK 956 million at the date of consolidation, of which NOK 635 million relates to identified intangible assets in Telenor's latest acquisition. Of this amount NOK 522 million was assigned to customer relationship (5 years average useful life), NOK 48 million was assigned to licenses (9 years average useful life) and NOK 65 million was assigned to trademarks (10 years average useful life).

Goodwill of NOK 371 million relates to the segment Kyivstar GSM JSC with a useful life of 20 years. Goodwill on prior acquisitions is amortized according to original plan.

Pro forma information (unaudited)
The following unaudited pro forma financial information presents results as if the acquisition of Pannon GSM Rt., Kyivstar GSM JSC, Canal Digital AS, COMSAT Inc. and Utfors AB had occurred at the beginning of 2002:

in NOK millions, except per share	2002
Pro forma revenues	52,023
Pro forma profit before taxes and minority interests	(5,693)
Pro forma net income (loss)	(4,854)
Pro forma net income per share in NOK	(2.74)

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

Significant Disposals in 2002
There were no significant disposals in 2002.

02 Revenues

NOK in millions	2004	2003	2002
Analog (PSTN)/digital (ISDN and ADSL)	14,263	15,464	14,480
Mobile telephony	28,691	20,823	17,199
Leased lines	991	994	1,008
Satellite and TV-distribution	7,585	6,758	5,903
Other network based activities	2,271	2,164	2,493
Customer equipment	1,607	1,146	1,528
IT operations and sale of software	3,994	4,254	4,626
Other	1,350	1,286	1,431
Revenues	**60,752**	**52,889**	**48,668**
Gain on disposal of fixed assets and operations	550	232	158
Total revenues	**61,302**	**53,121**	**48,826**

Analog (PSTN)/digital (ISDN and ADSL) includes revenues from traffic, subscription and connection for analog (PSTN), digital (ISDN and ADSL) 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, distribution of TV channels to the Nordic market, satellite-based network, and revenues from maritime satellite communication.

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, rent etc.

03 Key figures segments

In 2004, Telenor changed its reportable segments to show the major consolidated mobile operations as separate segments. As a result of the growth in individual mobile operations the previous Telenor Mobile segment can no longer be presented as one segment. In 2003, Telenor also made changes in the reporting structure. The comparable figures for previous years are restated to reflect the new segment structure.

Total mobile operations comprises the Group's mobile communication business, including voice, data, Internet, content services and electronic commerce. Fixed comprises the Group's fixed network in Norway and delivers services including analog PSTN, digital ISDN, ADSL, Internet and leased lines, as well as communication solutions, and has activity in selected countries outside of Norway. Broadcast comprises the Group's TV-based activities within the Nordic region EDB Business Partner ASA is an Oslo Stock Exchange listed IT group, which delivers solutions and operating services. Other Business units comprises business units as Satellite Services including Satellite Networks, Venture including Teleservice, Software services and Nextra International whose activities were phased out during 2003 and 2004. 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.

The segment information reported below for 2004, 2003 and 2002 was consistent with the reporting to the chief operating decision-makers in these periods, considered changes in the segment structure in 2003 and 2004, and was used by the chief operating decision-makers for assessing performance and allocating resources.

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 business areas 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. Eliminations of profit and loss items are primarily sales and purchases between the segments. The large amounts for assets and liabilities in "Other mobile units/eliminations", and Corporate functions and Group activities were due to internal receivables and payables. Balance sheet eliminations are primarily Group internal receivables and payables. Investments in the tables include capital expenditure and investments in businesses.

Profit and loss 2004

NOK in millions	Revenues [1]	External revenues [1]	EBITDA [2]	Deprecia-tion, amor-tization and write-downs	Operating profit (loss)	Associated companies and joint ventures	Net financial items	Profit (loss) before taxes and minority interests
Telenor Mobil – Norway	11,734	10,508	4,283	1,070	3,213	10	69	3,292
Sonofon – Denmark	4,393	4,346	680	3,928	(3,248)	–	(159)	(3,407)
Pannon GSM – Hungary	5,869	5,863	2,092	1,639	453	–	54	507
DiGi.Com – Malaysia	3,953	3,950	1,732	947	785	–	(109)	676
Kyivstar – Ukraine	4,346	4,344	2,581	592	1,989	–	(158)	1,831
GrameenPhone – Bangladesh	2,202	2,202	1,313	218	1,095	–	2	1,097
Other mobile operations/eliminations	455	357	(1,063)	197	(1,260)	684	1,174	598
Total mobile operations	**32,952**	**31,570**	**11,618**	**8,591**	**3,027**	**694**	**873**	**4,594**
Fixed	19,266	17,440	6,277	3,483	2,794	50	(438)	2,406
Broadcast	5,347	5,212	1,495	906	589	1	(471)	119
EDB Business Partner	4,530	3,606	924	400	524	–	(44)	480
Other business units	3,595	3,114	524	411	113	(32)	(27)	54
Corporate functions and Group activities	2,193	360	(81)	387	(468)	3	1,646	1,184
Eliminations	(6,581)	–	64	41	23	2	(13)	12
Total	**61,302**	**61,302**	**20,821**	**14,219**	**6,602**	**718**	**1,526**	**8,846**

1) Revenues include gains on disposal of fixed assets and operations.

2) See table below for definition and reconciliation of EBITDA.

Definition and reconciliation of EBITDA

NOK in millions	2004	2003	2002
Net income (loss)	**5,358**	**4,560**	**(4,298)**
Minority interests	1,244	490	(358)
Taxes	2,244	2,376	(480)
Profit (loss) before taxes and minority interests	**8,846**	**7,426**	**(5,136)**
Net financial items	(1,526)	1,365	2,366
Associated companies	(718)	(1,231)	2,450
Operating profit (loss)	**6,602**	**7,560**	**(320)**
Depreciation and amortization	11,623	10,597	10,236
Write-downs	2,596	145	3,553
EBITDA	**20,821**	**18,302**	**13,469**

Balance sheet items and investments at 31 December 2004

NOK in millions	Other fixed assets	Associated companies	Current assets	Total assets	Long-term liabilities incl. provisions	Short-term liabilities	Invest-ments
Telenor Mobil – Norway	3,682	6	3,944	7,632	229	6,112	1,025
Sonofon – Denmark	3,077	1	1,097	4,175	3,869	780	535
Pannon GSM – Hungary	3,678	–	1,997	5,675	154	1,320	1,166
DiGi.Com – Malaysia	4,329	–	1,311	5,640	1,030	1,784	920
Kyivstar – Ukraine	4,454	–	852	5,306	1,510	1,208	2,608
GrameenPhone – Bangladesh	2,072	1	606	2,679	450	905	1,318
Other mobile operations/eliminations	26,293	4,392	8,487	39,172	40,459	2,256	6,566
Total mobile operations	**47,585**	**4,400**	**18,294**	**70,279**	**47,701**	**14,365**	**14,138**
Fixed	11,896	1,352	8,504	21,752	9,592	7,550	1,896
Broadcast	6,048	506	4,386	10,940	8,283	2,895	880
EDB Business Partner	2,783	–	1,085	3,868	1,038	1,232	1,309
Other business units	1,580	58	1,794	3,374	1,761	926	415
Corporate functions and Group activities	68,079		7,364	75,501	15,706	32,821	288
Eliminations	(73,040)	112	(24,692)	(97,620)	(59,787)	(37,657)	(372)
Total	**64,931**	**6,428**	**16,735**	**88,094**	**24,294**	**22,132**	**18,554**

Profit and loss 2003

NOK in millions	Revenues [1]	External revenues [1]	EBITDA [2]	Deprecia-tion, amor-tization and write-downs	Operating profit (loss)	Associated companies and joint ventures	Net financial items	Profit (loss) before taxes and minority interests
Telenor Mobil – Norway	10,909	9,639	4,262	1,147	3,115	(22)	67	3,160
Pannon GSM – Hungary	5,370	5,368	1,924	1,545	379	–	(77)	302
DiGi.Com – Malaysia	3,176	3,170	1,295	921	374	–	(124)	250
Kyivstar – Ukraine	2,634	2,634	1,573	480	1,093	–	(149)	944
GrameenPhone – Bangladesh	1,536	1,535	1,001	158	843	–	(11)	832
Other mobile operations/eliminations	185	137	(488)	92	(580)	1,661	(1,888)	(807)
Total mobile operations	**23,810**	**22,483**	**9,567**	**4,343**	**5,224**	**1,639**	**(2,182)**	**4,681**
Fixed	20,509	18,796	6,665	4,134	2,531	8	(736)	1,803
Broadcast	4,820	4,661	1,229	1,048	181	(84)	(909)	(812)
EDB Business Partner	4,289	3,229	399	403	(4)	(13)	(71)	(88)
Other business units	4,205	3,590	408	528	(120)	(318)	(314)	(752)
Corporate functions and Group activities	2,317	362	23	387	(364)	(2)	2,846	2,480
Eliminations	(6,829)	–	11	(101)	112	1	1	114
Total	**53,121**	**53,121**	**18,302**	**10,742**	**7,560**	**1,231**	**(1,365)**	**7,426**

1) Revenues include gains on disposal of fixed assets and operations.

2) See table above for definition and reconciliation of EBITDA.

Balance sheet items and investments at 31 December 2003

NOK in millions	Other fixed assets	Associated companies	Current assets	Total assets	Long-term liabilities incl. provisions	Short-term liabilities	Invest-ments
Telenor Mobil – Norway	5,227	(10)	2,377	7,594	203	6,218	505
Pannon GSM – Hungary	3,347	–	1,975	5,322	–	2,200	1,166
DiGi Com	4,696	–	947	5,643	1,277	1,802	920
Kyivstar	2,824	–	541	3,365	1,105	487	2,608
GrameenPhone	1,232	1	696	1,929	376	633	1,318
Other mobile operations/eliminations	20,557	8,073	5,615	34,245	34,441	2,628	(2,755)
Total mobile operations	**37,883**	**8,064**	**12,151**	**58,098**	**37,402**	**13,968**	**3,762**
Fixed	13,761	1,451	8,595	23,807	10,521	8,606	2,161
Broadcast	6,268	514	3,278	10,060	8,165	2,868	266
EDB Business Partner	2,326	–	995	3,321	763	953	305
Other business units	2,644	18	2,528	5,190	2,846	1,524	263
Corporate functions and Group activities	64,081	–	12,170	76,251	18,709	29,017	346
Eliminations	(68,783)	119	(21,953)	(90,617)	(53,304)	(36,811)	(86)
Total	**58,180**	**10,166**	**17,764**	**86,110**	**25,102**	**20,125**	**7,017**

Profit and loss 2002

NOK in millions	Revenues [1]	External revenues [1]	EBITDA [2]	Deprecia-tion, amor-tization and write-downs	Operating profit (loss)	Associated companies and joint ventures	Net financial items	Profit (loss) before taxes and minority interests
Telenor Mobil – Norway	10,695	9,441	4,330	1,322	3,008	–	64	3,072
Pannon GSM – Hungary	4,505	4,502	1,586	1,289	297	–	(99)	198
DiGi.Com – Malaysia	2,715	2,702	1,022	3,025	(2,003)	–	(124)	(2,127)
Kyivstar – Ukraine	708	708	403	152	251	–	(50)	201
GrameenPhone – Bangladesh	1,589	1,589	757	126	631	–	(29)	602
Other mobile operations/eliminations	134	137	(616)	154	(770)	(2,030)	(1,812)	(4,612)
Total mobile operations	**20,346**	**19,079**	**7,482**	**6,068**	**1,414**	**(2,030)**	**(2,050)**	**(2,666)**
Fixed	20,022	18,352	5,597	4,866	731	(5)	(297)	429
Broadcast	3,605	3,364	499	974	(475)	(264)	(812)	(1,551)
EDB Business Partner	4,341	3,386	348	757	(409)	(5)	(86)	(500)
Other business units	5,040	4,255	178	914	(736)	(132)	(943)	(1,811)
Corporate functions and Group activities	2,259	390	(569)	362	(931)	(1)	1,929	997
Eliminations	(6,787)	–	(66)	(152)	86	(13)	(107)	34
Total	**48,826**	**48,826**	**13,469**	**13,789**	**(320)**	**(2,450)**	**(2,366)**	**(5,136)**

[1] Revenues include gains on disposal of fixed assets and operations.

[2] See table for definitions and reconcilliatons of EBITDA.

Geographic distribution of revenues based on customer location [1]

NOK in millions	2004	2003	2002
Norway	31,753	31,206	31,044
Other Nordic	9,474	4,699	3,298
Western Europe	1,194	1,343	1,588
Central Europe	6,676	5,998	5,348
Eastern Europe	4,551	3,551	1,619
Asia	6,365	4,906	4,409
Other countries	1,289	1,418	1,520
Total revenues	61,302	53,121	48,826

Geographic distribution of revenues based on company location [1]

NOK in millions	2004	2003	2002
Norway	33,993	33,589	33,224
Other Nordic	8,959	4,032	2,492
Western Europe	638	923	1,580
Central Europe	6,359	5,720	4,966
Eastern Europe	4,344	3,378	1,427
Asia	6,153	4,706	4,295
Other countries	856	773	842
Total revenues	**61,302**	**53,121**	**48,826**

[1] Revenues include gains on disposal of fixed assets and operations. Gain on disposal of foreign subsidiaries is recorded as relating to the country in which the subsidiary is located.

Assets by geographical location of the company

	Tangible assets		Total assets	
NOK in millions	2004	2003	2004	2003
Norway	21,132	23,167	21,026	31,849
Other Nordic	3,508	1,361	13,346	8,524
Western Europe	45	67	13,934	13,190
Central Europe	2,891	2,817	13,326	12,635
Eastern Europe	3,597	2,137	9,983	7,668
Asia	6,232	5,828	15,619	11,342
Other countries	271	345	860	902
Total assets	**37,676**	**35,722**	**88,094**	**86,110**

04 Costs of materials and traffic charges

NOK in millions	2004	2003	2002
Traffic charges – network capacity	9,001	7,183	6,463
Traffic charges – satellite capacity	1,191	1,343	1,527
Costs of materials etc.	5,878	4,568	4,495
Total costs of materials and traffic charges	**16,070**	**13,094**	**12,485**

05 Own work capitalized

NOK in millions	2004	2003	2002
Costs of materials etc.	161	25	29
Salaries and personnel costs	311	301	303
Other operating expenses	85	245	235
Total own work capitalized	**557**	**571**	**567**

06 Salaries and personnel costs

NOK in millions	2004	2003	2002
Salaries and holiday pay	7,530	7,248	7,659
Social security tax	1,142	1,151	1,168
Pension costs including social security tax	932	760	789
Other personnel costs	417	402	488
Total salaries and personnel costs	**10,021**	**9,561**	**10,104**

The average number of employees was 21,300 in 2004, 21,750 in 2003, and 23,000 in 2002.

07 Pension obligations

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

12,149 of the Group's employees were covered through Telenor Pension Fund as of 31 December 2004. The Group has a few group pension schemes with independent insurance companies and a separate pension plan for executive employees. Plan assets consisting primarily of bonds and shares fund these pension plans. For employees outside of Norway, contribution plans are dominant.

As of 31 December 2004 Telenor had an agreement-based early retirement plan (AFP) that was established in 1997. Under this scheme employees may retire upon reaching the age of 62 years or later. In previous years Telenor also had an early retirement plan that was offered to the employees within established criteria until the end of 1996.

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. The pension scheme through NHO is in line with the previous scheme through NAVO. The employees' rights are unchanged.

AFP through NHO is a defined benefit multi-employer plan. However, until the administrator of the plan is able to calculate Telenor's share of assets and liabilities in this plan, Telenor have to account for this plan as a defined contribution plan. This means that in 2004, the pension premiums of NOK 18 million were expensed, while previously capitalized pension obligations for future retirements now covered by the membership in NHO of NOK 111 million were taken to income as a part of amortization of actuarial gains and losses. The remaining NOK 127 million of previously unrecognized prior service costs relating to the introduction of the AFP-plan was also expensed in 2004.

Contribution plan costs increased in 2004 compared to 2003, primarily due to new companies, pension premiums in the AFP-plan as discussed above and repayments from the Norwegian Public Service Pension Fund taken to income in 2003.

Actuarial gains and losses are mainly due to changes in assumptions in 2004, 2003 and in 1999, primarily reduction in the discount rate. The effect in 2004 was offset by the change of accounting for AFP as discussed above. In 2004, the long-term interest rates in Norway were reduced, which led to a reduction in the discount rate to 5.0% as of 31 December 2004 compared to 5.7% as of 31 December 2003.

The plan assets were measured at 31 December 2003 and 2004. The benefit obligations were measured at 30 September 2003 and 2004 and adjusted for the best estimate of the financial assumptions at 31 December 2003 and 2004, respectively.

NOK in millions	2004	2003
Change in benefit obligation		
Benefit obligation at the beginning of the year	4,735	3,929
Service cost	482	455
Interest cost	263	252
Actuarial gains and losses	56	463
Acquisitions and sale	(37)	(21)
Benefits paid	(166)	(343)
Benefit obligations at the end of the year	**5,333**	**4,735**
Change in plan assets		
Fair value of plan assets at the beginning of the year	3,288	2,759
Actual return on plan assets	239	409
Acquisitions and sale	20	(17)
Pension contribution	426	454
Benefits paid	(162)	(317)
Fair value of plan assets at the end of the year	**3,811**	**3,288**
Funded status	**1,522**	**1,447**
Unrecognized prior service costs	(10)	(137)
Unrecognized net actuarial losses	(983)	(1,016)
Prepaid social security tax	74	44
Total provision for pensions	**603**	**338**
Total provision for pensions at 01.01	**338**	**191**
Acquisitions and sale	(39)	(2)
Net periodic benefit costs	791	698
Pension contribution	(426)	(454)
Benefits paid	(4)	(26)
Social security tax on pension contribution and benefits paid	(57)	(69)
Total provision for pensions at 31.12. (note 19)	**603**	**338**

The accumulated benefit obligation for all defined benefit pension plans was NOK 4,250 million and NOK 3,731 million at 31 December 2004 and 2003, respectively.

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

NOK in millions	2004	2003
Projected benefit obligation	5,224	4,281
Accumulated benefit obligation	4,187	3,367
Fair value of plan assets	3,714	2,872

Assumptions used to determine benefit obligations at 31 December

	2004	2003
Discount rate in %	5.0	5.7
Rate of compensation increase in %	3.0	3.4
Expected increase in the social security base amount in %	3.0	3.4
Annual adjustments to pensions in %	3.0	3.4

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

	2004	2003	2002
Discount rate in %	5.7	6.5	6.5
Expected return on plan assets in %	6.1	7.5	7.5
Rate of compensation increase in %	3.4	3.5	3.5
Expected increase in the social security base amount in %	3.4	3.0	3.0
Annual adjustments in pensions in %	3.4	3.0	3.0

Components of net periodic benefit cost

NOK in millions	2004	2003	2002
Service cost	482	455	543
Interest cost	263	252	218
Expected return on plan assets	(189)	(204)	(185)
Amortization of prior service costs	127	(3)	14
Amortization of actuarial gains and losses	13	114	57
Social security tax	95	84	90
Net periodic benefit costs	**791**	**698**	**737**
Contribution plan costs	141	62	52
Total pension costs charged to profit (loss) for the year	**932**	**760**	**789**

Telenor's pension plan weighted average asset allocations at 31 December 2004 and 2003, by asset category were as follows:

Asset category

	2004	2003
Bonds	70%	72%
Equity securities	26%	25%
Other	4%	3%
Total	**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 mainly 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.

The expected long-term return on plan assets as of 31 December 2004 was 5.4%. Expected return on plan assets are calculated based on the estimated 20-year Norwegian government bond yield at 31 December 2004, adjusted for a credit spread to high quality corporate bonds and an expected long–term yield on equity securities above government bonds, weighted by the expected long-term allocations between government bonds, corporate bonds and equity securities. The calculations of the expected long–term yield on equity securities above government bonds are based on historical long-term yield.

Telenor expects to contribute approximately NOK 415 million to the pension funds in 2005.

NOK in millions	2005	2006	2007	2008	2009	2010–2014
Expected pension benefit payments	129	135	116	116	135	1,026

In 2003, some of Telenor's Swedish subsidiaries, primarily Telenor AB (including Utfors AB), changed their pension plan to a multi-employer plan. The plan is currently accounted for as a defined contribution plan and the cost was NOK 58 million in 2004.

08 Other operating expenses

NOK in millions	2004	2003	2002
Cost of premises, vehicles, office equipment etc.	1,863	1,876	2,196
Operation and maintenance	3,632	3,448	3,418
Travel and travel allowances	482	474	560
Postage freight, distribution and telecommunication	296	281	327
Concession fees	582	505	425
Marketing and sales commission	3,838	2,583	2,069
Advertising	1,416	1,187	916
Bad debt [1]	248	209	337
Consultancy fees and external personnel [2]	1,350	1,327	1,394
Workforce reductions and loss contracts [3]	898	287	982
Other	268	329	564
Total other operating expenses	**14,873**	**12,506**	**13,188**

1) See note 9.

2) Includes fees for consultants and external personnel, which perform services that are sold to external customers or capitalized on fixed assets.

3) See note 11.

09 Bad debt

NOK in millions	2004	2003	2002
Provisions as of 1 January	592	643	543
Provisions as of 31 December	720	592	643
Change in provisions for bad debt	**129**	**(51)**	**100**
Other changes in provisions for bad debt [1]	(111)	36	(119)
Realized losses for the year	297	309	418
Recovered amounts previously written off	(67)	(85)	(62)
Total bad debt	**248**	**209**	**337**

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

10 Research and development costs

Research and development costs amounted to NOK 423 million in 2004, NOK 461 million in 2003 and NOK 531 million in 2002. Research and development activities relate to new technologies, new products, security in the network and new usages of the existing network. It is expected that research and development costs will create future profitability.

11 Workforce reductions, loss contracts and legal disputes

In 2004, 2003 and 2002, provisions were made for workforce reduction, loss contracts and legal disputes.

Loss contracts relate mainly to contractual obligations related to activities that are no longer of use in the ongoing business, loss on delivery contracts and loss on property leases.

The following tables displays roll forward of the accruals from 31 December 2001:

NOK in millions	Provisions in the balance sheet 31.12.2001	2002 additions in profit and loss	2002 additions recorded directly in balance	2002 amounts utilized	2002 amounts taken to income	Provisions in the balance sheet 31.12.2002
Workforce reductions						
Mobile operations	12	120	–	(21)	–	111
Fixed	35	275	22	(56)	(1)	275
Broadcast	–	46	–	(2)	–	44
EDB Business Partner	38	105	–	(80)	–	63
Other business units	27	88	–	(27)	–	88
Corporate functions and group activities	–	82	–	–	–	82
Total workforce reductions	**112**	**716**	**22**	**(186)**	**(1)**	**663**
Loss contracts						
Mobile operations	8	–	–	(8)	–	–
Fixed	22	37	39	(36)	–	62
Broadcast	27	19	–	(12)	–	34
EDB Business Partner	125	6	–	(94)	–	37
Other business units	125	7	–	(40)	(39)	53
Corporate functions and group activities	70	237	–	(57)	–	250
Total loss contracts	**377**	**306**	**39**	**(247)**	**(39)**	**436**
Total workforce reductions and loss contracts	**489**	**1,022**	**61**	**(433)**	**(40)**	**1,099**
Legal disputes [1]	212	8	(1)	(19)	(59)	141

NOK in millions	Provisions in the balance sheet 31.12.2002	2003 additions in profit and loss	2003 additions recorded directly in balance	2003 amounts utilized	2003 amounts taken to income	Provisions in the balance sheet 31.12.2003
Workforce reductions						
Mobile operations	111	–	–	(80)	(21)	10
Fixed	275	56	6	(175)	(52)	110
Broadcast	44	18	3	(43)	(3)	19
EDB Business Partner	63	91	4	(92)	(4)	62
Other business units	88	64	1	(105)	(2)	46
Corporate functions and group activities	82	8	–	(40)	(13)	37
Total workforce reductions	**663**	**237**	**14**	**(535)**	**(95)**	**284**
Loss contracts						
Fixed	62	16	3	(48)	(14)	19
Broadcast	34	–	–	(13)	(8)	13
EDB Business Partner	37	138	–	(32)	(2)	141
Other business units	53	9	6	(35)	(33)	–
Corporate functions and group activities	250	39	7	(115)	–	181
Total loss contracts	**436**	**202**	**16**	**(243)**	**(57)**	**354**
Total workforce reductions and loss contracts	**1,099**	**439**	**30**	**(778)**	**(152)**	**638**
Legal disputes [1]	141	35	–	(69)	(77)	30

NOK in millions	Provisions in the balance sheet 31.12.2003	2004 additions in profit and loss	2004 additions recorded directly in balance	2004 amounts utilized	2004 amounts taken to income	Provisions in the balance sheet 31.12.2004
Workforce reductions						
Mobile operations	10	66	–	(35)	(5)	36
Fixed	110	61	–	(76)	–	95
Broadcast	19	5	–	(20)	–	4
EDB Business Partner	62	42	96	(95)	(5)	100
Other business units	46	28	–	(37)	–	37
Corporate functions and group activities	37	106	(84)	(30)	(1)	28
Total workforce reductions	**284**	**308**	**12**	**(293)**	**(11)**	**300**
Loss contracts						
Fixed	–	569	(3)	(275)	–	291
Broadcast	19	25	(10)	(21)	–	13
EDB Business Partner	13	–	–	(4)	–	9
Other business units	141	1	86	(119)	(5)	104
Corporate functions and group activities	181	21	(61)	(4)	(10)	127
Total loss contracts	**354**	**616**	**12**	**(423)**	**(15)**	**544**
Total workforce reductions and loss contracts	**638**	**924**	**24**	**(716)**	**(26)**	**844**
Legal disputes [1]	30	126	–	(6)	(2)	148

[1] Does not include legal disputes realting to tax issues, see note 13.

Provisions as of 31 December:

NOK in millions	2004	2003
Short term (note 22)	762	432
Long term (note 19)	230	236
Total	**992**	**668**

Telenor entered into a Mobile Virtual Network Operator (MVNO) agreement, which includes the purchasse of Traffic in GSM and UMTS network in Sweden. The agreement contains a fixed nonrefundable prepayment and a variable element based on the actual use of the services.

In 2004 Telenor estimated a loss of NOK 562 million on the MVNO-contract in Sweden due to reduced expectations of the future earnings potential. The loss was estimated as the difference between expected future economic benefits and unavoidable costs in the contract. Parts of the loss was recorded as a reduction of the prepaid amounts in the balance sheet. See note 25.

Provisions for workforce reductions as of 31 December 2002 included approximately 1,600 employees and more than 800 employees as of 31 December 2003 and 2004.

12 Financial income and expenses

NOK in millions	2004	2003	2002
Interest income	394	484	476
Other financial income	102	102	91
Total financial income	**496**	**586**	**567**
Interest expenses	(1,585)	(2,033)	(1,901)
Other financial expenses	(66)	(45)	(96)
Capitalized interest	117	55	164
Total financial expenses	**(1,534)**	**(2,023)**	**(1,833)**
Net foreign currency (loss)	**(87)**	**(1)**	**(311)**
Gains on disposal of financial assets	2,630	95	59
Losses on disposal of financial assets	(17)	(91)	(31)
Write-downs and reversal of write-downs of financial assets	38	69	(817)
Net gains (losses and write-downs) of financial assets	**2, 651**	**73**	**(789)**
Net financial items	**1, 526**	**(1,365)**	**(2,366)**

In 2004, some write-downs made in previous years, primarily companies in Venture, were reversed due to increased market values. Gains on disposal in 2004 were primarily the gain on sale of Telenor's remaining shareholding in Cosmote SA. In 2003, the write-downs, which were made in 2002 on the shares in the listed company New Skies Satellites B.V. and on the capital contribution to Telenor Pension Fund, were reversed due to increased market values. During 2002, write-downs were made on shares and other financial assets, for diminution in values other than temporary. The write-downs were triggered by a fall in market values. Listed shares were written down to the quoted market prices. For non-listed shares, individual estimates of the fair values were made. In 2002, the value of the capital contribution to Telenor Pension Fund was written down to the book value of the equity in the Pension Fund as of 31 December 2002.

13 Taxes

NOK in millions	2004	2003	2002
Profit (loss) before taxes and minority interests			
Norway	8,172	3,634	(1,150)
Outside Norway [1]	674	3,792	(3,986)
Total profit (loss) before taxes and minority interests	**8,846**	**7,426**	**(5,136)**
Current taxes			
Norway	4	11	2,769
Outside Norway	1,128	761	1,478
Total current taxes	**1,132**	**772**	**4,247**
Deferred taxes			
Norway	1,223	916	(4,005)
Outside Norway	(111)	688	(722)
Total deferred taxes	**1,112**	**1,604**	**(4,727)**
Total income tax expense (income)	**2,244**	**2,376**	**(480)**

[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. The gains and losses are, however, to a large extent liable to tax in Norway. In 2004 new tax regulations were introduced in Norway related to gains and losses on realization of shareholdings, as explained below.

Effective tax rate

NOK in millions	2004	2003	2002
Expected income taxes according to corporate income tax rate (28%) [1]	2,477	2,079	(1,438)
Tax rates outside Norway different from 28%	(34)	3	(15)
Associated companies	(192)	177	808
Net loss in subsidiaries outside Norway	181	145	188
Net income in subsidiaries outside Norway – Previously not recognized deferred tax assets	(30)	(25)	–
Non-taxable income	(94)	(99)	(21)
Non-deductible expenses	190	207	106
Amortizations and write-downs of goodwill that are not tax deductible	813	148	850
Previously not recognized deferred tax assets	(874)	(797)	(3,952)
Non-taxable gain on sale of shares	(152)	–	–
Changes in tax rules in Norway – previously recognized tax assets not realized	257	–	–
Deferred taxes on retained earnings in subsidiaries and associated companies	(375)	705	16
Other tax assets not recognized current year	39	52	73
Previously recognized tax assets – not realized or valuation allowance current year	27	50	–
Tax claim related to Sonofon	–	–	2,409
Court case in Greece	–	(200)	414
Other	11	(69)	82
Income tax expense (income)	**2,244**	**2,376**	**(480)** [2]
Effective tax rate in %	**25.4**	**32.0**	**N/A** [2]

[1] Norwegian nominal corporate income tax rate is 28%.

[2] There was a loss before taxes and minority interests in 2002, and a tax income was recorded.

In December 2004, the Norwegian Parliament enacted new tax rules. The major change for corporations was the introduction of the "Exemption Method". According to this new legislation, capital gains and losses deriving from the sale of shares and dividends received from subsidiaries will be tax exempt. However, any loss deriving from the sale or other disposal of shares will no longer be tax deductible. The new rules in respect of dividends received became effective as of 1 January 2004, while the capital gains rules/non deducibility of capital losses came into effect as of 26 March 2004. Certain transitional rules were enacted. One of these transitional rules allows net losses from external disposal of shares, recognised in the period between 26 March and 31 December 2004 to be offset against otherwise taxable gains recognised on disposal of shares in the period between 1 January and 26 March 2004. However, as is generally the case, when new rules are introduced there may be disagreements on the interpretation of the new rules and the transitional rules.

Comments to selected line items in the preceding table

The net effect of different tax rates in for subsidiaries outside Norway is small. However, this is influenced by tax rates that 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) had a higher tax rate.

Results from associated companies are not taxable or tax deductible. Tax on undistributed earnings, if any is included in a separate line item. Gains or losses on sale or liquidation of Telenor's ownership shares have been taxable in previous years. As a consequence of the new tax rules in Norway in 2004, gains or losses on sale or liquidation of shares will no longer have a tax effect in Norway.

Losses in subsidiaries outside Norway are in most cases subject to valuation allowances, as we cannot demonstrate that it is probable that we will utilize the deferred tax assets.

Amortizations and write-downs of goodwill on purchase of companies are generally not tax deductible.

Previously not recognized deferred tax assets are primarily related to losses on subsidiaries and associated companies on which deferred tax assets have not been recognized. These deferred tax assets are recongnized primarily due to the sale or liquidation of shares and the corresponding realization of tax losses on the shareholdings, some of which have not previously been recorded as deferred tax assets with valuation allowances. In addition, adjustments to the taxable basis of shares have resulted in recognition. This was particularly the case in 2002, when Telenor ASA realized tax losses on the simultaneous liquidation of Telenor Digifone Holding AS and Nye Telenor Communications I AS. In 2004, Telenor realized a taxable capital gain on the sale of shares in Cosmote SA. According to the transition rules to the "Exemption Method", this gain has been offset by tax losses deriving from sale or liquidation of shares subsequent to 26 March 2004. This includes a tax loss following from to the liquidation of Dansk Mobil Holding AS. This liquidation was carried out as part of Telenor's ongoing reduction of companies within the Group. Dansk Mobil Holding AS, was the previous owner of Telenor's 53.5% ownership in Sonofon Holding A/S. Following the successful acquisition of the remaining 46.5% outstanding shares in Sonofon Holding A/S in February 2004, by Telenor Mobile Holding AS, Dansk Mobil Holding AS sold its Sonofon Holding A/S' shares to Telenor Mobile Holding AS. Thus, Dansk Mobil Holding AS became a dormant company and was therefore liquidated.

Due to the introduction of the "Exemption Method", Telenor reversed some previously recognized deferred tax assets in 2004. 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 26 March 2004.

In 2003 and 2004, Telenor recorded deferred taxes on undistributed earnings in certain subsidiaries and associated companies outside Norway, for which it expected to receive dividends. Deferred taxes is calculated to the extent dividends will be subject to taxation, either in Norway or as withholding taxes at source. For associated companies, Telenor is not able to control the reversal of temporary difference or the distribution of dividends, and therefore recorded deferred taxes on undistributed earnings without regard to the probability of distribution. In 2004, Telenor has reversed NOK 639 million of the deferred taxes on undistributed earnings, due to the introduction of the "Exemption Method". The major changes were related to future distributions from Pannon GSM, due to the introduction of the "Exemption Method" and the abolishment of withholding taxes in Hungary for dividends that will be distributed to companies resident within the EEA area subsequent to 1 January 2006.

In 2002, during the ordinary tax assessment for 2001, the tax assessment authorities in Norway changed Telenor Communication AS (now Telenor Eiendom Holding AS) tax return for the fiscal year 2001by disallaving the tax loss from the disposal of the shares in Sonofon Holding A/S. As a result of this change, the current tax expence for 2001 was increased by NOK 2.4 billion, which was recorded in 2002. Telenor originally recognized this tax loss due to the disposal of shares in Sonofon Holding A/S to Dansk Mobil Holding AS, a sister company of Telenor Eiendom Holding AS. The disposal was carried out as an integral part of the overall restructuring of the Group. In January 2003, Telenor initiated proceedings against the Norwegian Tax Authorities, see note 24. The change of Telenor's tax return has increased the RISK adjustment (adjustment of the taxable basis, that only affects investors tax liable to Norway) for Telenor ASA as of 1 January 2002 by NOK 3.44 per share. Any subsequent reassessment as a result of a final court ruling in favor of Telenor will not decrease the RISK adjustment due to abolishment of the RISK system.

In 2003, Telenor Eiendom Holding AS realized a tax loss of 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. In Telenor's opinion this is a bona fide tax loss and Telenor claimed this loss on the 2003 tax returns. 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 above, Telenor did not reflect the current tax benefit derived from the sale of shares in Telenor Business Solutions AS in the financial results for 2003. However, this tax effect will be recognized if either the final court decision regarding the Sonofon tax loss is favorable to Telenor, or the Norwegian tax authorities allow the reduction for the tax loss in the final assessment of Telenor's 2003 tax returns. As of 31 March 2005, there is neither a final court decision in the "Sonofon-case" nor has the assessment of Telenor Eiendom Holding AS' 2003 tax returns been completed.

In 2002, Telenor expensed NOK 0.4 billion in connection with a court ruling in Greece, as this was the best estimate of the amount Telenor could be required to pay in case of a final outcome unfavorable to Telenor. However, in 2003 Telenor agreed to a settlement of this judicial proceeding, and NOK 0.2 billion was taken to income.

In connection with Telenor B-Invest AS's calculation of the gain on sale of 9% of the shares in Cosmote SA in 2003, a RISK adjustment of the tax base values of the shares with NOK 184 million was claimed by Telenor based on the EEA Agreement. The Norwegian tax authorities have not allowed such RISK adjustment, but Telenor has appealed the decision to the "Superior tax board" (Overligningsnemnda). On 23 November 2004 the EEA-court ruled in favor of a Finnish tax payer (the "Manninin case") in a case that Telenor believes is similar to its RISK adjustment case. However, the Norwegian Ministry of Finance has stated that they are of the opinion that the EEA-court ruling should only have effect from the time of the ruling. This statement has been challenged by a number of tax payers, including Telenor. It is unclear what the final outcome will be. As of 31 December 2004, Telenor has not recorded the potential tax benefit related to this case.

Tax losses carried forward

Tax losses carried forward in selected countries expire as follows:

NOK in millions	Norway	Sweden	Other Nordic	Malaysia	Other	Total
2005	–	–	–	–	101	101
2006	–	–	–	–	83	83
2007	–	–	91	–	19	110
2008	–	–	27	–	16	43
2009	–	–	29	–	24	53
2010 and later	5,389	–	106	–	30	5,525
Not time-limited	–	3,714	266	360	619	4,959
Total tax losses carried forward	**5,389**	**3,714**	**519**	**360**	**892**	**10,874**
Valuation allowance	155	3,714	322	–	866	5,057
Tax losses on which deferred tax asset has been recognized	**5,234**	–	**197**	**360**	**26**	**5,817**

The tax effect of tax losses in Norway, Malaysia (DiGi.Com) and Denmark (Sonofon) are recognized as tax assets because it is probable that these tax losses will be utilized in the future. Deferred tax assets on the remaining tax losses have primarily been reduced by valuation allowances, except where the relevant company has other taxable temporary differences.

Deferred taxes as of 31 December

NOK in millions	Assets 2004	Liabilities 2004	Valuation allowance 2004	Assets 2003	Liabilities 2003	Valuation allowance 2003
Tangible and intangible assets	2,486	(2,631)	(216)	2,658	(1,367)	(484)
Associated companies	–	–	–	5,122	(30)	(5,089)
Undistributed earnings in foreign subsidiaries and associated companies	–	(373)	–	–	(831)	–
Other long-term items	485	(695)	(16)	1,237	(542)	(6)
Total long-term assets and liabilities	**2,971**	**(3,699)**	**(232)**	**9,017**	**(2,770)**	**(5,579)**
Total current assets and liabilities	**330**	**(55)**	**(12)**	**417**	**(156)**	**(43)**
Tax losses carried forward	**3,047**	**–**	**(1,408)**	**3,426**	**–**	**(1,278)**
Deferred taxes	**6,348**	**(3,754)**	**(1,653)**	**12,860**	**(2,926)**	**(6,900)**
Net deferred tax assets	**942**	**–**	**–**	**3,034**	**–**	**–**
Of which deferred tax assets	2,999	–	–	3,850	–	–
Of which deferred tax liabilities (note 19)	(2,057)	–	–	(816)	–	–

Due to new tax regulations in Norway, the difference between book value and tax value of associated companies is no longer temporary difference for tax purposes. This explains the reduction in deferred tax liabilities, tax assets and valuation allowance on associated companies. Deferred tax assets on the foreign subsidiaries of Canal Digital AS and a corresponding valuation allowance are recorded as of 31 December 2004. In 2004, these companies showed net income. However, a full valuation allowance related to these companies remains, due to accumulated losses for previous years, including 2004.

The change in net deferred tax assets in the balance sheet in 2004 was NOK 2,092 million compared to NOK 1,112 million in the profit and loss statement. Of the difference of NOK 980 million, acquisition and sale of companies accounted for NOK 792 million. This was primarily Sonofon and ProMonte, of which deferred taxes on excess values (excluding goodwill) constituted the largest amounts. The rest was primarily currency effects.

Changes in valuation allowances

NOK in millions	2004	2003
Balance at the beginning of the year	**6,900**	**7,088**
Changes in opening balance of valuation allowances	(752)	(554)
Net losses from associated companies and subsidiaries outside Norway	151	347
Associated companies — changes in tax rules in Norway	(4,605)	–
Other not recognized tax assets this year	39	52
Acquisitions and divestitures	(55)	3
Currency adjustments	(25)	(36)
Balance at the end of the year	**1,653**	**6,900**

The main change in valuation allowances during 2004 was related to associated companies due to new tax regulations in Norway, as explained above.

Preliminary RISK regulation (regulation of the taxable basis) per share for Telenor ASA for 2004 is calculated to be negative by NOK 1.39 per share.

14 Amortization, depreciation and write-downs

Specification of amortization, depreciation and write-downs:

	Tangible assets			Goodwill			Other intangible assets		
NOK in millions	2004	2003	2002	2004	2003	2002	2004	2003	2002
Amortization and depreciation	7,753	7,986	7,624	939	686	1,002	2,931	1,925	1,610
Write-downs	282	104	424	2,194	16	2,632	120	25	497
Total	**8,035**	**8,090**	**8,048**	**3,133**	**702**	**3,634**	**3,051**	**1,950**	**2,107**

Specification of write-downs

NOK in millions	2004 Tangible assets	2004 Goodwill	2004 Other intangible assets	2003 Tangible assets	2003 Goodwill	2003 Other intangible assets	2002 Tangible assets	2002 Goodwill	2002 Other intangible assets
Total mobile operations	251	2,190	78	33	–	2	33	2,138	118
Fixed	13	2	–	19	–	5	340	160	–
Broadcast	13	–	7	15	–	3	47	–	83
EDB Business Partner	–	–	–	12	16	–	8	356	–
Others	5	2	35	25	–	15	(4)	(22)	296
Total	**282**	**2,194**	**120**	**104**	**16**	**25**	**424**	**2,632**	**497**

The write-downs of tangible assets in 2004 were primarily on the transmission network in Sonofon Holding A/S by NOK 215 million due to the market situation, and were based on expected cash flows.

The write-downs of tangible assets in 2003 were insignificant. The write-downs of tangible assets in Fixed in 2002 were mainly related to Fixed – Norway. In connection with the integration of Telenor's operating service business in Fixed – Norway with its internal IT operating environment, Telenor decided to reduce the number of operating platforms and wrote down operating platforms and equipment that no longer were in use. Equipment related to operating contracts was evaluated based on expected cash flows including terminal value at the end of the contract period. In Broadcast, in 2002 write-downs were made primarily on equipment for TV-distribution due to the low demand in the small antenna TV-networks market in Denmark and Sweden.

As of 31 December 2004 Telenor wrote down goodwill in Sonofon Holding A/S by NOK 2,190 million. In 2004 the Danish market was characterized by intense competition and price reductions. Telenor's assessment of the write-down of goodwill in Sonofon was due to Sonofon's slower than expected growth and a review of the expectations of the company's growth potential as of year-end 2004. The assessment of the fair value was based on various valuation methods, with assistance of external valuations experts.

In 2002, goodwill for the mobile operations DiGi.Com was written down as a result of continued low publicly quoted share prices. The write-down was based on the publicly quoted share price at 31 December 2002, adjusted to reflect a control premium. The write-downs in Fixed were partially related to the Internet operations in the Czech Republic and Slovakia. The write-downs in EDB Business Partner ASA were based on discounted expected cash flows.

Included in the write-downs of other intangible assets in 2004 was NOK 61 million in the mobile business in Sweden due to the reduced expectations of the future earnings potential.

In 2002, Telenor wrote down parts of the IT-systems portfolio in Mobile Norway that was no longer in use. The write-downs of other intangible assets in Broadcast in 2002 was primarily related to delayed commercialization of new broadcasting standards, as well as reduced expectations for the use of interactive TV as a payment facility. The write-downs in Others in 2002 related to CA-software based on a review of the sales potential.

15 Tangible and intangible assets

Tangible assets

NOK in millions	Accumulated cost 01.01.04	Accumulated cost Additions 2004	Accumulated cost Translation adjustm. and reclassification 2004	Accumulated cost Disposals 2004	Depreciation and write-downs 2004	Acc. depr. and write-downs 31.12.04	Book value 31.12.04	Book value 31.12.03
Local, regional & trunk networks	38,989	1,183	(152)	(6,194)	(2,129)	(24,718)	9,108	10,168
Mobile telephone network and switches	18,273	6,583	(1,150)	(333)	(2,762)	(10,628)	12,745	9,885
Subscriber equipment	382	70	194	(42)	(157)	(465)	139	97
Switches & equipment	14,053	390	(378)	(702)	(1,033)	(11,602)	1,761	2,439
Radio installations	1,656	13	4	–	(11)	(648)	1,025	1,018
Cable TV equipment	1,623	50	(47)	(95)	(144)	(760)	771	791
Land	712	68	9	(10)	(2)	(7)	772	711
Buildings	10,575	783	38	(219)	(402)	(4,407)	6,770	6,468
Support systems	8,057	1,147	(874)	(1,140)	(1,267)	(6,151)	1,039	1,719
Satellites	1,790	630	–	–	(127)	(1,300)	1,120	617
Sub total [1]	**96,110**	**10,917**	**(2,356)**	**(8,735)**	**(8,034)**	**(60,686)**	**35,250**	**33,913**
Work in progress [2]	1,809	618	–	–	(1)	–	2,426	1,809
Total	**97,919**	**11,535**	**(2,356)**	**(8,735)**	**(8,035)**	**(60,686)**	**37,676**	**35,722**

[1] Includes book value of NOK 1,943 million for capital leases as of 31 December 2004, mainly switches, GSM Mobile telephone network, fixed-line network and satellites.

[2] Net additions.

In 2004, accumulated cost and accumulated depreciation and write-downs was reduced by approximately NOK 6.6 billion, primarily local, regional and trunk networks and switches and equipment, that were retired in previous periods. This had no effects on net book values.

The Group has entered into Cross Border QTE Leases for telephony switches, GSM Mobile network and fixed-line network with a book value as of 31 December 2004 of NOK 1,107 million. Telenor has defeased all amounts due by us under these agreements with highly rated financial institutions and US Government related securities. The financial institutions then release the payments over the life of the leases in accordance with their contractual terms. During the course of the leases, Telenor maintains the rights and benefits of ownership of the equipment. Telenor has received benefits of NOK 530 million since the parties can depreciate the equipment for tax purposes. The amounts are deferred over the expected lease periods. See note 32 for further information.

Intangible assets

	Accumulated cost							
NOK in millions	01.01.04	Additions 2004	Translation adjustm. and reclas-sification 2004	Disposals 2004	Depreciation and write-downs 2004	Acc. depr. and write-downs 31.12.04	Book value 31.12.04	Book value 31.12.03
Goodwill	15,515	7,205	(409)	(111)	(3,133)	(9,237)	12,963	9 224
Other intangible assets								
Customer base	2,715	1,603	(78)	(3)	(1,027)	(1,993)	2,244	1,732
Licenses	1,767	2,801	(220)	(4)	(296)	(1,207)	3,137	862
Trademarks	577	483	(30)	–	(79)	(177)	853	477
Software and other intangible assets	5,352	2,699	466	(122)	(1,647)	(5,067)	3,328	2,360
Work in progress [1]	105	336	–	–	(2)	–	439	105
Total other intangible assets	**10,516**	**7,922**	**138**	**(129)**	**(3,051)**	**(8,444)**	**10,001**	**5,536**
Total intangible assets	**26,031**	**15,127**	**(271)**	**(240)**	**(6,184)**	**(17,681)**	**22,964**	**14,760**

[1] Net additions

Of the additions of goodwill and other intangible assets in 2004, NOK 10.9 billion was due to acquisition of businesses, primarily Sonofon Holding A/S (see note 1). The additions of licenses were primarily mobile licences in Pakistan and Hungary (Pannon GSM Rt.).

In 2003, a reclassification of software in administrative support systems from tangible assets to intangible assets was made. The reclassification amounted to NOK 1,737 million in book value as of 31 December 2002, NOK 648 million in amortization and NOK 101 million in write-downs for 2002. Comparable figures are restated. These changes affected mainly Mobile Norway and Fixed.

Accumulated capitalized interest (cost) was NOK 1,286 million as of 31 December 2004.

Changes in the carrying value of goodwill for the year ended 31 December 2004:

NOK in millions	Total mobile operations	Fixed	Broadcast	EDB Business Partner	Others	Total
Balance as of 1 January 2004	5,887	(343)	2,066	1,422	192	9,224
Goodwill acquired	6,744	25	(23)	564	(105)	7,205
Translation adjustments and reclassification	(317)	11	(2)	(4)	(6)	(318)
Amortization	(678)	105	(192)	(158)	(16)	(939)
Write-downs (impairment losses)	(2,190)	(2)	–	–	(2)	(2,194)
Goodwill written off related to disposal of business units	–	–	–	–	(15)	(15)
Balance as of 31 December 2004	**9,446**	**(204)**	**1,849**	**1,824**	**48**	**12,963**

Goodwill related to the following subsidiaries and operations

NOK in millions	Book value 31.12.04	Amortization period	Year of acquisition
Sonofon Holding A/S	3,738	20 years	2004
ProMonte GSM D.O.O	100	20 years	2004
EDB Business Partner Group	765 [1]	7–10 years	2004 /2001
Pannon GSM Rt.	4,900	10–20 years	2002
Canal Digital Group	1,568	10–15 years	2002
Kyivstar GSM JSC	230	12–20 years	2002
Utfors AB	(207)	18 years	2002
DiGi.Com bhd	474	15–20 years	2001
Canal Digital Sverige AB [2]	124	10 years	2001
Unigrid AB	93	10 years	2001
Marlink S.A.	121	10 years	2001
Fellesdata AS	809	20 years	2000
Canal Digital Kabel TV AS	156	10 years	2000
Others	92	3–20 years	
Total	**12,963**		

[1] Preliminary allocation.
[2] Sweden On Line AB and Nät Holding AB.

16 Financial assets

NOK in millions	2004	2003
Long-term receivables *)	512	1,629
Shares and other investments **)	780	2,219
Total other financial assets	**1,292**	**3,848**
Associated companies and joint ventures ***)	6,428	10,166
Total financial assets	**7,720**	**14,014**

***) Long-term receivables**

NOK in millions	2004	2003
Interest-bearing		
Receivables from associated companies and joint ventures [1]	326	1,456
Loans to employees	10	24
Other long-term receivables	18	27
Provision for bad debt	(3)	(5)
Non-interest-bearing		
Receivables from associated companies and joint ventures	5	1
Loans to employees	6	–
Other long-term receivables	150	126
Provision for bad debt	–	–
Total long-term receivables	**512**	**1,629**

[1] In 2004, interest-bearing receivables from associated companies and joint ventures were primarily loans to Bravida ASA, while in 2003 they were primarily loans to Bravida ASA and Sonofon Holding A/S. As of 31 December 2004, interest-bearing receivables from Bravida ASA were NOK 272 million, and as of 31 December 2003 interest-bearing receivables on Bravida ASA and Sonofon Holding A/S were NOK 551 million and NOK 823 million respectively.

****) Shares and other investments**

Specification of shares and other investments as of 31 December 2004:

NOK in millions	No. of shares owned by Telenor	Share owned in %	Book value
Inmarsat Holdings Ltd.	79,539,869	14.9	314
Tiscali AS [1]	2,080	100.0	43
Eutelsat S.A.	4,127,130	0.4	36
Cosmoholding Albania S.A.	48,000	3.0	23
Inmarsat Group Holdings Ltd.	4,036,143	14.9	16
Energivekst AS	79,349	4.4	11
Capital contribution to Telenor Pension Fund	–	–	298
Other [2]	–	–	39
Total shares and other investments			**780**

[1] Tiscali AS was purchased in 2004 and is classified as long-term shares. The purchase was subject to governmental approval, and consequently Telenor did not consolidate Tiscali AS as of 31 December 2004. On 15 March 2005, the Norwegian Competition Authority

accepted the acquisition of Tiscali AS, but required Telenor to sell Tiscali's dial-up Internet service business. Tiscali AS will be consolidated as a subsidiary effective from 15 March 2005.

2) Other includes shares in companies where Telenor owns more than 10%, which are not specified due to insignificant book values.

***) Associated companies and joint ventures

NOK in millions	2004	2003	2002
Balance as of 1 January	10,009	9,439	14,186
Investments	150	1,914	883
Transferred to/from other investments and disposal	(4,043)	(3,167)	(1,420)
Net income	912	329	341
Gains (losses) on disposal [1]	32	1,507	36
Amortization of net excess values	(226)	(579)	(862)
Write-downs of net excess values	–	(26)	(1,965)
Equity and translations adjustments	(532)	592	(1,760)
Balance as of 31 December	**6,302**	**10,009**	**9,439**
Of which investments carried with a negative value (classified as provisions) (note 19)	126	157	50
Total associated companies and joint ventures	**6,428**	**10,166**	**9,489**

1) Gains and losses on disposal in 2003 were primarily the gain on the sale of Cosmote and StavTeleSot JSC, which was partially offset by the loss on the sale of A-Pressen ASA.

Associated companies and joint ventures are carried at negative values where Telenor has a corresponding liability above and beyond the capital invested.

In 2002, write-downs of net excess values on associated companies were mainly related to write downs of Sonofon Holding A/S, of NOK 1,000 million, DTAC of NOK 829 million and UCOM of NOK 52 million. The write-downs were triggered by a significant fall in the market values for telecommunication companies. For DTAC and UCOM the write-downs were made to the quoted market price as of 31 December 2002. The fair value of Sonofon Holding A/S was based on estimates of future cash flows and comparison to similar companies. Furthermore, in 2002 OniWay was written down by NOK 316 million (included in net income from associated companies) to zero based on an evaluation of the values in the company.

Specifications of investments in associated companies and joint ventures

NOK in millions **Company**	Share owned in %	Book value 31.12.03	Invest-ments/ disposals during 2004	Share of net income [1) 2)]	Amorti-zation and write-downs of net excess values	Equity and trans-lation adjust-ments	Book value 31.12.04	Net excess values 31.12.04 [9)]
Sonofon Holding A/S [3)]	–	3,870	(3,787)	(28)	(55)	–	–	–
VimpelCom [4) 8)]	29.90	2,380	–	854	(35)	(232)	2,967	118
DTAC [5) 8)]	40.29	586	–	84	(48)	(49)	573	211
UCOM [5) 8)]	24.85	239	–	28	(26)	(19)	222	213
ONE GmbH [6)]	17.45	761	–	(141)	–	(14)	606	–
European Telecom S.A (ProMonte GSM) [7)]	–	209	(233)	24	–	–	–	–
Teleringen AS	47.50	3	–	4	–	–	7	–
Wireless Matrix Corporation [8)]	23.30	32	–	(7)	–	(1)	24	–
Nordialog Oslo AS	–	17	(23)	6	–	–	–	–
Oslo Lufthavn Tele & Data AS	50.00	8	1	1	–	(2)	8	–
Glocalnet AB [8)]	37.00	102	–	1	(6)	(1)	96	35
Golden Telecom Inc [8)]	20.32	1,350	6	98	(44)	(168)	1,242	640
APR Media Holding AS	44.80	399	–	14	(11)	–	402	58
Otrum Electronics ASA [8)]	33.00	91	–	3	–	–	94	–
BitCom AB	49.00	9	–	1	(1)	–	9	2
World Wide Mobile Communications AS	45.00	50	15	8	–	(19)	54	10
HMS Norge AS	50.00	4	–	3	–	–	7	–
Bravida ASA	47.05	(82)	27	(34)	–	(22)	(111)	–
Doorstep AS	50.00	7	–	–	–	–	7	–
Telenor Renhold & Kantine AS	50.00	4	–	4	–	(3)	5	–
TeleVenture Management AS	23.85	10	–	8	–	–	18	–
The Mobile Media Company AS	44.95	–	58	(26)	–	–	32	–
Polarsat Inc.	44.12	18	5	(6)	–	–	17	4
Maritime Communications Partner AS	23.09	–	25	(4)	–	–	21	–
Others	–	(58)	13	49	–	(2)	2	1
Total		**10,009**	**(3,893)**	**944**	**(226)**	**(532)**	**6,302**	**1,292**

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

2) Share of net income after taxes are partially based on estimates and preliminary results for some of the companies. Actual figures may

deviate from the preliminary figures.

3) A wholly-owned subsidiary subsequent to the acquisition of the remaining shares as of 12 February 2004.

4) The merger of VimpelCom and VimpelCom-Region took place on 26 November 2004. After the merger Telenor had 26.6% of the total voting stock and 29.9% of the total common stock in VimpelCom. Prior to the merger Telenor had a direct ownership interest in VimpelCom-Region. Telenor's share of net income (loss) of VimpelCom-Region before the merger is included in the figures for VimpelCom in the table.

5) UCOM had an ownership interest of 41.7% in DTAC per 31 December 2004.

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

7) A wholly-owned subsidiary subsequent to the purchase of the remaining shares as of 12 August 2004. European Telecom S.A. has an ownership interest of 100% in ProMonte GSM D.O.O.

8) Market values of listed associated companies as of 31 December 2004: VimpelCom: NOK 13,389 million, DTAC: NOK 3,036 million, UCOM: NOK 1,165 million, Wireless Matrix Corporation: NOK 49 million, Glocalnet AB: NOK 172 million, Golden Telecom Inc.: NOK 1,176 million, Otrum Electronics ASA: NOK 202 million.

9) Net excess values are the difference between Telenor's acquisition cost and Telenor's share of equity at acquisition of associated companies.

17 Current receivables

NOK in millions	2004	2003
Accounts receivables		
Accounts receivables	6,819	6,241
Provision for bad debt	(715)	(564)
Total accounts receivables	**6,104**	**5,677**
Other current receivables		
Interest-bearing		
Receivables from associated companies and joint ventures	232	–
Receivables from employees	–	–
Other receivables	20	29
Non-interest-bearing		
Receivables from associated companies and joint ventures	132	322
Receivables from employees	32	26
Other short-term receivables	846	421
Provision for bad debt	(2)	(23)
Total other current receivables	**1,260**	**775**
Prepaid expenses and accrued revenues		
Prepaid expenses	745	1,260
Accrued revenues	2,056	1,520
Total prepaid expenses and accrued revenues	**2,801**	**2,780**
Total current receivables	**10,165**	**9,232**

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

18 Short term investments

NOK in millions	2004	2003
Bonds/Commercial paper	317	301
Shares *)	576	83
Total short term investments	**893**	**384**

*) Specification of shares classified as current assets as of 31 December 2004.

NOK in millions	No. of shares owned by Telenor	Share owned in %	Book value
Intelsat Ltd. 1)	6,855,530	4.1	442
Q-Free ASA 2)	3,809,826	7.6	47
Metrima AB	1,497,572	35.6	29
Virtual Garden AS	2,900,000	18.0	11
Listed shares	–	–	36
Other shares etc. 3)	–	–	11
Total shares classified as current assets			**576**

1) On 28 January 2005 Telenor sold the shares in Intelsat Ltd for NOK 828 million.

2) On 9 March 2005 Telenor sold the shares in Q-Free ASA for NOK 73 million.

3) Includes companies where Telenor owns more than 10%, which are not specified due to insignificant book values.

Market values of Telenor's ownership interest in listed companies classified as short-term investments totaled NOK 97.5 million as of 31 December 2004, of which Q-Free ASA amounted to NOK 62 million.

19 Provisions

NOK in millions	2004	2003
Provisions for pensions (note 7)	603	338
Deferred tax liabilities (note 13)	2,057	816
Provisions for workforce reduction and loss (note 11)	230	236
Negative values associated companies	126	157
Other provisions	104	98
Total provisions	**3,120**	**1,645**

20 Interest-bearing liabilities

NOK in millions	Limit	2004 3)	2003 3)
Euro Commercial paper program (ECP)	USD 500	–	–
U.S. Commercial paper program (USCP)	USD 1,000	–	–
EMTN program	USD 6,000	14,122	16,212
Norwegian Bonds		2,071	3,076
Capital discount related to bonds		(20)	(31)
Derivatives related to long term interest-bearing liabilities 1)		(645)	(776)
Revolving credit facility EUR	EUR 1,500	–	–
Total long-term interest-bearing liabilities Telenor ASA		**15,528**	**18,481**
Long-term interest-bearing liabilities subsidiaries 2)		5,074	4,222
Total long-term interest-bearing liabilities Telenor Group		**20,602**	**22,703**
Short-term interest-bearing liabilities Telenor ASA		2,592	1,268
Derivatives related to short term interest-bearing liabilities Telenor ASA 1)		(14)	(214)
Short-term interest-bearing liabilities subsidiaries 2)		1,413	2,005
Total short-term interest-bearing liabilities Telenor Group 3)		3,991	3,059
Total interest-bearing liabilities Telenor Group		**24,593**	**25,762**

1) Foreign currency derivatives used to convert the cash flows of a debt instrument into another currency.
2) Specified below.
3) Interest-bearing liabilities with maturity within the next 12 months are reported as short-term. This is a change in presentation compared to previous years.

Long-term interest-bearing liabilities Telenor ASA
The revolving credit facilitiy, EUR 1.5 billion matures in November 2008. According to Telenor's Finance Policy, this committed credit facility (ECP and USCP) should at any time serve as refinancing source for all outstanding commercial paper.

All borrowings in Telenor ASA are unsecured. The financing agreement 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.

The table below shows the debt instruments issued by Telenor ASA. Hedging instruments related to these borrowings are not included in the table.

NOK in millions	Average interest rate 31.12.04	Amount in currency 31.12.04	Amount in NOK 31.12.04	Amount in NOK 31.12.03
EMTN program				
AUD	4.38%	37	174	185
CHF	4.37%	150	801	1,891
EUR	5.71%	1,200	9,873	10,413
JPY	2.66%	19,500	1,148	1,217
SEK	–	–	–	139
USD	5.50%	350	2,113	2,336
Norwegian bonds				
NOK	4.90%	2,064	2,064	3,076
Total Telenor ASA			**16,173**	**19,257**

The table below includes debt instruments, cross currency swaps and interest rate swaps. When the currency- or interest rate exposure of the underlying borrowings has been altered through the use of derivatives, this is reflected in the figures in the table.

NOK in millions	Average nterest rate 31.12.04	Amount in currency 31.12.04	Amount in NOK 31.12.04	Amount in NOK 31.12.03
Basis swaps				
EUR/NOK	–	–	(93)	–
EMTN program				
CZK	3.79%	461	125	119
EUR	3.75%	585	4,822	6,297
GBP	6.21%	13	151	155
NOK	4.87%	5,980	5,980	5,949
SEK	4.75%	503	460	606
USD	3.65%	333	2,013	2,225
Norwegian bonds				
EUR	–	–	–	396
GBP	–	–	–	238
NOK	4.98%	2,070	2,070	2,496
Total Telenor ASA			**15,528**	**18,481**

Long-term interest-bearing liabilities in subsidiaries

NOK in millions **Company**	**Debt instrument**	**Currency**	**Average interest rate 31.12.04**	**Amount in NOK 31.12.04**	**Amount in NOK 31.12.03**
DiGi.Com	Borrowings from financial institutions	USD	–	–	130
DiGi.Com	Borrowings from financial institutions	MYR	6.41%	711	1,023
GrameenPhone	Borrowings from financial institutions	USD	5.94%	111	73
GrameenPhone	Borrowings from financial institutions	NOK	2.50%	18	21
GrameenPhone	Borrowings from NORAD	NOK	3.40%	39	43
Kyivstar	Bonds	USD	10.38%	1,510	1,105
Sonofon	Finance lease	DKK	6,00%	196	–
Telenor Pakistan	GSM License	USD	4.70%	622	–
Pannon	UMTS Licenses	HUF	8.64%	154	–
EDB Business Partner	Borrowings from financial institutions	NOK	2.39%	440	500
EDB Business Partner	Borrowings from financial institutions	SEK	2.57%	160	56
EDB Business Partner	Finance lease	NOK	5.18%	55	10
Business Solutions	Finance lease	NOK	7.00%	–	14
Satellite Services AS	Finance lease [1]	NOK	1.50%	763	888
Canal Digital	Finance lease [2]	–	–	104	227
Miscellaneous		–	–	191	132
Total long-term interest-bearing liabilities in subsidiaries				**5,074**	**4,222**

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

[2] Telenor ASA guarantees this financing. Denominated in DKK, EUR, NOK and SEK.

The interest-bearing liabilities in subsidiaries are generally not guaranteed by Telenor ASA and are subject to standard financial covenants.

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 a defeasance 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 15, 21, 23 and 32.

Short-term interest-bearing liabilities in Telenor Group

NOK in millions Company		Average interest rate 31.12.04	Amount in NOK 31.12.04	Amount in NOK 31.12.03
Pannon	Bonds	13.78%	–	1,076
Pannon	UMTS Licenses	8.64%	251	–
DiGi.com	Vendor financing and term loans	6.25%	346	334
Telenor Pakistan	GSM License	4.70%	88	–
Kyivstar	Bonds and borrowing from financial institutions	12.09%	271	37
GrameenPhone	Borrowings from financial institutions	5.94%	37	47
GrameenPhone	Borrowings from financial institutions	2.50%	4	4
GrameenPhone	Borrowings from NORAD	3.40%	8	7
EDB Business Partner	Borrowings from financial institutions	8.03%	–	27
EDB Business Partner	Finance lease	4.70%	28	–
Business Solution	Finance lease	7.00%	14	54
Satellite Services AS	Finance lease [1]	1.50%	125	116
Canal Digital	Finance lease [2]	–	164	228
Telenor ASA	Borrowings from financial institutions	–	2,578	1,054
Miscellaneous		–	77	75
Total short-term interest-bearing liabilities			**3,991**	**3,059**

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

[2] Telenor ASA guarantees this financing. Denominated in DKK, EUR, NOK and SEK.

Maturity profile of interest-bearing liabilities as of 31 December, 2004

NOK in millions	Total as of 31.12.04	2005	2006	2007	2008	2009	2010	2011	2012	After 2012
EMTN program	14,932	1,475	3,263	2,964	1, 096	2,360	–	341	3,433	–
Domestic bonds	3,062	991	–	1,873	–	–	–	–	–	198
Other short-term debt	112	112	–	–	–	–	–	–	–	–
Telenor ASA, total	**18,106**	**2,578**	**3,263**	**4,837**	**1,096**	**2,360**	**–**	**341**	**3,433**	**198**
Subsidiaries, short-term	1,413	1,413	–	–	–	–	–	–	–	–
Subsidiaries, long-term	5,074	–	923	760	378	2,483	220	94	77	139
Subsidiaries, total	**6,487**	**1,413**	**923**	**760**	**378**	**2,483**	**220**	**94**	**77**	**139**
Telenor Group	**24,593**	**3,991**	**4,186**	**5,597**	**1,474**	**4,843**	**220**	**435**	**3,510**	**337**

21 Financial Instruments and Risk Management

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%. Subsidiaries owned less than 90% normally have standalone financing.

Telenor has limited activity related to interest rate and currency trading. As of 31 December 2004, Telenor did not have any outstanding open trading positions.

Interest rate risk

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

The objective for interest rate risk management is to minimize interest cost and at the same time hold the volatility of future interest payments within acceptable limits. To achieve this, Telenor use a simulation model that takes into account market variables and the portfolio composition. The average duration band of the liability portfolio is 0.5–2.5 years. As at 31 December 2004, the average duration was 1.9 years.

Telenor applies interest rate derivatives to manage the interest rate risk of the debt portfolio. This typically involves interest rate swaps, whereas forward rate agreements and interest rate options are used to a lesser extent.

Below is a sensitivity analysis that shows the change in fair value due to a one-percentage point increase in interest rates. The matrix is divided into time intervals. The interest rate risk is allocated to the next rate fixing date for floating rate instruments, and to the maturity date for fixed rate instruments. Consequently, the matrix shows the interest rate risk distribution of the portfolio.

The table below includes interest-bearing liabilities, interest rate derivatives and currency derivatives.

NOK in millions equivalent
as of 31 December 2004

		Decrease in fair value due to a 1%-point increase in interest rates								
Currency	Face value	0–1 year	1–2 years	2–3 years	3–4 years	4–5 years	5–6 years	6–7 years	7–8 years	After 8 years
CZK	193	0.51	–	–	–	–	–	–	–	–
DKK	147	14.71	–	0.25	–	–	–	–	–	–
EUR	12,228	12.34	10.77	27.80	2.03	3.49	4.40	5.12	5.15	116.27
GBP	–	0.57	–	–	–	–	–	–	–	–
HUF	(210)	(0.15)	–	4.85	–	–	–	–	–	–
MYR	963	5.02	–	–	–	–	–	–	–	–
NOK	2,120	17.79	0.97	45.60	6.94	20.54	–	–	101.71	9.50
SEK	1,736	2.08	–	1.17	–	7.38	–	–	–	–
UAH	29	0.13	–	–	–	–	–	–	–	–
USD	7,317	35.53	0.91	10.78	–	0.74	–	–	–	37.30
Interest-bearing liabilities [1]	**24,523**	**88.53**	**12.65**	**90.45**	**8.97**	**32.15**	**4.40**	**5.12**	**106.86**	**163.07**

[1] The figure deviates from note 20, due to the inclusion of derivatives not related to interest-bearing liabilities.

Exchange rate risk

Telenor is exposed to changes in the value of the Norwegian Krone relative to other currencies. Telenor has invested in companies that have other functional currencies than Norwegian Krone. In addition, companies that mainly operate in Norwegian Krone will have transactions denominated in currencies other than Norwegian Krone.

The book value of Telenor's net investments in foreign entities varies with changes in the value of Norwegian Krone compared to other currencies. The net income of the Group is also affected by changes in exchange rates, as the profit and loss contributions of foreign entities are translated to Norwegian Krone using the average exchange rate for the period. If these companies pay dividends, it will typically be done in their local currency. Management's strategy to handle exchange rate exposures related to net investments is to issue financial instruments in the currencies involved. Combinations of money market instruments (commercial paper and bonds) and derivatives (foreign currency forward contracts and currency swaps) are typically used for this purpose.

Norwegian entities will also be exposed to exchange rate risk rising from revenues or operating expenses in foreign currencies.
This exchange rate risk is normally not hedged by Telenor.

Exchange rate risk also arises when Norwegian entities enter into other transactions denominated in foreign currency, or when agreements are made to acquire or dispose of investments outside Norway. Committed cash flows equivalent to NOK 50 million or higher are hedged economically using forward contracts or options. Exchange rate risk related to debt instruments in foreign entities is also a part of the risk exposure of the Telenor Group.

Hedging as described above is only carried out in currencies that have well-functioning capital markets.

The table below shows the currency distribution of the Group's interest-bearing assets, liabilities and derivatives in other currencies than Norwegian Krone as of 31 December 2004:

Face value in millions, local currency	AUD	CHF	CZK	DKK	EUR	GBP	HUF	JPY	MYR	SEK	UAH	USD
Interest-bearing assets	–	–	44	–	7	–	418	–	635	–	–	95
Interest-bearing liabilities	(37)	(350)	–	(179)	(1,241)	(76)	(12,274)	(19,500)	(599)	(785)	(26)	(819)
Currency swaps	37	350	(461)	–	441	63	–	19,500	–	(503)	–	17
Forward contracts	–	–	(252)	70	(384)	13	18,000	–	–	(927)	–	(411)
Total	**–**	**–**	**(669)**	**(109)**	**(1,177)**	**–**	**6,144**	**–**	**36**	**(2,215)**	**(26)**	**(1,118)**

Credit risk

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

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

Telenor has entered into Cross Border QTE Leases for telephony switches, GSM Mobile network and fixed-line network. Telenor has defeased all amounts due by us under these agreements in highly rated financial institutions and US Government related securities. The leasing obligations and the defeased amounts are shown net on the balance sheet, see notes 15, 20, 23 and 32. The payment obligation was NOK 6.0 billion as of 31 December 2004.

Telenor invests surplus liquidity in short-term 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 represent a credit risk.

Credit risk arising from financial transactions is reduced through diversification, through accepting counterparts with high credit ratings only and through setting strict limits on aggregated credit exposure towards each counterpart. Telenor ASA has legal netting agreements (ISDA agreements), which allows gains to be offset against losses in a bankruptcy situation with the 16 banks that are counterparts in derivative transactions. As of 31 December 2004, Telenor ASA has collateral agreements with three banks in derivative transactions. Both ISDA agreements and collateral agreements are means to reduce overall credit risk.

Fair value of derivatives with positive replacement value for Telenor ASA was equivalent to NOK 1,578 million as of 31 December 2004, taking into account legal netting agreements. Credit exposure for Telenor ASA is monitored on a daily basis.

Liquidity risk
Liquidity risk is the risk that companies in the Group do not have liquidity available to pay their obligations on time.

The Group has established Group account systems in Norway, Sweden, Denmark, Hungary and the United Kingdom to manage the cash flows in the Group as efficient as possible. Efficient cash management also involves using currency swaps when appropriate.

Surplus liquidity within the Group account systems is invested in interest-bearing instruments with short time to maturity and low default risk. Telenor ASA has also established two committed credit facilities to minimize the Group's liquidity risk, see note 20.

Management emphasizes financial flexibility. An important part of this is to minimize liquidity risk through ensuring access to a diversified set of funding sources.

Other market risks
Telenor is exposed to equity market risk through investments in equity instruments.

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

Fair values of debt instruments issued by Telenor ASA have been calculated using an interest rate curve, which incorporates estimates of the Telenor ASA credit spreads as of 31 December 2004. 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. Fair value of other instruments in subsidiaries is assumed to be equal to the book value.

For all other interest-bearing liabilities fair values have been estimated using the Telenor ASA credit curve described above.

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 2004. Options are revalued using appropriate option pricing models.

Fair values for listed shares are based on quoted prices at the end of the relevant years. Listed companies consolidated in the Telenor Group or accounted for by using the equity method, are not included in the table below.

The table below shows book value and fair value of some financial instruments as of 31 December 2004 and 2003:

NOK in millions	Book value 2004	Fair value 2004	Book value 2003	Fair value 2003
Financial assets				
Listed shares	82	97	720	2,955
Cash and short-term money market investments	5,398	5,398	7,952	7,952
Financial liabilities				
Long-term interest-bearing liabilities [1]	(21,247)	(22,528)	(23,479)	(24,743)
Short-term interest-bearing liabilities [1]	(4,005)	(4,050)	(3,273)	(3,356)
Instruments used for interest rate and exchange rate risk management				
Gain interest rate swaps	7	437	–	285
Loss interest rate swaps	–	(432)	–	(377)
Interest rate options asset	54	28	49	90
Interest rate options liability	(7)	(7)	–	(24)
Gain cross currency interest rate swaps [1]	1,731	2,023	1,944	2,235
Loss cross currency interest rate swaps [1]	(1,072)	(1,124)	(954)	(670)
Gain foreign currency forward contracts	122	122	12	12
Loss foreign currency forward contracts	(54)	(54)	(62)	(62)

[1] These items are included in interest-bearing liabilities in the balance sheet, see note 20.

22 Non-interest-bearing liabilities

NOK in millions	2004	2003
Accounts payable	3,806	3,750
Government taxes, tax deductions etc.	2,072	2,135
Dividends payable	2,603	1,776
Current taxes	321	641
Accrued expenses	4,342	4,474
Prepaid revenues	3,503	3,163
Provision for workforce reductions and loss contracts [1]	762	432
Other current liabilities	732	695
Total current non-interest-bearing liabilities	**18,141**	**17,066**
Long-term non-interest-bearing liabilities	572	754
Total non-interest-bearing liabilities	**18,713**	**17,820**

[1] See note 11.

23 Pledges and guarantees

NOK in millions	2004	2003
Interest-bearing liabilities secured by assets pledged	2,184	2,692
Book value of assets pledged	8,752	8,148

Pledged assets and the liabilities secured by pledged assets as of 31 December 2004 related primarily to DiGi.Com, GrameenPhone Ltd. and the satellite leases (Thor II and Thor III).

NOK in millions	2004	2003
Guarantees	2,169	2,557

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 15, 20, 21 and 32. These guarantees are provided for the payment of all lease obligations. As of 31 December 2004 and 2003 these guarantees amounted to NOK 6,459 million (USD 1,070 million) and NOK 7,165 million (USD 1,073 million), respectively.

The table above includes a guarantee liability of approximately NOK 917 million related to Bravida ASA (NOK 854 million as of 31 December 2003), primarily in connection with Bravida ASA's deliveries to a project in Sweden, see note 26.

In 2004, Telenor provided guarantees for the purchase of mobile network equipment in Pakistan, amounting to NOK 876 million as of 31 December 2004. In addition, Telenor provided a performance guarantee of NOK 151 million for the fulfillment of the license requirements in 2008.

Telenor has provided a guarantee for a termination fee of the satellite leases (Thor II and Thor III) of NOK 151 million per 2004 (NOK 271 million as of 31 December 2003). The leasing periods end in 2009 and 2010, respectively.

In addition, Telenor has provided performance and payment guarantees to external parties of an aggregate amount of approximately NOK 74 million as of 31 December 2004 (NOK 81 million as of 31 December 2003).

Telenor's guarantee as of 31 December 2003 to Intelsat Ltd. of NOK 781 million for the fulfillment of the committed investment in satellite capacity in 2004 and the guarantee for up to approximately NOK 570 million in favor of the lenders of interest-bearing financing to the associated company ONE GmbH were terminated in 2004.

24 Commitments and contingencies

Telenor is involved in a number of legal proceedings, including among others those regarded as being material and described below, concerning matters arising in connection with the conduct of Telenor's business. Provisions have been made to cover unfavorable rulings or deviations in tax assessments, pending the outcome of appeals by Telenor against these decisions, as described below. Furthermore, provisions have been made to cover the expected outcome of the other proceedings to the extent that negative outcomes are likely, and reliable estimates can be made. While acknowledging the uncertainties of litigation Telenor believes that, based on the information available to date, these matters will be resolved without any material negative effect on Telenor's financial position.

In January 2003, Telenor Eiendom Holding AS (previously Telenor Communication AS) initiated proceedings against the Norwegian tax authorities before the Oslo District Court relating to the disallowance of a tax loss for the fiscal year 2001 from the sale of shares in Sonofon Holding A/S from Telenor Eiendom Holding AS to Dansk Mobil Holding AS. The disputed amount is approximately NOK 8.6 billion, corresponding to a potential tax benefit of approximately NOK 2.4 billion, should Telenor prevail in the tax case. Hearings were held before the Oslo District Court in January 2004 and a decision favorable to Telenor Eiendom Holding AS was issued on 14 June 2004. The tax authorities appealed the judgment and main proceedings before the Court of appeal (Borgarting Lagmannsrett) are scheduled to be held on 14 to 18 November 2005.

In November 2003, Sense Communication ASA initiated legal proceedings against Telenor Mobil AS before the Oslo District Court claiming up to NOK 170 million, excluding interests, based on allegations that our prices set forth in a service provision agreement for the period 2000 to 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 the year 2003 and other relevant years according to financial information to be filed by Telenor. On 2 November 2004, the Asker and Bærum District Court made a judgement in favour of Telenor Mobil. Sense appealed the case to the Court of Appeal and main proceedings before the Court of appeal are scheduled to 8 February 2006. In its appeal, Sense has increased the claim to NOK 300 million plus interests and legal costs. This claim also covers the years 2003 and 2004.

The liquidators of Enitel AS have initiated legal proceedings against Telenor Telecom Solutions AS and Telenor Mobil AS before the Asker and Bærum District Court. The claim for damages and reimbursement of NOK 121 million plus interest is based on alleged overcharging for leased lines and traffic terminated in our fixed and mobile networks for the period of 1997 to 2001. The court hearings commenced on 17 January 2005. In a judgment from Asker and Bærum District Court dated 14 March, Telenor Telecom Solutions AS and Telenor Mobil AS were acquitted. An appeal from the liquidators of Enitel AS must be filed before 14 April 2005.

In March 2004, Telenor Mobil AS was summoned to appear before the Conciliation Board, the first step in Norwegian civil court proceedings before a case is transferred to the competent court if no settlement is reached between the parties, in connection with a complaint filed by Tele2. Tele2 is claiming repayment of approximately NOK 113 million plus interests and legal costs based on the allegation that the prices charged by Telenor Mobil for resale of mobile telephone services under the service provider agreement with Tele2 have not been in accordance with the requirements for cost-oriented pricing. In accordance with the parties' request, on 18 May 2004 the Conciliation Board decided to refer the case to the District court. As a consequence, Tele2 must file the claim before ordinary court no later than May 2005. As of 31 March 2005, no claim had been filed.

Disputes mentioned in note 24 to the Telenor's financial statements for 2003, for which a verdict has been reached.

The legal proceedings initiated by Teletopia against Telenor Mobil AS before the Court of Appeal resulted in a judgment in favour of Telenor. Teletopia filed an appeal with the Supreme Court but the case was not admitted. The judgment is therefore legally binding.

25 Contractual obligations

The Group has entered into agreements with fixed payments in the following areas as of 31 December 2004:

NOK in millions	2005	2006	2007	2008	2009	Etter 2009
Rent of premises	737	637	514	475	453	1,718
Rent of cars, office equipment, etc.	63	40	21	6	1	–
Rent of satellite- and net-capacity	1,052	227	180	156	132	732
IT-related agreements	372	202	163	145	294	84
Other contractual obligations	565	123	73	31	31	37
Committed investments						
Properties and equipment	2,478	152	71	30	30	30
Other contractual investments	13	–	–	–	–	–
Total contractual obligation	**5,280**	**1,381**	**1,022**	**843**	**941**	**2,601**

The table does not include agreements under which Telenor has no committed minimum purchase obligations. Future non-committed investments due to the UMTS licenses in Norway and Hungary are not included. Rent of satellite and networks capacity includes payments under a MVNO-agreement (Mobile Virtual Network Operator) of NOK 558 million in 2005.

Committed investments in 2005 are primarily mobile networks in Pakistan, Ukraine (Kyivstar), Malaysia (DiGi.Com) and Bangladesh (GrameenPhone).

26 Related parties

As of 31 December 2004 Telenor ASA was 54.0% owned by the Norwegian state (including treasury shares).

The Norwegian telecommunications market is governed by the Electronic Communications Act of 25 June 2003 and other regulations issued pursuant to this Act, as well as by concessions (licenses) for certain activities in 2004. 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 2004 subject to Special Service Obligations (SSO) – the defense of Norway, coastal radio, 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 2004, 2003 and 2002 Telenor received NOK 72 million, NOK 69 million and NOK 86 million, respectively, under this agreement.

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 pays an annual fee to the Norwegian Post and Telecommunications Authority ("PT") for delivering telephony and mobile services. The fee was NOK 108 million, NOK 87 million and NOK 81 million in 2004, 2003 and 2002, respectively.

GrameenPhone Ltd. borrowed NOK 50 million from NORAD. As of 31 December 2004, the remaining loan amounted to NOK 47 million. NORAD is part of the Minstry 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.

Canal Digital is a wholly-owned subsidiary of Telenor, performing satellite Broadcasting. Telenor owned the company 50% until 30 June 2002, when Telenor completed the acquisition of the remaining 50% of the company and started consolidating the company. Canal Digital had agreements to purchase products and services from other Telenor companies, mainly satellite broadcasting and cards for TV-decoders. The total amount invoiced for these products and services was NOK 223 million in 2002 (half year). The transactions were based on arm's-length agreements.

Associated companies abroad hire personnel from Telenor. A total of NOK 12 million, NOK 24 million and NOK 21 million were invoiced for these services in 2004, 2003 and 2002, respectively.

Bravida ASA has been an associated company from 1 November 2000, when Bravida AS was merged with BPA AB. Telenor's ownership share was 47.05% as of 31 December 2004. According to a shareholders agreement entered into at the time of the merger, Telenor shall decrease its ownership share in event of a listing of Bravida ASA. In 2004, Group companies purchased goods and services from Bravida ASA for NOK 1,170 million in 2004, NOK 1,305 million in 2003 and NOK 1,868 million in 2002, mainly for installation and other services. NOK 67 million, NOK 92 million and NOK 85 million in 2004, 2003 and 2002, respectively, were invoiced from Group companies to Bravida, primarily for sale of administrative services. Bravida's Telecom and IKT businesses were sold to external parties at the end of 2004. Hence, Telenor's business relations with Bravida ASA will be reduced significantly. The transactions are based on arm's-length prices.

Telenor had provided guarantees related to Bravida ASA of with a frame of approximately NOK 917 million as of 31 December 2004 (approximately NOK 854 million as of 31 December 2003). This is primarily related to a fulfillment guarantee regarding Bravida's deliveries to the project Södra Länken, which is an engineering contract in Sweden. The guarantee was provided by Telenor in 2000 when Bravida AS was a subsidiary. Bravida has a guarantee period of two years after completion. The project was completed towards the end of 2004.

Telenor had outstanding receivables of approximately NOK 283 million on Bravida ASA as of 31 December 2004, of which approximately NOK 272 million was long-term loans in the form of preference capital (receivables of NOK 553 million as of 31 December 2003, of which NOK 551 million was long-term loans). Outstanding liabilities to Bravida were NOK 7 million as of 31 December 2004 (NOK 86 million as of 31 December 2003). During 2004, Telenor sold parts of the outstanding loans to another shareholder in Bravida ASA at face value. At 30 December 2004 all of the outstanding shareholder loans on Bravida ASA were converted to preference capital. The preference capital has the right to a dividend of 15% (13% in 2005) pursuant to the Norwegian Companies Act, and has priority over ordinary share capital.

The associated company TeleVenture Management AS performed management services for Telenor Venture AS, Telenor Venture II ASA and Telenor Venture III AS. TeleVenture Management AS invoiced NOK 14 million in 2004, NOK 18 million in 2003 and NOK 21 million in 2002. Telenor Venture AS and Telenor Venture III AS were sold in December 2003 and 2004, respectively. In connection with the sale of Telenor Venture III AS is 2004, Telenor recorded as additional compensation of NOK 34 million to TeleVenture Management AS as a reduction in the gain from the sale.

Zebsign AS was established in 2001 with 50% ownership by Telenor, and delivers services for electronic identification and signature. In 2004, Zebsign AS had revenues for sale to Telenor companies of NOK 1 million, NOK 1 million in 2003 and NOK 41 million in 2002. Zebsign AS had a loan from Telenor of NOK 15 million as of 31 December 2004 that will be converted to share capital in 2005. In February 2005, Telenor entered into an agreement to sell its shares in Zebsign AS, and guarantees the financing of the operations of Zebsign AS until the buyer takes over the company.

Telenor acquired the associated company Glocalnet AB as of 31 December 2002. Towards the end of 2003 Telenor sold the residential customer base and associated receivables to Glocalnet AB for NOK 70 million (SEK 80 million). Telenor invoiced Glocalnet AB NOK 494 million in 2004 and NOK 361 million in 2003 for telephony and dial-up Internet services. Accounts receivable from Glocalnet AB was NOK 120 million as of 31 December 2004 and NOK 124 million as of 31 December 2003.

Nera Satellite Services Limited is a subsidiary of World Wide Mobile Communications AS, which is an associated company of Telenor. Telenor sells Inmarsat traffic to Nera Satellite Services Limited, and invoiced NOK 84 million, NOK 131 million and NOK 104 million in 2004, 2003 and 2002, respectively. Nera Satellite Services Limited had accounts payable towards Telenor of NOK 13 million as of 31 December 2004 and NOK 19 million as of 31 December 2003.

HMS Norge AS was established 1 October 2003 with 50% ownership by Telenor. HMS Norge AS provided health, environment, and security services. Telenor purchased services for NOK 10 million in 2004 and NOK 4 million in 2003. As of 31 December 2004 HMS Norge AS had total receivables of NOK 3 million from Telenor (NOK 3 million as of 31 December 2003).

Telenor Renhold & Kantine AS which is an associated company of Telenor delivers cleaning and canteen services to Telenor. The company had revenues for sale to Telenor companies of NOK 106 million, NOK 113 million and NOK 111 million in 2004, 2003 and 2002, respectively. Telenor Renhold & Kantine AS had receivables from Telenor of NOK 4 million as of 31 December 2004 and NOK 15 million as of 31 December 2003.

During 2004, Jan Edvard Thygesen was a member of the Group Management. Olin Info Partner, a company owned by a closely related party of him, delivered consultancy services to Telenor Norge AS. The company was paid NOK 366,987 for these services in 2004.

27 Additional information about cash flow

Purchase and sale of subsidiaries and associated companies

The table below shows how the main items in the consolidated balance sheet are effected by purchase and sale of subsidiaries and associated companies and is reconciliated against the items in the consolidated cash flow statement which show the cash payments on purchase and cash receipts from sale of subsidiaries and associated companies, net of cash received and transferred. See note 1 for further information regarding significant purchases and sales.

NOK in millions	2004	2003	2002
Purchase of subsidiaries and associated companies			
Associated companies	112	1,552	962
Total other fixed assets	13,773	–	17,864
Total current assets	1,353	–	2,416
Total liabilities	(5,883)	–	(7,308)
Minority interests	–	–	(735)
Book value of associated companies at the time of acquisition	(4,215)	–	(1,670)
Recorded directly to equity	–	–	658
Purchase price	**5,140**	**1,552**	**12,187**
Of which cash paid	(6,421)	(506)	(12,551)
Cash in subsidiaries purchased	140	–	319
Cash payment on purchase of subsidiaries and associated companies, net of cash received	**(6,281)**	**(506)**	**(12,232)**
Sale of subsidiaries and associated companies			
Associated companies	98	2,307	77
Total other fixed assets	124	1,020	115
Total current assets	553	370	–
Total liabilities	(217)	(247)	–
Minority interests	(28)	(35)	–
Gain (loss) and transltion adjustments of sale	502	299	–
Sales price	**1,032**	**3,714**	**192**
Of which cash received	953	2,440	192
Cash in subsidiaries sold	(104)	(113)	(1)
Cash receipts from sale of subsidiaries and associated companies, net of cash transferred	**849**	**2,327**	**191**

The difference between purchase price and cash payments in 2004 was primarily related to the payment of the shareholder's loan to Sonofon Holding A/S which Telenor took over at the time of purchase of the remaining shares in Sonofon Holding A/S. The loan is not included in the purchase price. Telenor increased its ownership interests in some subsidiaries in 2004, 2003 and 2002, which resulted in cash payments without changes in book values in the consolidated balance sheet. Purchase of shares in exchange for shares in businesses reduced the cash payments in 2003 compared to the purchase price.

The difference between sales price and cash receipts in 2004 was primarily related to the sale of Telenor Venture III AS where parts of the sales price will be received in future periods. Sale of shares in exchange for shares in businesses reduced the cash receipts in 2003 compared to the sales price.

Restricted bank accounts

NOK in millions	2004	2003	2002
For employees' tax deduction	6	22	88
Other	17	32	45
Total	**23**	**54**	**133**

With the exception of certain companies, the Group has purchased bank guarantees for payment of the employees' tax deductions. The Group has established Group bank accounts with two banks. Under these agreements, Telenor ASA is the Group account holder, whereas the other companies in the Group are sub-account holders or participants. The banks can set off balances in their favor against deposits, so that the net position represents the net balance between the bank and the Group account holder.

Material non-monetary transactions

NOK in millions	2004	2003	2002
Investments in businesses	69	2,403	105
Investments in licenses – part not paid in the year of the grant	1,091	–	–
Financial leases	–	27	346
Total	**1,160**	**2,430**	**451**

Investments in businesses in 2004 was the exchange of shares on the sale of businesses to the associated company The Mobile Media Company.

Investment in licenses in 2004 were related to the purchase of a UMTS-license in Hungary and mobile license in Pakistan. The part not paid in 2004 was approximately NOK 0.4 billion and NOK 0.7 billion, respectively.

Investments in businesses in 2003 consisted primarily of the following transactions related to changes in ownership interests: sales of shares in Comincom/Combellga in exchange for shares in Golden Telecom Inc. (NOK 1.3 billion recorded as associated companies), the sale of shares in Inmarsat in exchange for an ownership interest in Inmarsat's new holding company (NOK 0.7 billion recorded as shares and other investments), and the sale of shares in A-Pressen ASA in exchange for shares in APR Media Holding AS (NOK 0.4 billion recorded as associated companies).

28 Management compensation etc.

The Group Management consists of Jon Fredrik Baksaas, Arve Johansen, Torstein Moland, Jan Edvard Thygesen, Stig Eide Sivertsen and Morten Karlsen Sørby. As of 26 January 2005 Åsmund Løset and Berit Svendsen stepped down from the Group Management.

Aggregate remuneration (salary, bonus etc and other compensation) for the Group Management (8 persons) for 2004 was NOK 24,034,839. In addition Telenor also paid pension premiums of NOK 1,183,108. The aggregate remuneration for the Board of Directors, the Corporate Assembly for 2004 was NOK 1,785,350 and NOK 401,000, respectively. In addition, remuneration for the audit and nomination committees was in total NOK 157,000. The members of the Board of Directors 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.

The annual salary for the president and chief executive officer (CEO) Jon Fredrik Baksaas was NOK 3,500,000 for 2004. Pension costs for the CEO was NOK 1,968,000 inclusive social security tax NOK 243,000, and other benefits were NOK 112,395 in 2004. Jon Fredrik Baksaas has a bonus agreement for 2004 with a maximum payment of 6 months of fixed salary. In 2003, he was granted 250,000 share options with a maturity of 7 years. In 2002, when he was appointed President and CEO he was granted 150,000 share options and another 100,000 in the share option program in 2002. Telenor's pension plan gives Mr. Baksaas the right to retire at the age of 60 with a supplementary pension, resulting in a total pension equal to 66% of pension-qualifying income. Pension-qualifying income is restricted to NOK 3,000,000, adjusted annually with the Consumer Price Index. The first adjustment occurred on 1 January 2003. Mr. Baksaas has the right to receive salary for a period of 24 months if Telenor terminates the employment, provided that he does not undertake any other employment during such period, in which case the payment would be reduced by 75% of the salary for the new employment. There will be no holiday payment on this amount. The agreed period of termination notice is six months.

The table below shows information for each member of the current Group Management, except for Jon Fredrik Baksaas, which is mentioned above.

Name/title	Agreed period of notice	Severance pay	Pension benefits	Share Options 2004 [1]	Share Options 2003 [1]	Share Options 2002 [1]
Senior Executive Vice President Arve Johansen [2]	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 60. The Pension-qualifying income will be equal to the salary of 31 December 2004, with an annual regulation according to the consumer price index.	–	100,000	100,000
Senior Executive Vice President and CFO, Torstein Moland [2]	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 60. The Pension-qualifying income will be equal to the salary of 31 December 2004, with an annual regulation according to the consumer price index.	–	100,000	100,000
Executive Vice President Stig Eide Sivertsen	6 months	No	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 62. The Pension-qualifying income will be equal to the salary of 31 December 2004, with an annual regulation according to the consumer price index.	–	75,000	75,000

Cont. Name/title	Agreed period of notice	Severance pay	Pension benefits	Share Options 2004 [1]	Share Options 2003 [1]	Share Options 2002 [1]
Executive Vice President Jan Edvard Thygesen	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 62. The Pension-qualifying income will be equal to the salary of 31 December 2003, with an annual regulation according to the consumer price index.	-	75,000	75,000
Executive Vice President Morten Karlsen Sørby	6 months	6 months	66% of Pension-qualifying income at the date of retirement with the right to retire at the age of 62. The Pension-qualifying income will be equal to the salary of 31 December 2002, with an annual regulation according to the consumer price index.	-	75,000	70,000

The bonus frame was 6 months of fixed salary in 2004. If the budget is reached (under any given bonus criterion), 50% of the bonus is paid. 100% of the bonus may only be paid as a result of exceptional financial performance exceeding budget.

[1] The share option programs for 2002, 2003 and 2004 are described in note 29.

[2] Arve Johansen and Torstein Moland, both have agreements which entitle them to a possible transfer to other tasks within the organization with the right to compensation of half their salary. These agreements relate 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.

Total loans to employees were NOK 38 million as of 31 December 2004. The loans were mainly provided to finance cars purchased by the employees as an alternative to company cars, loans for house purchase in two of the foreign subsidiaries and loans in connection with the purchase of shares in the employee stock ownership program in November 2004 (NOK 14 million as of 31 December 2004). The loans for purchase of shares were limited to NOK 5,992 per employee after discount. Loans for purchase of shares are non-interest-bearing and have terms of 12 months.

None of the directors have loans in the company.

The number of shares owned by the members of the Board of Directors, Deputy Board Members, the Corporate Assembly and the Group Management as of 31 December 2004 is shown below. Shares owned by the Board of Directors, Deputy Board Members and the Group Management include closely related parties.

The Board of Directors	Number of shares as of 31.12.2004
Thorleif Enger	2,000
Bjørg Ven	10,000
Harald Stavn	3,689
Per Gunnar Salomonsen	1,857
Irma Tystad	813

Deputy Board Members	Number of shares as of 31.12.2004
Helge Enger	1,582
Roger Rønning	1,382
Ragnhild Hundere	275
Hjørdis Henriksen	275

The Corporate Assembly	Number of shares as of 31.12.2004
Mona Røkke	200
Berit Kopren	275
Stein Erik Olsen	1035
Arne Jenssen	407

The Group Management	Number of shares as of 31.12.2004
Jon Fredrik Baksaas	29,697
Torstein Moland	20,199
Arve Johansen	44,977
Morten Karlsen Sørby	7,639
Jan Edvard Thygesen	56,123
Stig Eide Sivertsen	28,610
Åsmund Løset	3,304
Berit Svendsen	7,939

Fees to the auditors

The table below summarizes suggested audit fees for 2004 and 2003 and fees for audit related services, tax services and other services invoiced to Telenor during 2004 and 2003. Fees include both Norwegian and foreign subsidiaries.

	Audit fees		Audit related fees		Fees for tax services		Other fees	
NOK in millions	2004	2003	2004	2003	2004	2003	2004	2003
Telenor ASA								
Group Auditor	2.6	2.6	2.9	4.9	1.2	1.1	–	–
Other Auditors	–	–	–	1.1	–	–	–	0.4
Other Group companies								
Group Auditor	26.4	21.9	7.1	12.2	4.0	5.2	0.7	1.0
Other Auditors	0.2	3.1	–	2.5	0.1	1.3	0.1	1.1

Fees for audit services include fees associated with the required statutory audits and the reviews of the Company's quarterly reports. 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.

29 Share option plans

In the Telenor Group there are three share options programs: One for shares in Telenor ASA, one for the listed subsidiary company EDB Business Partner ASA and one for the subsidiary Utfors AB. The option program for Utfors AB was terminated in February 2004 without any exercise in 2003 or 2004, and is therefore not disclosed.

Option program for shares in Telenor ASA

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.

For options granted in 2002: 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 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 Interbank interest rate). The options may only be exercised four times a year, during a ten-day period after the publication of the company's quarterly results. The latest possible exercise price is NOK 50.96 for options granted 21 February 2002. For options granted to Jon Fredrik Baksaas 21 June 2002, the latest exercise price is NOK 42.12.

For options granted in 2003 and 2004: One third of the options vest each of the three years subsequent to the grant date and are exercisable if the stock price at the time of exercise is higher than the average closing price at Oslo Stock Exchange five trading days prior to the date of grant, adjusted with 5.38% per year. The latest possible exercise date is seven years subsequent to the grant date. 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. The options may only be exercised four times a year, during a ten-day period after the publication of the company's quarterly results.

Share Options Telenor ASA	No of share options	Average exercise price at the end of option life
Options granted in 2002 (21 February)	2,520,000	50.96
Options granted in 2002 (21 June)	150,000	42.12
Options forfeited in 2002	55,000	50.96
Balance at 31 December 2002	**2,615,000**	**50.45**
Options granted in 2003	2,850,000	26.44
Options forfeited in 2003	290,000	32.36
Options exercised in 2003	71,667	50.96
Balance at 31 December 2003	**5,103,333**	**38.06**
Options granted in 2004	380,000	48.36
Options forfeited in 2004	45,000	26.98
Options exercised in 2004	1,027,994	36.28
Balance at 31 December 2004	**4,410,339**	**33.97**

The table below details Telenor's options outstanding by related option exercise price as of 31 December 2004 and is based on the latest exercise dates. All options may be exercised prior to the termination of the plan.

Weighted average exercise price (in NOK) [1]	Options outstanding	Weighted average remaining life as of 31 December 2004	Options Exercisable as of 31 December 2004 [1]
50.96 [2]	1,630,335	4 years	913,667
42.12 [3]	150,000	4 years	100,000
26.44 [4]	2,250,004	5 years	583,328
48.36 [5]	380,000	6 years	–

[1] Exercise price for the share option programs of 2002 are calculated at the latest possible date of exercise, and based on 12 month NIBOR implied forward rates calculated of the spot curve (20 February and 20 June, each year, respectively). For the share option programs of 2003 and 2004, the exercise prices are fixed throughout the options' terms. The options may only be exercised in a period right after the publication of Telenor's quarterly financial results.

[2] First possible exercise was February 2003 for 1/3 of the options.

[3] First possible exercise was July 2003 for 1/3 of the options.

[4] First possible exercise was February 2004 for 1/3 of the options.

[5] First possible exercise was February 2005 for 1/3 of the options.

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.

Option program for shares in EDB Business Partner ASA

The subsidiary EDB Business Partner ASA had stock compensation plans for its employees. Vested but unexercised options could be carried forward until May 2004, when the program expired.

600,000 options at an exercise price of NOK 15.94 were granted to the new CEO for EDB Business Partner ASA at the time of appointment in 2003. One third of the options vest each of the three years subsequent to the grant date and are exercisable if the stock price at time of exercise is higher than the exercise price adjusted with 5.38% per year. The options may only be exercised four times a year, during a ten-day period after the publication of the company's quarterly results. The latest possible exercise date is seven years after the grant.

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.

Any subsequent options will be granted at an exercise price corresponding to the average stock price five days before the options are granted. Half of the options vest each of the two years subsequent to the grant date and are exercisable the following year if the stock price at the time of exercise is higher than the exercise price adjusted with 5.38% per year. The options can only be exercised four times a year, during a 3 to10 day period after the publication of the company's quarterly results.

Share options EDB Business Partner ASA	No of share options	Average exercise price at the end of option life
Balance at 31 December 2001	**9,955,850**	**126.7**
Options granted in 2002	269,445	67.0
Options exercised in 2002	–	–
Options forfeited in 2002	528,620	129.6
Balance at 31 December 2002	**9,696,675**	**124.9**
Options granted in 2003	600,000	15.9
Options exercised in 2003	–	–
Options forfeited in 2003	411,678	137.9
Balance at 31 December 2003	**9,884,997**	**117.7**
Options granted in 2004	1,014,994	45.5
Options exercised in 2004	–	–
Options forfeited in 2004	9,284,997	118.7
Balance at 31 December 2004	**1,614,994**	**34.5**

The table below details EDB Business Partner's options outstanding by related option exercise price as at December 2004 and is based on the latest exercise dates. Some options may be exercised prior to the termination of the plan.

Weighted average exercise price (in NOK)	Options outstanding	Weighted average remaining life as of December 2004	Options exercisable as of 31 December 2004
15.94	600,000	5.5	200,000
45.55	989,994	1.8	–
44.83	25,000	2.4	–

30 Number of shares, ownership etc.

As of 31 December 2004, Telenor ASA had a share capital of NOK 10,498,182,282 divided into 1,749,697,047 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 2004, the company had 14,571,700 treasury shares.

At the annual general meeting held 6 May 2004, it was resolved to grant an authority to the board of directors to increase the share capital up to NOK 524,760,294 through issuance of up to 87,460,049 ordinary shares of NOK 6 nominal value each. Such authority lasts until 1 July 2005.

The Board of Directors may waive the pre-emptive rights of shareholders to such shares. The authority includes the issuance of shares for consideration other than cash and the issuance of shares in a merger. The purpose of the authority is to place the company in a better position for further growth. Such an increase in share capital may also be used in share option plans for key personnel and share ownership programs for employees. Employee share ownership programs took place in 2002, 2003 and 2004, under which 92,736 shares at a nominal value of NOK 6 each were subscribed for in December 2004 related to the 2003 stock ownership program for employees. Telenor ASA allotted share options to managers and key employees in February and July 2002, and in February 2003 and 2004, see note 28.

In accordance with the authority given by the Annual General Meeting on 6 May 2004 Telenor reduced its share capital with NOK 332,669,784 in July 2004. This was done through the cancellation of 40,913,172 treasury shares and through redemption of 14,531,792 shares from the Ministry of Trade and Industry.

At the annual general meeting 6 May 2004, approval was given for the Board of Directors to acquire 174,920,098 treasury shares with a nominal value totaling up to NOK 1,049,520,588. The amount paid per share shall be a minimum of NOK 6 and a maximum of NOK 200. This authorization is valid until 1 July 2005.

In 2004 Telenor acquired 14,939,900 treasury shares in accordance with this authorization. In November 2004 368,200 of these shares were used for a stock ownership program for employees. In March 2004, 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 2005.

The following shareholders had 1% or more of the total number of the 1,749,697,047 outstanding shares (including 14,571,700 treasury shares) as of 31 December 2004:

Name of shareholders	Number of shares	%
Ministry of Trade and Industry	944,626,908	53.99
State Street Bank (nominee)	94,390,278	5.39
National Insurance Scheme Fund	63,193,800	3.61
JPMorgan Chase Bank	38,659,400	2,21
JPMorgan Chase Bank (nominee)	24,876,033	1,42
Mellon Bank AS (nominee)	23,935,009	1,37

As of 31 December 2003, the Norwegian State's ownership was 62.63%. In March 2004, the Norwegian State, through the Ministry of Trade and Industry, reduced its ownership through a sale to institutional and other investors.

31 Licenses

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

Company	Licenses	Network type	License granted	License expiration
Telenor ASA/Telenor Mobil AS	GSM 900	GSM/GPRS/EDGE	1992	2005
	GSM 900		2001	2013
	GSM 1800		1998	2010
	UMTS	W-CDMA	2000	2012
Sonofon Holding A/S	GSM 900	GSM/GPRS	1997	2012
	GSM 1800		1997	2007
Pannon GSM Rt.	GSM 900	GSM/GPRS/EDGE	1993	2008
	GSM 1800		1999	2014
	UMTS	W-CDMA	2004	2019
Kyivstar GSM JSC	GSM 900	GSM/GPRS	1997	2012
	GSM 1800		2001	2016
DiGi.Com bhd	GSM 1800	GSM/GPRS/EDGE	2000	2015
	EGSM			
GrameenPhone Ltd.	GSM 900	GSM	1996	2011
Telenor Pakistan (Private) Ltd.	GSM 900	GSM/GPRS/EDGE	2004	2019
	GSM 1800		2004	2019
ProMonte GSM D.O.O.	GSM 900	GSM/GPRS	2002	2017
	GSM 1800		2002	2017
Telenor Telecom Solutions AS	Wimax	Fixed networks	2004	2022
	Radio links [1]		1988	Not time limited

[1] Telenor is dependent on a number of radio links in the fixed network business, both in and outside Norway, that to a large extent require licenses. The preceding table includes only the Norwegian fixed network business.

The satellite business is subject to regulations, both in and outside Norway. The most important are rights to orbit positions, where Telenor is at 1-degree west, and frequencies that are administered by ITU (International Telecommunication Union). Furthermore, Telenor holds uplink licenses in Norway, Sweden, Denmark, Finland, Bulgaria and United Kingdom (UK). Uplink licenses 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.

32 United States Generally Accepted Accounting Principles

The Group's consolidated financial statements have been prepared under Norwegian GAAP, which differs in certain respects from US GAAP.

The principal differences between the Group's accounting principles under Norwegian GAAP and US GAAP are set out below:

Reconciliation of net income (loss) from Norwegian GAAP to US GAAP

NOK in millions except per share amounts	Note	2004	2003	2002
Net income (loss) in accordance with Norwegian GAAP		5,358	4,560	(4,298)
Adjustments for US GAAP				
Depreciation of capitalized interest associated companies	1	(8)	(8)	(3)
Pensions	2	(25)	(25)	(24)
Amortization of license costs and related goodwill	3	(7)	(8)	(2)
Temporary investments in entities	4	(14)	67	12
Stock compensation	7	(54)	(42)	–
Sale and lease back of properties	8	10	(3)	49
Derivative financial instruments	9	(58)	(173)	47
Goodwill amortization	10	1,193	1,038	1,631
Goodwill impairment	10	(962)	–	(390)
Measurement date	11	(5)	(3)	12
Sale of software	12	51	78	(345)
Reversal of write-downs	13	58	(160)	–
Prepayments on equal terms	19	578	12	–
Asset retirement obligation	14	(48)	(38)	–
Amortization net excess value subsequent acquisitions	15	(29)	–	–
Sale of business with extension of service contract	22	(256)	->	–
Cumulative effect of change in accounting principle	14	–	(258)	–
Other differences		(71)	28	–
Tax effect of US GAAP adjustments	16	(102)	90	(68)
Minority interests	7	30	(119)	(279)
Net income (loss) in accordance with US GAAP		**5,639**	**5,036**	**(3,658)**
Net income (loss) per share				
– Cumulative effect on prior years of change in accounting principle			(0.10)	–
– In accordance with US GAAP (basic)		3.22	2.84	(2.06)
– In accordance with US GAAP (diluted)		3.22	2.84	(2.06)
Revenue in accordance with US GAAP		67,801	52,826	47,879
Operating profit in accordance with US GAAP		6,422	8,297	479
Profit (loss) before taxes and minority interests		9,303	7,930	(4,148)
Taxes in accordance with US GAAP		(2,658)	(2,286)	412
Minority interest in accordance with US GAAP		(1,006)	(609)	78

Reconciliation of shareholder's equity from Norwegian GAAP to US GAAP

NOK in millions	Note	2004	2003
Shareholder's equity in accordance with Norwegian GAAP		37,594	37,237
Adjustments for US GAAP			
Dividends	17	2,603	1,776
Capitalized interest associated companies	1	9	17
Pensions	2	66	91
Amortization of license costs and related goodwill	3	5	12
Temporary investments in entities	4	(45)	(31)
Gains on subsidiaries' equity transactions and disposal of shares in subsidiary	5	700	700
Marketable equity securities – net of tax	6	15	1,676
Stock compensation	7	(268)	(214)
Sale and lease back of properties	8	(61)	(71)
Derivative financial instruments	9	(298)	(251)
Goodwill amortization	10	3,901	2,708
Goodwill impairment	10	(1,352)	(390)
Measurement date	11	675	680
Sale of software	12	(216)	(267)
Minimum pension liability	2	–	(113)
Reversal of write-downs	13	(102)	(160)
Asset retirement obligation	14	(344)	(296)
Subsequent acquisition	15	109	74
Prepayments on equal terms	19	590	12
Sale of business with extension of service contract	22	(256)	–
Other differences		(43)	28
Tax effect of US GAAP adjustments	16	(317)	(122)
Minority interests	5	(535)	(561)
Shareholder's equity in accordance with US GAAP		**42,430**	**42,535**
Fixed assets in accordance with US GAAP		84,180	83,729
Current assets in accordance with US GAAP		16,991	17,359
Total assets in accordance with US GAAP		101,171	101,088
Long-term liabilities and provision in accordance with US GAAP		34,882	39,255
Short-term liabilities and provision in accordance with US GAAP		19,438	15,473

The following table reflects the components of comprehensive income (loss) under U.S. GAAP

Statement of Financial Accounting Standard (SFAS) 130 "Reporting Comprehensive Income" established standards for the reporting and display of comprehensive income (loss) and its components. Comprehensive income includes net income and all changes in equity during a period that arise from non-owner sources, such as foreign currency items and unrealized gains and losses on securities available for sale.

		2004			2003			2002	
NOK in millions	Pretax	Tax	Net	Pretax	Tax	Net	Pretax	Tax	Net
Unrealized gain (loss) on securities	(2,311)	647	(1,664)	2,343	(656)	1,687	(58)	16	(42)
Net investment hedge	(751)	151	(600)	445	(150)	295	1,139	(269)	870
Minimum pension liability adjustment	113	(32)	81	(79)	22	(57)	(34)	10	(24)
Foreign currency translation	92	9	101	586	(38)	548	(3,722)	34	(3,688)
Other comprehensive income	**(2,857)**	**775**	**(2,082)**	**3,295**	**(822)**	**2,473**	**(2,675)**	**(209)**	**(2,884)**

Reconciliation

NOK in millions	2004	2003	2002
Net income (loss) in accordance with US GAAP	5,639	5,036	(3,658)
Other comprehensive income	(2,082)	2,473	(2,884)
Total comprehensive income (loss)	**3,557**	**7,509**	**(6,542)**

Components of equity in accordance with U.S. GAAP:

NOK in millions	31 December 2004	31 December 2003	31 December 2002
Share capital	10,498	10,824	10,820
Other paid capital	17,539	18,656	18,634
Other equity	17,633	13,685	9,423
Treasury shares	(687)	(169)	(169)
Accumulated other comprehensive income			
– unrealized gain (loss) on securities after tax	15	1,676	(24)
– net investment hedge	1,079	1,841	1,432
– foreign currency adjustments	(3,353)	(3,445)	(4,029)
– minimum pension liability adjustments	–	(113)	(34)
– deferred taxes	(294)	(420)	(254)
Total	**42,430**	**42,535**	**35,799**

(1) Capitalized interest
Under Norwegian GAAP, the Group has expensed interest incurred in connection with the financing of associated companies.

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

(2) Pensions
Under Norwegian GAAP, the Group accounts for pensions according to an accounting standard which is substantially consistent with US GAAP. However, upon adoption, the effect of the change in accounting principle was recorded directly to shareholder's equity.

Under US GAAP, the effect of adopting SFAS 87 is amortized over the remaining average service period.

In accordance with US GAAP, an adjustment is made when the accumulated benefit obligation (ABO) exceeds the fair value of pension plan assets and this difference also exceeds the book value of net pension obligations. Pension obligations and intangible assets are increased by this difference, to the extent of unrecognized net actuarial losses. Any remaining difference is recorded to shareholders equity.

This is not in accordance with Norwegian GAAP.

Below is an overview of the net pension obligations in the balance sheet under US GAAP as of

	31 December 2004	31 December 2003
Benefit obligation	672	911
Plan assets	(22)	(78)
Intangible assets	(47)	(382)
Accumulated other comprehensive income	–	(113)
Net pension obligations	**603**	**338**

(3) Amortization of license costs and related goodwill
Up to the end of 1997 the Group amortized license costs and goodwill related to acquired licenses over a period not exceeding 10 years. Effective from 1998 the amortization period has been changed to the term of the license. In accordance with Norwegian GAAP this change has been accounted for as a change of estimate, with no retroactive restatement of prior periods.

Under the US GAAP reconciliation, this revision in the amortization period was accounted for retroactively.

(4) Temporary investment in entities
Investments in entities in which the Group has an ownership that is considered to be temporary in nature are recorded at cost or written down to fair value. The Group invests periodically in companies for the purpose of making profits.

Under US GAAP, all temporary investments with an ownership greater or equal to 20% are accounted for under the equity method or consolidated. The effect on the financial statements of temporary investments consolidated under US GAAP, are immaterial.

Total assets accounted for under the equity method for US GAAP was NOK 10,065 million for the year ended 31 December 2003 and NOK 7,176 million for the year ended 31 December 2004.

Total assets accounted for under the cost method for US GAAP was NOK 3 million for the year ended 31 December 2003 and NOK 5 million for the year ended 31 December 2004.

(5) Subsidiaries equity transactions

Under Norwegian GAAP, no gains from subsidiaries' equity transactions and sales of ownership interests in a subsidiary that increases minority interest are recognized. The resulting minority interest is measured at fair value of the consideration paid from the minority. The difference between the recorded equity in the subsidiary and value of the consideration paid by the minority will be amortized or written down through allocating results to minority.

Under US GAAP, the Group records gains from subsidiary equity transactions (SAB 51 transactions) and sales of ownership interests in a subsidiary that increases minority interest through income.

(6) Marketable equity securities

Under Norwegian GAAP, the book value of investments in equity securities that are classified as current assets and managed as a portfolio are adjusted only if the aggregate holdings have a lower estimated fair value than the original cost. Other equity securities are valued at the lower of cost or fair value. Investment in equity securities classified as long-term are valued at the original cost or fair value if the decline in value is not temporary.

Under US GAAP, marketable equity securities are valued at their fair value for each security. For marketable equity securities classified as available for sale, unrealized gains and losses after tax are recorded directly to shareholder's equity. All listed shares are classified as available for sale in accordance with SFAS 115.

As of 31 December 2003 and 2004, available for sale securities at cost amounted to NOK 626 million and NOK 82 million, respectively, with unrealized gain before tax of NOK 2,328 million for 31 December 2003 and NOK 15 million for 31 December 2004, respectively. For the years ended 31 December 2003 and 2004, proceeds from the sale of available for sale securities was NOK 108 million and NOK 3,304 million, respectively. The gross realized loss from such sales was NOK 53 million for the year ended 31 December 2003 and a realized gain of NOK 2,586 million for the year ended 31 December 2004. In 2004, NOK 1,668 million after tax was reclassified out of other comprehensive income into earnings.

(7) Share compensation

In 2002, Telenor introduced a share option program granting options to managers and key personnel. Options to subscribe 2,670,000 of Telenor ASA's shares were granted in 2002, options to subscribe 2,850,000 of Telenor ASA's shares were granted in 2003 and options to subscribe 380,000 of Telenor ASA's shares were granted in 2004.

Share option plans for the employees of Telenor's subsidiary EDB Business Partner ASA were terminated in 2004. A separate plan was introduced in 2003 for the new CEO, and a plan for other managers and key personnel in 2004. 600,000 of EDB Business Partner ASA's shares were granted as options in 2003 and 1,014,944 of EDB Business Partner ASA's shares were granted as options in 2004.

In accordance with Norwegian GAAP, no expense was recognized for stock options that did not have any intrinsic value at the grant date.

Telenor has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options. In accordance with APB 25, the measurement date for determining compensation costs for stock options is the first date at which the number of shares the employee is entitled to receive and the exercise price of the options are known.

Due to the features of the plans for Telenor ASA and EDB Business Partner ASA, variable plan accounting for these options would apply under US GAAP and the intrinsic value of the options at the end of each reporting period, based on the presumed exercise price and the quoted market price of respective stocks, would be calculated and recorded as compensation expense over the vesting period.

Disclosure of pro forma information regarding net income and earnings per share for US GAAP is required by SFAS 148, "Accounting for Stock-Based Compensation", and has been determined as if Telenor and EDB Business Partner ASA had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions. The assumptions for 2004 are shown in the table below.

	Risk free rate	Dividend yeld	Volatility factor	Weighted average life
Telenor ASA 2002 program	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
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

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. Had compensation cost for these plans been determined based upon fair value, the Group's net income (loss) according to US GAAP would have been the following:

NOK in millions except per share amounts	2004	2003	2002
Net income (loss) as reported in accordance with US GAAP	**5,639**	**5,036**	**(3,658)**
Deduct stock based employee compensation expense included in reported net income	75	39	–
Add stock based employee compensation expense determined under fair value based method for all awards	(15)	(25)	(34)
Pro forma net income (loss) in accordance with US GAAP	**5,699**	**5,050**	**(3,692)**
Net income (loss) per share in accordance with US GAAP			
Basic as reported in accordance with US GAAP	3.22	2.84	(2.06)
Basic pro forma in accordance with US GAAP	3.26	2.84	(2.08)
Diluted as reported in accordance with US GAAP	3.22	2.84	(2.06)
Diluted pro forma in accordance with US GAAP	3.26	2.84	(2.08)

The stock options may have a dilutive effect.

A summary of Telenor ASA's and EDB Business Partner ASA's stock option programs and related information is given in note 29.

Under Norwegian GAAP social security tax related to the exercise of the shared options is expensed for share options granted. Under US GAAP social security tax related to share options is expensed at the date of the exercise of the share options.

(8) Sale and lease back of properties
Under Norwegian GAAP, the Group recognized gains from the sale and lease back of properties when the lease back agreement qualify as an operating lease.

Under US GAAP, only gains from sale and lease back of properties that exceed the net present value of the lease back agreement can be recognized as gains. The remaining gains must be deferred over the lease periods.

(9) Derivative financial instruments
Effective as of 1 January 2001, US GAAP introduced Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 138. This accounting standard requires that all derivative instruments be recorded on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships for which hedge accounting is applied.

The total difference for 2004 between Norwegian GAAP and US GAAP for derivative financial instruments are specified below:

Adjustments to net income (loss)	in NOK millions
Interest rate derivatives used for fair value hedge accounting	(47)
Net investment hedge accounting	(11)
Total adjustments to net income (loss) for US GAAP	(58)

Change in equity adjustment from previous year-end	in NOK millions
Interest rate derivatives used in fair value hedge accounting	(47)
Total change in equity adjustments for US GAAP from previous year-end	(47)

Interest rate derivatives used in fair value hedging strategy for interest risk on a portfolio basis are carried at cost under N GAAP. Under US GAAP hedge accounting cannot be applied for hedging of interest risk on a portfolio basis, and the change in fair value of such interest rate derivatives are recorded to income (loss).

Under Norwegian GAAP Telenor may combine more than one instrument to hedge of net investments. Under US GAAP there are more stringent requirements of what instruments can be designated as hedging instruments, and foreign exchange gains or losses are to a greater extent reported through earnings under US GAAP than Norwegian GAAP. Telenor's policy is to use instruments that meet criteria for hedge accounting under both Norwegian GAAP and US GAAP, to the extent it is cost effective.

The following information relates to derivative financial instruments under SFAS 133:

Derivative (and nonderivative) instruments designated as fair value hedging instruments
A significant portion of the debt issued by Telenor ASA is fixed rate bonds (87% of outstanding bonds as of 31 December, 2004). Fixed rate bonds with long maturities impose a greater interest rate risk than management wishes to maintain. Accordingly the interest rate exposure on these bonds is often altered by entering into a derivative instrument that allows Telenor to receive an amount based upon fixed interest rate and pay an amount determined by a specified floating interest rate. Telenor designates these derivative instruments as fair value hedges.

Telenor employs two strategies that qualify for hedge accounting under SFAS 133. 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 Norwegian Kroner with a receive "fixed non base/pay floating" base cross currency interest rate swap. In these cases the hedged risks would be benchmark interest rates and exchange rates.

Derivative instruments designated as cash flow hedging instruments
A hedge of a future expected transaction is a cash flow hedge. Future expected transactions in foreign currencies impose a foreign exchange rate risk that management often wishes to eliminate. In these situations Telenor can mitigate the foreign exchange rate risk and fix the functional currency equivalent cash flows from the hedged item by entering into a derivative instrument. Gains or losses from the hedging instrument are recorded within other comprehensive income (OCI) until the hedged transaction occurs. The realized gain or loss is recorded in earnings during the same accounting periods as the hedged transaction affects income. Any ineffective components of the hedge are charged to income as incurred. Telenor had as at 31 December 2004 designated three cash flow hedging relationships. Two forecasted capital expenditure outflows denominated in foreign currency have been hedged for foreign currency risk using forward contracts. Also, the foreign currency risk related to a forecasted sale of shares has been hedged.

Derivative (and nonderivative) instruments designated as hedging instruments of a net investment in a foreign operation
As described in note 21 to the financial statements, Telenor hedge net investments in foreign currency by issuing debt in the various currencies or through entering into derivative transactions. Material hedging positions have been designated as net investment hedges. In 2004, the instruments involved have been bonds and forward contracts. To the extent these hedging relationships have proven to be effective, translation adjustments on these hedging instruments have been reported in the Cumulative Translation Adjustment section of equity.

Derivatives not designated as hedging instruments
Telenor has a duration-based target for interest rate risk management. Interest rate swaps are used to periodically rebalance the portfolio in order to be in line with the duration target. These derivatives do not qualify as hedging instruments according to US GAAP, and are marked-to-market and included in earnings.

Foreign currency swaps are frequently used for liquidity management purposes. No hedging relationships are designated in relation to these derivatives, and any changes in fair value are recognized through earnings.

Quantitative information

Fair value hedging relationships	NOK in millions
Net loss recognized in 2004 earnings hedged items:	(463)
Net gain recognized in 2004 earnings hedging instruments	472
Amount of hedge ineffectiveness	9

No components of the derivative instruments' gain or loss have been excluded from the assessment of hedge effectiveness.

Hedges of foreign currency exposure of a net investment in a foreign operation
Net amount of gain on hedging instruments included in the cumulative translation adjustment during 2004 was NOK 751 million before taxes according to US GAAP.

For forward contracts the forward points have been excluded in determining hedge effectiveness. The hedge ineffectiveness charged to profit and loss in this context is immaterial.

Cash flow hedging relationships
Net amount of gain on hedging instrument included in other comprehensive income at 31 December 2004 was NOK 14 million.
At 31 December 2003 the corresponding amount was a gain of NOK 38 million.

(10) Amortization and impairment of goodwill
Effective 1 July 2001, Telenor adopted SFAS 141, "Business Combinations", and effective 1 January 2002, Telenor adopted the full provision of statement 141 and Statement No. 142 (SFAS 142), "Goodwill and Other Intangible Assets". SFAS 141 requires all business combinations initiated after 30 June 2001 to be accounted for under the purchase method, SFAS 141 also sets forth guidelines for applying the purchase method of accounting in the determination of intangible assets, including goodwill acquired in a business combination, and expands financial disclosures concerning business combinations consummated after 30 June 2001.

Under SFAS No. 142, goodwill is no longer amortized on a straight-line basis over its estimated useful life, but is tested for impairment on an annual basis and whenever indicators of impairment arise. SFAS No. 142 prescribes a two-phase process for impairment testing of goodwill. In the first phase Telenor identifies reporting units where goodwill must be tested for impairment by comparing net assets of each reporting unit to the respective fair value. In the second phase (if necessary) the impairment is measured by determining the fair value of goodwill by assigning the unit's fair value to each assets and liability of the unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. Telenor completed its first phase impairment analysis at the end of 2004, and found one reporting unit with a carrying value in excess of the fair value, based on an assessment of the fair value based on various valuation methods, with assistance of external valuations experts. Accordingly, the second testing phase was necessary and was performed with assistance of the same valuation experts. This resulted in an impairment loss of goodwill of NOK 3,152 million for US GAAP compared to an impairment loss of NOK 2,190 million for Norwegian GAAP.

Under Norwegian GAAP, goodwill is amortized. Goodwill is tested annually for impairment as it is under US GAAP. However, the second phase of the goodwill impairment test is not consistent with Norwegian GAAP. Under Norwegian GAAP, goodwill is written down based on the difference between book value and fair value.

(11) Measurement date
Under US GAAP the measurement date for a business combination is the date assets are received and other assets are given, liabilities are assumed or incurred, or equity interests are issued, which is consistent with the date of consolidation

Under Norwegian GAAP, the measurement date for a business combination is the date the risk for the company's result of operations is transferred. The acquired company's results, amortization of net excess values and calculated financing expenses have been recorded directly against the Group's shareholders' equity in the period between the date for transfer of risk and the date of consolidation. The date of consolidation is consistent with US GAAP. Results between the date of risk transfer and date of consolidation are recorded directly to shareholder's equity under Norwegian GAAP. As a result, there is a different valuation of tangible and intangible assets under Norwegian GAAP compared to US GAAP and consequently differences in the subsequent depreciation and amortization.

(12) Sale of software
Telenor is a provider of full service application and IT operating systems services. Under Norwegian GAAP, revenue from sale of software licenses and software upgrades is recognized upon their delivery. Under US GAAP, revenue from sale of software licenses and software upgrades is deferred and recognized as revenue over the remaining software maintenance period as the customer does not have access to the software unless Telenor provides software maintenance. In addition, in conjunction with these contracts, the Company may develop additional applications that are not essential to the use of the software. Under Norwegian GAAP, the fees for the development of the additional software are recognized based on the percentage of completion method of accounting. Under US GAAP, these development fees are also deferred and recognized as revenue over the remaining software maintenance period.

(13) Reversal of write-downs
Under Norwegian GAAP, a previous write down of tangible and intangible assets (excluding goodwill) must be reversed if the factors that triggered the impairment are no longer valid and if the underlying asset has recovered its value.

Under US GAAP, reversal of previous write-downs is not permitted.

(14) Asset retirement obligations
Effective 1 January 2003, Telenor changed its method of accounting for asset retirement obligations in accordance with FASB Statement No. 143, Accounting for Asset Retirement Obligations (SFAS 143). Previously, Telenor did not recognize amounts related to asset retirement obligations. Under the new accounting method, Telenor recognizes asset retirement obligations in the period in which they are incurred. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

Under SFAS 143, an asset retirement obligation exists where Telenor has a legal obligation, whether contractual, by law, or by a promissory estoppel, to settle an asset retirement obligation. Where Telenor is required to settle an asset retirement obligation, Telenor has estimated and capitalized the net present value of the obligations and increased the carrying value of the related long-lived asset, with an amount equal to the depreciated value of the asset retirement obligation. Subsequent to the initial recognition, an accretion expense is recorded relating to the asset retirement obligation, and the capitalized cost is expensed as ordinary depreciation in accordance with the related asset. 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.

Under Norwegian GAAP, asset retirement obligations are limited to expenses to material known and planned removals within a reasonable timeframe.

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	2004	2003
Asset retirement obligation at beginning of year	366	316
Liabilities incurred	28	38
Liabilities settled	–	(10)
Accretion expense	27	22
New subsidiaries	33	–
Asset retirement obligation at end of year	454	366

Asset retirement obligations in associated companies are included under "Other differences" in the US GAAP reconciliation. Telenor's share of costs for asset retirement obligations in associated companies was NOK 29 million in 2003 of which NOK 17 million was the cumulative change of accounting principle, and NOK 1 million for 2004.

The cumulative effect of the change on prior years resulted in a charge in income of NOK 258 million (net of income taxes of NOK 187 million, 0.10 per share), which was included in income for the year ended 31 December 2003. The effect of the change on the year ended 31 December 2003 was to decrease income before the cumulative effect of the accounting change by NOK 27 million (0.02 per share). The pro forma effects of the application of Statement 143, as if the Statement had been adopted on 1 January 2002 (rather than 1 January 2003), are presented below:

NOK in millions except per share amounts	2003	2002
Reported net income (loss)	5,036	(3,658)
Assets retirement obligations net of tax and minority interests (2003 implemention effect)	187	(28)
Adjusted net income (loss)	5,223	(3,686)
Earnings per share		
Reported earnings (loss) per share	2.84	(2.06)
Adjusted earnings (loss) per share	2.94	(2.08)

(15) Subsequent acquisitions of ownership interest in subsidiaries
Under US GAAP, assets and liabilities are identified and recorded in each subsequent acquisition of interest in subsidiaries.

Under Norwegian GAAP, changes in fair values for assets and liabilities for a subsequent acquisition in a subsidiary is recorded directly against equity. Goodwill is identified and accounted for in each acquisition.

(16) Taxes
Income taxes for US GAAP differ from the Norwegian GAAP taxes because the income tax effects of the US GAAP adjustments are recorded as deferred taxes.

(17) Dividends
Under Norwegian GAAP, dividends payable reduce shareholder's equity for the year in which they relate.

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

(18) Cross border QTE leases
The Group has entered into Cross Border QTE Leases for telephony switches, GSM Mobile network and fixed-line network. Telenor has defeased all amounts due by us under these agreements. The leasing obligations and the defeased amounts are shown net on the balance sheet.

Both under Norwegian GAAP and under US GAAP Telenor has deferred the gain from the transactions since there is more than a remote possibility of loss of the gain due to indemnification or other contingencies.

Under US GAAP, assets and liabilities may not be offset except when there exists the legal right to offset the asset and liability. The right to offset the defeased amounts against the future lease obligations does not legally exist. Therefore, under US GAAP, the defeased amounts and the Group's future obligations under the QTE Leases are recorded gross on the consolidated balance sheet as financial assets and long-term interest-bearing liabilities in the amount of approximately NOK 5,469 million for the year ended 31 December 2004 and financial assets and long-term interest-bearing liabilities of NOK 6,203 million for the year ended 31 December 2003. This did not affect the profit and loss statement or shareholder's equity.

At 31 December 2004, future minimum annual rental commitments under finance lease liabilities were as follows under US GAAP:

NOK in millions	As of 31 December 2004
2005	907
2006	823
2007	736
2008	867
Later years through 2016	5,434
Total minimum lease payments	**8,767**
Less amount representing interest	1,828
Finance lease obligation under US GAAP	7,291
Finance lease obligation under Norwegian GAAP	1,470
Deferred gain (both Norwegian and US GAAP)	352

Book value of finance lease included in tangible fixed assets:

NOK in millions	2004	2003
Telephony switches	52	121
GSM mobile network	135	276
Fixed-line network	920	1,133
Satellites	501	617
Set top boxes	110	304
Buildings	189	–
Other	36	82
Total	**1,943**	**2,533**

(19) Prepayment on equal terms
Telenor entered into Mobile Virtual Network Operator (MVNO) agreements, which includes sale of traffic in telenor's GSM and UMTS network in Norway. At the same time similar agreements for purchase of of traffic in Telenor's GSM and UMTS network in Sweden was made with the same counterpart. The agreements contain a fixed nonrefundable prepayment and a variable element based on the actual use of the services. In accordance with Norwegian accounting principles the fixed and the variable element is recognized as revenues and cost of traffic based on the actual usage. The prepayments between the parties are recognized in the balance sheet. At year end 2004 Telenor wrote down NOK 562 million as a loss on this contract due to revised expectations of the usage of capacity of the MVNO agreement.

Under US GAAP the fixed prepayments between the parties have been nullified since these fixed payments are on equal terms and are non refundable. Consequently the prepayments and the revenue and traffic costs and the write down at year end 2004 has been eliminated.

(20) Revenue recognition
Under Norwegian GAAP, gains on the sale of fixed assets and operations are included in total revenues. Under US GAAP, such gains would be included below other operating income.

Under Norwegian GAAP, revenue from telecommunications installation fees and connection fees are recognized in revenue at the time of the sale and all initial direct costs are expensed as incurred. Under US GAAP, such connection and installation fees that do not represent a separate earnings process should be deferred and recognized over the periods that the fees are earned which is the expected period of the customer relationship. Initial direct costs to the extent of the deferred revenue should also be deferred over the same period that the revenue is recognized. The effect on net income of this difference is not material.

In May 2003, the EITF reached a consensus on Issue 00-21, addressing how to account for arrangements that involve the delivery or performance of multiple products, services, and/or rights to use assets. Revenue arrangements with multiple deliverables are divided into separate units of accounting if the deliverables in the arrangement meet the following criteria: (1) the delivered item has value to the customer on a standalone basis; (2) there is objective and reliable evidence of the fair value of undelivered items; and (3) delivery of any undelivered item is probable. Arrangement consideration should be allocated among the separate units of accounting based on their relative fair values, with the amount allocated to the delivered item being limited to the amount that is not contingent on the delivery of additional items or meeting other specified performance conditions. For Telenor, the amounts allocated to the delivered elements are limited to the amount received in cash at the time of sale. Telenor has implemented EITF 00-21 for agreements entered into after 1 January 2004. The adoption of the accounting standard had no significant effect on Telenor's revenues or operating profit. During 2004 part of the connection fee, primarily in our foreign mobile companies, has been allocated to sale of equipment and therefore recognized as revenue at the same time the equipment is recognized as revenue.

(21) Consolidation of variable interest entities
On 31 March 2004, Telenor implemented FASB Financial Interpretation 8 (FIN) No. 46R, an interpretation which requires Telenor to consolidate an entity which is subject to the guidance in FIN 46R (a VIE) and in which it holds a variable interest. A variable interest is a contractual arrangement which entitles the holder to absorb a portion of the entity's future losses and/or receive a portion of the entity's residual returns, and can take a variety of forms. The more common of which are holdings in equity or debt securities, a guarantee issued by Telenor and even service control. The party which is exposed to the majority of future losses, or entitled to a majority of the residual returns through a single variable interest (a combination of interests), is referred to as the primary beneficiary and must consolidate.

As a result of its adoption of FIN 46R Telenor concluded that Bravida ASA was a VIE and that it was the primary beneficiary. Hence, Telenor had to consolidate the company. Bravida was previously accounted for using the equity method of accounting and its operations consist primarily of Telecom, Information Technology, Electricity, Plumbing and Ventilation and Geomatics. The consolidation of Bravida did not require an adjustment to reflect the cumulative effect of our change in accounting principle.

FIN 46R contains provisions that require consolidated or unconsolidated entities to be re-evaluated when certain events occur that could alter an entity's VIE status or which could result in a change to the entity's primary beneficiary. In October 2004 certain of Telenor's holdings in Bravida were sold through sale of its shareholders' loans. In addition, on 30 December 2004 Telenor further reduced its holdings in Bravida through its sale of a significant part of its shareholders loan in Bravida. Following these transactions Telenor concluded that it no longer absorbs a majority of Bravida's expected losses, or receive a majority of Bravida's expected residual returns. Telenor stopped consolidating Bravida on 30 December 2004. Bravida had net assets of 4.9 billion at year end 2004. Telenor included revenues of NOK 7,129 million and operating profit of NOK 95 million in the period Bravida was consolidated. Telenor's maximum exposure to losses to any potential losses, should they occur, associated with Bravida is limited to the equity investments and shareholders loans of total NOK 172 million in addition to receivables in the normal course of business and guarantees given to Bravida, see note 26 to the consolidated financial statements.

In connection with its FIN 46R analysis, Telenor also identified variable interests it holds in two entities, DTAC and UCOM which Telenor qualitatively concluded were at high risk of being deemed a VIE, but in which Telenor determined would not be considered the primary beneficiary, and consequently did not consolidate the VIEs.

- DTAC is a publicly traded company and Thailand's second largest mobile phone operator. DTAC had total assets and net income of NOK 13.2 billion and NOK 752 million for 2004, respectively. The risks and rewards associated with our interests in the entity arise as a result of our direct and indirect equity interest in DTAC. Telenor acquired its interest in DTAC on 15 May 2000. Telenor's maximum exposure to any potential losses, should they occur, associated with DTAC is limited to the equity investments.

- UCOM is also a publicly traded company which holds a 41.7% interest in DTAC. UCOM had total assets and net income of NOK 3.4 billion and NOK 270 million, respectively. The risks and rewards associated with our interests in the entity arise as a result of our direct equity interest in UCOM. Telenor acquired its interest in UCOM on 15 May 2000. Telenor's maximum exposure to any potential losses, should they occur, associated with UCOM is limited to the equity investments.

Under N GAAP consolidation is based only on the voting interest model and the concept of FIN 46R do not apply. Therefore entities consolidated based on variable interest under FIN 46R will not be consolidated under N GAAP.

(22) Sale of business with extension of service contract
In 2004 EDB Business Partner ASA entered into an agreement to sell parts of the Telecom area. At the same time, Telenor entered into a service agreement with the buyer for the same services Telenor previously purchased from EDB Business Partner ASA. Under the agreement, Telenor is committed to a minimum purchase of application management and maintenance. The agreement is on marketable terms, and under N GAAP a gain of NOK 283 million was recorded on the sale of the parts of the Telecom area.

In accordance with US GAAP, the gain on the transaction is deferred and recognized over the term of the purchase agreement.

(23) Non-consolidated investees – 100 percent basis
The following table sets forth summarized unaudited financial information of Telenor's non-consolidated investees on a 100 percent combined basis. Telenor's share of these investments is accounted for using the equity method.

NOK in millions	2004	2003
Income Statement Data		
Revenues	41,643	42,498
Operating profit	6,800	3,574
Income before taxes and minority interest	5,094	1,751
Net income	6,341	924
Balance Sheet Data		
Total fixed assets	49,007	36,926
Total current assets	13,494	12,813
Total assets	**62,501**	**49,739**
Shareholders' equity	24,516	6,446
Minority interests	428	34
Total long-term liabilities	21,095	29,255
Total short-term liabilities	16,462	14,004
Total equity and liabilities	**62,501**	**49,739**

New US Accounting Standards

SFAS 123 (Revised 2004)
On 16 December 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payment, which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation. Statement 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows.

Generally, the approach to accounting for share-based payments in Statement 123(R) is similar to the approach described in Statement 123. However, Statement 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values (i.e., pro forma disclosure is no longer an alternative to financial statement recognition). Statement 123(R) is effective for annual period beginning after 15 June 2005. Implementation of SFAS 123(R) will not have a material effect on revenues, total assets or operating results.

International Financial Reporting Standards (IFRS)
Telenor is to adopt IFRS as primary generally accepted accounting principles (GAAP) by 2005 as required under European Regulation applicable to European public companies. The full effect of the implementation of IFRS is not yet known.

Provided SEC regulations regarding the periods to be presented under a comprehensive set of GAAP is amended as proposed in March 2003, foreign private issuers will be allowed to include only two years of audited financial statements for their first year of reporting under IFRS, provided the transition date to IFRS is 1 January 2004. Telenor has selected 1 January 2004 as its transition date to IFRS and will report its 2005 financial statements according to IFRS with comparable figures for 2004.

Transition from Norwegian GAAP to IFRS is described under accounting principles. The additional reconciliation disclosure between IFRS and US GAAP will include narrative and tabular net income and shareholders' equity reconciliations with respect to 2004 financial statements required under SEC Rules.

STATEMENT OF PROFIT AND LOSS

Telenor ASA 1 January–31 December

NOK in millions	Note	2004	2003	2002
Revenues		**683**	582	605
Gains on disposal of operations		**–**	–	63
Total revenues		**683**	582	668
Operating expenses				
Cost of materials and traffic charges		**14**	–	–
Salaries and personnel costs	2, 3	**638**	358	350
Other operating expenses	4	**721**	792	671
Losses on disposal of operations	5	**–**	–	1,390
Depreciation, amortization and write-downs	8, 9	**63**	55	39
Total operating expenses		**1,436**	1,205	2,450
Operating profit (loss)		**(753)**	(623)	(1,782)
Financial income and expenses				
Financial income		**5,707**	6,537	3,548
Financial expenses		**(1,520)**	(2,221)	(1,592)
Net currency gain (loss)		**(70)**	(934)	457
Net gains (losses and write-downs) of financial assets		**2,207**	3,126	(5,907)
Net financial items	6	**6,324**	6,508	(3,494)
Profit (loss) before taxes		**5,571**	5,885	(5,276)
Taxes	7	**(915)**	(770)	2,650
Net income (loss)		**4,656**	5,115	(2,626)
Proposed dividends		**2.603**	1,776	799
Group contribution distributed, net after taxes		**–**	–	137

BALANCE SHEET

Telenor ASA at 31 December

NOK in millions	Note	2004	2003
Assets			
Deferred tax assets	7	568	1,476
Goodwill	8	16	–
Other intangible assets	8	254	244
Tangible assets	9	12	24
Financial assets	10	87,541	80,562
Total fixed assets		**88,391**	82,306
Non-interest-bearing receivables on Group companies		320	121
Receivable Group Contribution		2,000	2,000
Non-interest-bearing receivables external		170	124
Cash and cash equivalents		–	533
Total current assets		**2,490**	2,778
Total assets		**90,881**	85,084
Equity and Liabilities			
Equity		**42,672**	42,567
Long-term interest-bearing liabilities	11	15,528	18,481
Long-term non-interest-bearing liabilities		171	218
Total long-term liabilities		**15,699**	18,699
Short-term interest-bearing liabilities	11	29,166	21,122
Short-term non-interest-bearing liabilities	12	3,344	2,696
Total short-term liabilities		**32,510**	23,818
Total equity and liabilities		**90,881**	85,084
Assets pledged		–	–
Guarantee liabilities	13	3,766	4,155

CASH FLOW STATEMENT

Telenor ASA 1 January–31 December

NOK in millions	2004	2003	2002
Profit before taxes	5,571	5,885	(5,276)
Taxes paid	-	71	(1,303)
Net (gain) loss	-	-	1,341
Depreciation, amortization and write-downs	63	55	39
Group contribution	-	(2,000)	5,682
Write-down of shares and reversal of previous write-downs	(2,207)	(3,127)	5,893
Currency (gains) losses not relating to operating activities	70	1,171	(457)
Accrued, not paid interests from/to Group companies	(2,593)	(3,492)	638
Change in accruals etc.	88	220	(701)
Net cash flow from operating activities	992	(1,217)	5,856
Purchase of tangible and intangible assets	(80)	(82)	(12)
Cash receipts from sale of subsidiaries	-	-	16
Cash payments on establishing new companies	-	(874)	(2,250)
Proceeds from sale of other investments	303	42	50
Payments for other investments	(882)	(6)	(753)
Net cash flow from investment activities	(659)	(920)	(2,949)
Proceeds from long-term liabilities	-	-	11,012
Proceeds from short-term liabilities	2,135	-	1,081
Payments of long-term liabilities	(1,084)	(3,592)	(6,935)
Payments of short-term liabilities	(72)	(1,081)	(300)
Net change in Group internal drawing rights [1]	1,971	8,188	(3,804)
Proceeds from issuance of shares	43	-	19
Share buy back	(2,020)	-	-
Payment of dividends	(1,764)	(799)	(621)
Payments of Group contribution	-	-	(3,702)
Net cash flow from financing activities	(791)	2,716	(3,200)
Effect on cash and cash equivalents of changes in foreign exchange rates	(75)	(46)	(53)
Net change in cash and cash equivalents	(533)	533	(396)
Cash and cash equivalents at 1 January	533	-	396
Cash and cash equivalents at 31 December	-	533	-

[1] Net change in Group internal drawing rights are loans to and placements from Group companies. These loans and placements have high turnover.

STATEMENT OF SHAREHOLDERS' EQUITY

Telenor ASA

	Number of shares	Nom amount (NOK)	Share capital (NOK mill.)	Other paid capital (NOK mill.)	Other equity (NOK mill.)	Treasury shares (NOK mill.)	Total (NOK mill.)
Balance as of 31 December 2001	**1,802,730,652**	**6**	**10,816**	**18,619**	**13,342**	**(169)**	**42,608**
Net income for the year 2002	–	–	–	–	(2,626)	–	(2,626)
Dividends	–	–	–	–	(799)	–	(799)
Employee share issue	695,520	6	4	15	–	–	19
Balance as of 31 December 2002	**1,803,426,172**	**6**	**10,820**	**18,634**	**9,917**	**(169)**	**39,202**
Net income for the year 2003	–	–	–	–	5,115	–	5,115
Dividends	–	–	–	–	(1,776)	–	(1,776)
Employee share issue	595,109	6	4	22	–	–	26
Balance as of 31 December 2003	**1,804,021,281**	**6**	**10,824**	**18,656**	**13,256**	**(169)**	**42,567**
Net income for the year 2004	–	–	–	–	4,656	–	4,656
Dividends for the year 2004 and adjusted dividens for the year 2003 [1]	–	–	–	–	(2,590)	–	(2,590)
Share buy back	–	–	–	–	–	(2,020)	(2,020)
Share cancellation	(55,444,964)	6	(332)	(1,152)	–	1,484	–
Employee share program	–	–	–	2	–	18	20
Share option granted	1,027,994	6	6	28	–	–	34
Bonus shares	92,736	6	–	5	–	–	5
Balance as of 31 December 2004	**1,749,697,047**	**6**	**10,498**	**17,539**	**15,322**	**(687)**	**42,672**

[1] Adjusted dividends for the year 2003 related to purchase of shares in the market prior to the Annual General Meeting in 2004.

Equity available for distribution as dividends form Telenor ASA was NOK 14,038 million as of 31 December 2004.

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 and Telenor's internal bank (Telenor Finans). In addition there are some strategic Group projects, including Telenor's program for improving efficiency of operations, Delta 4, that are placed in Telenor ASA. As of 1 January 2004, the research and development department was transferred from Telenor Communication II AS to Telenor ASA. In addition, the main part of the employees in Telenor Mobile holding AS was transferred to Telenor ASA during 2004.

Revenues are primarily management fee from the Telenor Group, sale of research and development services, and sale of other consultancy services. Purchases from other companies within the Group consist primarily of consultancy fees in strategic Group projects, property lease, IT-operations and maintenance.

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 20 to the consolidated financial statements.

Shares in subsidiaries and loans provided to these are evaluated at cost. Write-downs of the separate investments are made if a loss in value for a separate investment is other than a temporary decline. The value of the investments in subsidiaries must be viewed together with the values in the consolidated accounts. Write-downs of the values of Telenor ASAs investments in subsidiaries were performed in 2002 to better reflect the values in the consolidated financial statement. In 2003 and 2004 the main parts of these write-downs were reversed as a consequence of increased values. The value adjustments are classified as financial items in the profit and loss statement.

Telenor ASA's accounting principles are similar to the accounting principles for the Telenor Group, as described. 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.

02 Salaries and personnel costs

The Group's Chief Executive Officer and the Board of Directors have the same position in Telenor ASA. Refer to note 28 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 2004.

NOK in millions	2004	2003	2002
Salaries and holiday pay	319	187	213
Social security tax	73	33	36
Pension cost including social security tax	205	87	58
Other personnel costs	41	51	43
Total salaries and personnel costs	**638**	**358**	**350**

03 Pension obligations

NOK in millions	2004	2003
Change in benefit obligation		
Benefit obligation at the beginning of the year	479	366
Service cost	55	47
Interest cost	38	24
Actuarial gains and losses	14	34
Transfer of businesses [3]	237	55
Benefits paid	(26)	(47)
Benefit obligations at the end of the year	**797**	**479**
Change in plan assets		
Fair value of plan assets at the beginning of the year	409	294
Actual return on plan assets	16	27
Transfer of businesses [3]	141	61
Pension contribution	53	48
Benefits paid	(24)	(21)
Fair value of plan assets at the end of the year	**595**	**409**
Funded status	**202**	**70**
Unrecognized prior service costs [1]	–	(105)
Unrecognized net actuarial losses [1] [2]	(225)	(155)
Accrued social security tax	(3)	(26)
Net accrued (prepaid) benefit cost	**(26)**	**(216)**

Cont.	2004	2003
Net accrued (prepaid) benefit cost at 01.01	(216)	(170)
Transfer of businesses [2]	33	(52)
Net periodic benefit costs	220	87
Pension contribution	(53)	(48)
Benefits paid	(2)	(26)
Social security tax at pension contribution and benefits paid	(8)	(7)
Net accrued (prepaid) benefit cost at 31.12	**(26)**	**(216)**
Of which changes in pension plan scheme (note 10)	–	116
Of which net pension plan assets (note 10)	26	100

Assumptions as of 31 December, see note 7 in the consolidated financial statements for the Group

NOK in millions	2004	2003	2002
Components of net periodic benefits costs			
Service cost	55	47	29
Interest cost	38	24	24
Expected return on plan assets	(33)	(21)	(20)
Amortization of prior service costs [1]	110	13	13
Amortization of actuarial gains and losses [1]	24	13	4
Social security tax	26	11	6
Net periodic benefit costs	**220**	**87**	**56**
Internal liabilities related to AFP recorded to income [1]	(16)	–	–
Contribution plan costs	1	–	2
Total pension costs charged to the year's result [3]	**205**	**87**	**58**

[1] In 2004, Telenor ASA and most of the Norwegian subsidiaries changed their employer's organization membership from NAVO to NHO. Consequently, the agreement-based early retirement plan (AFP) was transferred to NHO. The pension scheme through NHO is in line with the previous scheme – through NAVO. The employees' rights are unchanged. Telenor ASA pays pension premium to NHO and finances 25% of the payments for retirement under the AFP-scheme in NHO after 1 April 2006, according to the existing agreement. Until 1 April 2006, Telenor ASA has to cover 100% of the payments for retirement under the AFP-scheme. AFP through NHO is a defined benefit multiemployer plan. However, until the administrator of the plan is able to calculate Telenor's share of assets and liabilities in this plan, Telenor have to account for this plan as a contribution plan. Previously capitalized pension obligations for future retirements that now are covered by the membership in NHO were taken into income in 2004. Unrecognized prior service costs as of 31 December 2003 was due to the introduction of the AFP-plan as of 1 January 1997 for wholly owned subsidiaries. The implementation effect was up to and including 2003 expensed over estimated remaining service periods. Due to the change in the AFP-scheme the remaining unrecognized prior service costs was expensed in 2004. 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 in reduced AFP-obligations recorded to income as amortization of actuarial gains and losses, internal liabilities of NOK 16 million related to AFP recorded to income and expensing of pension premium to NHO of NOK 1 million (all figures excluding social security tax).

[2] The increase in unrecognized actuarial gains and losses in 2004 was primarily due to the transfer of businesses and changes in assumptions for 2004.

[3] Transfer of businesses was primarily related to transfers from Telenor Mobile Holding AS and the transfer of the research and development department from Telenor Communication II AS to Telenor ASA. This lead to an increase in benefit obligations, plan assets, unrecognized actuarial gains and losses and amortization, unrecognized actuarial gains and losses.

04 Other operating expenses

NOK in millions	2004	2003	2002
Cost of premises, vehicles, office equipment etc.	66	44	56
Operation and maintenance	81	87	47
Travel and travel allowances	24	14	38
Marketing, representation and sales commission	40	25	33
Consultancy fees and rent of personnel	322	524	326
Workforce reductions	19	–	27
Bad debt	37	12	18
Other	132	86	126
Total other operating expenses	**721**	**792**	**671**
Of which internal within Group companies	246	418	195

Consultancy fees were reduced in 2004 primarily due to the fact that the subsidies that were given to research and development from Telenor ASA in 2003 now fall within Telenor ASA.

The increase in consultancy fees in 2003 compared to 2002 related to purchase of services from Group companies, as research and development and serving of our international operations.

05 Losses on disposal of operations

Losses on disposal of operations in 2002 were mainly related to the simultaneous liquidation of Nye Telenor Communications I AS, and Digifone Holding AS, see note 7 below. In connection with the liquidations a deferred tax asset arose, recorded as tax income in 2002, which more than compensated for the liquidation loss.

06 Financial income and expenses

NOK in millions	2004	2003	2002
Interest income external	79	3	–
Interest income from Group companies	3,628	4,534	3,614
Group contribution from Group companies [1]	2,000	2,000	(66)
Total financial income	**5,707**	**6,537**	**3,548**
Interest expenses external	(902)	(1,179)	(923)
Other financial expenses	(1)	(3)	(8)
Interest expenses to Group companies	(617)	(1,039)	(661)
Total financial expenses	**(1,520)**	**(2,221)**	**(1,592)**
Net foreign currency loss (gain)	(70)	(934)	457
Gains on disposal of financial assets	–	–	3
Losses on disposal of financial assets	–	(1)	(16)
Write-downs and reversal of write-downs of financial assets	2,207	3,127	(5,894)
Net gains (losses and write-downs) of financial assets	**2,207**	**3,126**	**(5,907)**
Net Financial items	**6,324**	**6,508**	**(3,494)**

[1] Negative Group contribution 2002 was an adjustment of Group contribution received for 2001.

[2] In 2004 and 2003, Telenor reversed a large part of the write-downs made in 2002, as a consequence of increase in values. Write-downs of the values of Telenor ASAs investments in subsidiaries were performed in 2002 to better reflect the values in the consolidated accounts.

07 Taxes

NOK in millions	2004	2003	2002
Profit before taxes in Norway	**5,571**	**5,885**	**(5,276)**
Current taxes in Norway	–	(18)	3
Deferred taxes in Norway	915	788	(2,653)
Total income tax expense (income)	**915**	**770**	**(2,650)**

NOK in millions	2004	2003	2002
Effective tax rate			
Expected income taxes according to statutory tax rate (28%)	1,560	1,648	(1,477)
Non-taxable income	(653)	(869)	–
Non-deductible expenses	7	9	1,667
Liquidation of Nye Telenor Communications I AS	–	–	(2,843)
Over/under estimation of taxes calculated previous years	1	(18)	3
Tax expense (income)	**915**	**770**	**(2,650)**
Effective tax rate in %	**16.4%**	**13.1%**	**N/A**

Deferred taxes as of 31 December

NOK in millions	Assets 2004	Liabilities 2004	Assets 2003	Liabilities 2003
Long-term assets	6	(3)	8	(46)
Current assets	–	–	4	–
Long-term liabilities	1	(187)	–	(218)
Short-term liabilities	4	–	4	–
Tax losses carried forward	747	–	1,724	–
Deferred taxes/tax assets	**758**	**(190)**	**1,740**	**(264)**
Valuation allowances	–	–	–	–
Net deferred tax assets	**568**	**–**	**1,476**	**–**

The difference between the change in deferred tax assets in the balance sheet of NOK 908 million and NOK 915 million in the profit and loss statement was due to transfer of businesses in 2004. Tax losses carried forward as of 31 December 2004, were NOK 2.7 billion, and expire in 8 years. It is expected that Group contributions in future years will entail utilization of tax losses carried forward in Telenor ASA, and is therefore reported as a deferred tax asset in the financial statements.

No deferred tax asset was calculated on the write-downs and reversal of write-downs of investments in subsidiaries in the different years.

In 2002 a tax loss of approximately NOK 11.5 billion corresponding to a deferred tax asset of approximately NOK 3.2 billion, was realized in connection with the liquidation of Nye Telenor Communication I AS and Digifone Holding AS, see note 13 to the consolidated financial statements. In 2002 an accounting loss before taxes on the same shares of NOK 1.3 billion also was realized. In 2002, no Group contributions have been provided to Telenor ASA to cover the tax loss, as taxable income in subsidiaries in the tax Group in Norway have been utilized to cover tax losses in other subsidiaries in the tax Group.

08 Intangible assets

Intangible assets goodwill in the acquisition of businesses, UMTS and GSM licenses and investments in administrative systems to be used in the Telenor Group.

	Accumulated cost						
NOK in millions	01.01.04	Reclassification 2004	Net additions/ disposals 2004	Amortizations and write-downs 2004	Acc. amortizations and write-downs as of 31.12.04	Book value 31.12.04	Book value 31.12.03
Goodwill	–	–	20	(4)	(4)	16	–
Licenses	225	–	–	(19)	(58)	167	186
Other	75	35	46	(32)	(69)	87	58
Total	**300**	**35**	**66**	**(55)**	**(131)**	**270**	**244**

Estimated useful life of goodwill related to the research and development department is 5 years. Estimated useful life of licenses and other intangible assets are 12 years (the licence period) and 3–5 years, respectively.

09 Tangible assets

	Accumulated cost						
NOK in millions	01.01.04	Reclassification 2004	Net additions/ disposals 2004	Amortizations and write-downs 2004	Acc. amortizations and write-downs as of 31.12.04	Book value 31.12.04	Book value 31.12.03
IT-equipment	42	(19)	6	(4)	(27)	2	12
Other equipment	28	(16)	7	(4)	(9)	10	12
Total	**70**	**(35)**	**13**	**(8)**	**(36)**	**12**	**24**

Estimated useful life of IT-equipment and other equipment is 3–5 years. Other equipment also comprise art, that are not depreciated on.

10 Financial assets

NOK in millions	2004	2003
Shares in subsidiaries [1]	22,404	22,397
Receivables on associated companies [2]	278	1,342
Interest-bearing receivables on Group companies [3]	64,672	56,482
Other long-term shares and other investments	149	125
Changes in pension plan scheme (See note 3)	–	116
Net plan assets (See note 3)	26	100
Other receivables	2	–
Total financial assets	**87,541**	**80,562**

[1] See note 15.

[2] Receivables on associated companies and joint ventures at 31 December 2004 were primarily loans to Bravida ASA of NOK 272 million in the form of preference capital. As of 31 December 2003 it comprised primarily interest-bearing loans to Bravida ASA (NOK 477 million) and Sonofon Holding A/S (NOK 823 million).

[3] Interest-bearing receivables on Group companies are loans from Telenor ASA's finance department.

11 Interest-bearing liabilities

NOK in millions	2004	2003
Short-term interest-bearing liabilities to Group companies	24,453	20,067
Drawing on Group bank account	2,135	–
Other short-term interest-bearing liabilities	2,578	1,055
Total short-term interest-bearing liabilities	**29,166**	**21,122**
Long-term interest-bearing liabilities	15,528	18,481
Total interest-bearing liabilities	**44,694**	**39,603**

Interest-bearing liabilities with maturity within the next 12 months are reported as short-term. This is a change in presentation compared to previous years. See note 20 and 21 to the consolidated financial statements for more information about external interest-bearing liabilities.

12 Short-term non-interest-bearing liabilities

NOK in millions	2004	2003
Accounts payable	45	41
Government taxes, tax deductions etc.	104	33
Dividends payable	2,603	1,776
Accrued expenses	450	462
Current taxes	–	–
Liabilities to Group companies	50	182
Other liabilities	92	202
Total short-term non-interest-bearing liabilities	**3,344**	**2,696**

13 Guarantee liabilities

NOK in millions	2004	2003
Guarantee liabilities	3,766	4,155

The table does not include purchased bank guarantees or guarantees where the corresponding liabilities are recorded in the company's balance sheet. At 31 December 2004 and 2003 guarantees of NOK 6,459 million and NOK 7,165 million related to "Cross Boarder QTE Lease" agreements were not included in the table above, see note 23 to the financial statements of the Group.

The table above includes a guarantee liability of approximately NOK 917 million related to Bravida ASA as of 31 December 2004 (NOK 854 million as of 31 December 2003), primarily in connection with Bravida ASA's deliveries to a project in Sweden, see note 26 to the financial statement of the Group.

In 2004 Telenor ASA provided guarantees for the purchase of mobile network equipment in Pakistan, amounting to NOK 876 million as of 31 December 2004. In addition Telenor ASA provided a performance guarantee of NOK 151 million for the fulfillment of the license requirements in 2008.

In 2002, Telenor ASA provided a guarantee of NOK 253 million for accrued interest on the Sonofon tax claim, see note 24 to the financial statement of the Group.

Telenor ASA has submitted guarantees of NOK 1,141 million for the satellite-leases Thor II and Thor III as of 31 December 2004 (NOK 1,508 million as of 31 December 2003), including termination fees of NOK 151 million as of 31 December 2004 (NOK 271 million as of 31 December 2003). The leasing periods end in 2009 and 2010, respectively. The leasing liability as of 31 December 2004 recorded in subsidiaries was NOK 888 million (NOK 1,004 million as of 31 December 2003).

Telenor ASA has submitted guarantees, limited up to NOK 268 million as of 31 December 20004, for financial leasing liabilities in Canal Digital (NOK 455 million as of 31 December 2003). These leasing agreements end in the period of 200–2007.

In 2000, a fulfillment guarantee for deliveries between subsidiaries was provided. The amount of the guarantee as of 31 December 2004 was NOK 116 million (NOK 162 million as of 31 December 2003). The guarantee ends in 2007. Furthermore, Telenor ASA had provided performance and payment guarantees of approximately NOK 44 million for deliveries and payments by subsidiaries to external parties as of 31 December 2004 (NOK 142 million as of 31 December 2003).

Telenor's guarantee as of 31 December 2003 to Intelsat of NOK 781 million for the fulfillment of the committed investment in satellite capacity in 2004 was terminated in 2004.

14 Contractual obligations

As of 31 December 2004 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	2005	2006	2007	2008	2009	After 2009
Committed purchase obligations	952	861	112	66	82	84

This table does not include agreements under which Telenor ASA has no committed minimum purchase obligation.

15 Shares in subsidiaries at 31 December 2004

The table below sets forth Telenor ASA's ownership interest in its subsidiaries, that are primarily holding companies, and their directly owned subsidiaries. Several of the subsidiaries in the second level own shares in other subsidiaries as described in their respective annual reports.

in NOK thousands	Office	Share owned in %	Book value
Telenor Networks Holding AS	Norway	100.0	1,268,207
Telenor International Centre AS	Norway	100.0	100
Telenor Management Partner AS	Norway	100.0	20,000
Telenor Intercom Holding AS	Norway	100.0	1,278,992
Telenor Key Partner AS	Norway	100.0	19,000
Telenor Communication II AS	Norway	100.0	199.265
Telenor Satellite Services Holding AS	Norway	100.0	508,665
Telenor Mobile Holding AS	Norway	100.0	7,352,200
Telenor Satellite Networks Holding II AS	Norway	100.0	–
Itworks Holding AS	Norway	100.0	–
Telenor Installasjon Holding AS	Norway	100.0	308,767
Telenor Business Solutions Holding AS	Norway	100.0	1,502,853
Dansk Mobil Holding II AS	Norway	100.0	–
Telenor Inma Holding AS	Norway	100.0	110
Telenor Business Partner Invest AS	Norway	100.0	1,150,376
Telenor Teleservice Holding AS	Norway	100.0	27,452
Telenor Broadcast Holding AS	Norway	100.0	4,607,362
Telenor Eiendom Holding AS	Norway	100.0	4, 159,354
Telenor KB AS	Norway	100.0	100
Telenor Norge AS	Norway	100,0	1,020
Total			**22.403.823**

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 Satellite Services 2 AS	Norway	100.0
Telenor Svalbard AS	Norway	100.0
Telenor Privat AS	Norway	100.0
Telenor Telecom Solutions 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 Communication II AS		
Argos Take Care of It S.A.	Morocco	99.9
TTYL AS	Norway	100.0
Telenor Venture IV AS	Norway	80.0
Telenor Forsikring AS	Norway	100.0
Telenor Venture II ASA	Norway	50.1
Telenor Kapitalforvaltning ASA	Norway	100.0
Telenor Mobile Aviation AS	Norway	100.0
Telenor Cinclus AS	Norway	100.0
Smartcash AS	Norway	100.0
Telenor Satellite Service Holding AS		
Telenor Satellite Services AS	Norway	62.6
Telenor Satellite Networks AS	Norway	100.0
Telenor Mobil Holding AS		
European Telecom Luxembourg S.A.	Luxembourg	100.0
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
Commit AS	Norway	100,0
MobilData Kjeden AS	Norway	100,0
Telenor Telehuset AS	Norway	100,0
Sonofon Holding A/S	Denmark	100.0
Nordialog AS	Norway	48.0
OYO AS	Norway	100,0
Telenor Business Solutions Holding AS		
Telenor Business Solutions AS	Norway	96.0
Telenor Bedrift AS	Norway	100.0
Nextra Russia Invest AS	Norway	100.0
TBS Infrastructure AB	Sweden	100.0
Nye Telenor East Invest AS	Norway	100.0
Telenor Business Partner Invest AS		
EDB Business Partner ASA	Norway	51.8
Telenor Teleservice Holding AS		
Telenor Business Solutions AS	Norway	4.0

Cont.	Office	Share owned in %
Telenor Broadcast Holding AS		
Telenor Satellite Service AS	Norway	37,4
Telenor Inma 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
ICanal AS	Norway	100.0
Conax AS	Norway	90.0
Salsamedia AS	Norway	85.0
Telenor Internett AS	Norway	100.0
Telenor Online AS	Norway	100.0
Frisurf AS	Norway	100.0
Telenor Direkte AS	Norway	100.0
Nordic Satellite Broadcasting S.A.	Luxembourg	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 Drift AS	Norway	100.0
Telenor Eiendom Fornebu Fjordpark Syd AS	Norway	100.0
Telenor Eiendom Fornebu Fjordpark Nord AS	Norway	100.0
Telenor Eiendom Midt-Norge AS	Norway	100.0
Telenor Eiendom Hareløkken AS	Norway	100.0
Telenor Eiendom Sør AS	Norway	100.0
Telenor Eiendom Vest AS	Norway	100.0
Telenor Hellas SA	Greece	99.0
Telenor Norge AS		
Nordialog AS	Norway	52.0

AUDITOR'S REPORT FOR 2004

To the Annual Shareholders' Meeting of
Telenor ASA

AUDITOR'S REPORT FOR 2004

We have audited the annual financial statements of Telenor ASA as of 31 December 2004, showing a profit of NOK 4,656 million for the parent company and a profit of NOK 6,602 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 balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. 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.

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

In our opinion,

- the financial statements, included on pages 82–145, have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2004, and the results of the operations and cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its duty to properly register and document the accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Directors' report, included on pages 46–52, 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 31 2005
ERNST & YOUNG AS

Erik Mamelund (sign)
State Authorised Public Accountant (Norway)

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

STATEMENT FROM THE CORPORATE ASSEMBLY OF TELENOR
The Corporate Assembly of Telenor ASA decided 7 April 2005 the following:

The Corporate Assembly recommends that the General Meeting approves the Board of Directors proposed profit and loss statement and balance sheet for Telenor ASA and for the Group for 2004, and recommended that the General Meeting approves the suggested appropriation of the net income for the year 2004.

IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

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

TRANSITIONAL EFFECTS FOR TELENOR

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

(a) Business combinations: Business combinations prior to 1 January 2004 will not be restated in accordance with IFRS and the basis as determined for N GAAP will be carried forward. Telenor will follow IFRS for business combinations subsequent to 1 January 2004. On 12 February 2004, the remaining 46.5% shares of the associated company Sonofon were acquired increasing Telenor's ownership interest to 100%. The purchase will be restated and the assets and liabilities assumed will be recognized at fair value as of 12 February 2004 (the date of consolidation) according to IFRS. For N GAAP, only 46.5% of the fair values were recognized at the date of consolidation and the carrying values for the original investment in Sonofon were carried forward. The purchase price allocation according to IFRS will increase net excess values and therefore increase the group's equity at the time of consolidation compared with NGAAP. Due to a different depreciation and amortization profile of the identified assets under IFRS, the depreciation and amortization expense for 2004 will be reduced under IFRS compared to N GAAP. At year end 2004, an impairment was necessary for Sonofon and the resulting write-down of goodwill according to IFRS will be higher than that according to N GAAP.

(b) Employee benefits: Telenor has elected to recognize all cumulative actuarial gains and losses on pension obligations at the date of transition to IFRS. This will decrease Telenor's equity as of 1 January 2004, and decrease pensions expenses for 2004 compared to N GAAP. Telenor plans to use the corridor approach for actuarial gains and losses subsequent to 1 January 2004. The cumulative actuarial losses as of 1 January 2004 for IFRS will be higher than those according to N GAAP. This is primarily due to the use of a lower discount rate and the calculation of social security tax according to IFRS.

(c) Share-based payments: The fair value of share-based compensation at the grant date is expensed over the vesting period according to IFRS. Telenor uses a Black & Scholes valuation model to calculate the fair value. According to the transitional rules only options granted subsequent to 7 November 2002 that had not vested as of 1 January 2005 will be included. In accordance with N GAAP, no expense was recognized for stock options that did not have any intrinsic value at the grant date.

(d) Cumulative translation differences that existed at the date of transition to IFRS for all foreign operations and the corresponding translation differences on financial instruments used to hedge such investments are deemed to be zero at the date of transition to IFRS, and are kept permanently in equity. As a consequence, the gain or loss on a subsequent disposal of an entity reported in currency other than Norwegian Krone shall exclude translation differences that arose before the date of transition to IFRS. This will have no effect on the total equity as of 1 January 2004, but has a positive effect on the gains on sale in 2004 according to IFRS compared to N GAAP. Telenor's cumulative translation differences as of 1 January 2004 were NOK 2 billion in accordance with N GAAP.

(e) **IAS 39 "Financial Instruments: Recognition and Measurement"** is not implemented until 1 January 2005. The main effects for Telenor are expected to be:

- Accounting for derivatives qualifying as hedges under N GAAP will continue up to and including 31 December 2004.
- As of 1 January 2005, Telenor will record all derivative instruments and interest-bearing liabilities that qualify for hedge accounting at fair value. This will decrease equity as of 1 January 2005 by approximately NOK 270 million.
- Interest rate derivatives used to manage the overall risk of Telenor's debt portfolio will not qualify for hedge accounting according to IFRS, effective as of 1 January 2005. This is a change compared to N GAAP. These derivatives will be treated as stand alone financial instruments and gains or losses from fair value adjustments will be recorded to the statement of profit and loss subsequent to 1 January 2005.
- Bonds and derivatives designated as hedge objects and hedge instruments, respectively, for fair value hedges will be presented gross in the balance sheet. For N GAAP, these hedge relationships were presented net.
- Telenor will record shares held-for-sale at estimated fair value. Changes in the fair values of investments in shares will be recorded in a separate component of equity until impaired or sold. This will increase equity as of 1 January 2005 by approximately NOK 460 million.

RECONCILIATION OF NET INCOME AND EQUITY FOR THE TELENOR GROUP FROM N GAAP TO IFRS

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

Consolidated Statement of Profit and Loss

In NOK millions except per share amounts	Note	N GAAP 2004	IFRS reclas-sification	IFRS adjustments	IFRS 2004
Revenues	1a), 1b)	**60,752**	**–**	**(51)**	**60,701**
Gains on disposal of fixed assets and operations	2)	550	(550)	–	–
Total revenues		**61,302**	**(550)**	**(51)**	**60,701**
Operating expenses					
Costs of materials and traffic charges	1b)	16,070	–	(20)	16,050
Own work capitalized		(557)	–	–	(557)
Salaries and personnel costs	1b), 3), 4)	10,021	–	(51)	9,970
Other operating expenses	1b), 2), 5)	14,873	(898)	(104)	13,871
Losses on disposal of fixed assets and operations	2)	74	(74)	–	–
Other income and expenses	2), 10)	–	422	(12)	410
Amortization of goodwill	7)	939	–	(939)	–
Depreciation and amortization - other	5), 6)	10,684	–	(47)	10,637
Write-downs	8)	2,596	–	935	3,531
Total operating expenses		**54,700**	**(550)**	**(238)**	**53,912**
Operating profit (loss)		**6,602**	**–**	**187**	**6,789**
Associated companies	9)	**718**	**–**	**268**	**986**
Financial income and expenses					
Financial income		496	–	–	496
Financial expenses	5)	(1,534)	–	(27)	(1,561)
Net currency loss		(87)	–	–	(87)
Net gain (loss) and write-downs of financial items	10)	2,651	–	22	2,673
Net financial items		**1,526**	**–**	**(5)**	**1,521**
Profit (loss) before taxes and minority interests		**8,846**	**–**	**450**	**9,296**
Taxes	11)	(2,244)	–	(55)	(2,299)
Profit (loss) before minority interests		**6,602**	**–**	**395**	**6,997**
Minority interests		(1,244)	–	(76)	(1,320)
Net income		5,358	–	319	5,677
Net income (loss) per share in NOK (basic), excluding treasury shares		3,07	–	0.18	3.25
Net income (loss) per share in NOK (diluted), excluding treasury shares		3,06	–	0.18	3.24

In NOK millions	Note	Net income 2004	Equity 01.01.04	Equity 31.12.04
Net income and shareholders' equity — N GAAP		**5,358**	**37,237**	**37,594**
Amortization of goodwill, negative goodwill	7)	939	343	1,282
Depreciation and amortization — other	6)	63	–	63
Write-down of goodwill	8)	(935)	–	(935)
Business combinations and translation differences	8)	–	–	550
Pensions	3)	95	(1,825)	(1,730)
Asset retirement obligations	5)	(46)	(296)	(342)
Sharebased compensation	4)	(19)	–	–
Sale of software	1a)	51	(267)	(216)
Associated companies	9)	268	(139)	129
Adjusted gains	10)	34	–	6
Tax on IFRS adjustments	11)	(55)	595	540
Dividends	12)	–	1 776	2 602
Minority interests	13)	(76)	226	150
Total adjustments		**319**	**413**	**2,099**
Net income and shareholders' equity — IFRS		**5,677**	**37,650**	**39,693**

NOTES

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

This reduces equity as of 1 January 2004. Revenues and profit before taxes and minority interest for 2004 increases by NOK 51 million.

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

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

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

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

3) Under IFRS, cumulative unrecognized actuarial losses on pension obligations of NOK 1,825 million are recorded to equity as of 1 January 2004. As a result, amortization of actuarial losses of NOK 95 million for 2004 recorded to salaries and personnel expenses is reversed for IFRS compared to the N GAAP.

4) Share-based compensation increases salary and personnel expenses by NOK 19 million for 2004 according to IFRS. This has no effect on equity.

5) According to IFRS, an asset retirement obligation exists where Telenor has a legal or constructive obligation, whether contractual, by law, or by a promissory estoppel, to settle an asset retirement obligation. Where Telenor is required to settle an asset retirement obligation, Telenor has estimated and capitalized the net present value of the obligations and increased the carrying value of the related long-lived asset, with an amount equal to the depreciated value of the asset retirement obligation. Subsequent to the initial recognition, an accretion expense is recorded relating to the asset retirement obligation, and the capitalized cost is expensed as ordinary depreciation in accordance with the related asset. Under N GAAP, asset retirement obligations are limited to expenses to material known and planned removals within a reasonable timeframe.

The accumulated effects of NOK 296 million of asset retirement obligations are recorded to equity as of 1 January 2004. Net income for 2004 is affected by the subsequent expense of NOK 46 million, of which depreciation of fixed assets is NOK 17 million and interest expense is NOK 27 million.

6) Adjustment of the fair value for the acquisition of Sonofon results in lower amortization and depreciation expense related to other intangible assets and tangible fixed assets in 2004 according to IFRS compared with N GAAP, see "(a) business combinations" above.

7) Goodwill will no longer be amortized under IFRS, beginning from 1 January 2004 but is tested for impairment on an annual basis and whenever indicators of impairment arise.

In accordance with the transitional rules in IFRS 1, negative goodwill of NOK 343 million on Utfors AB was recorded to equity as of 1 January 2004.

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

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

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

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

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

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

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

10) According to IFRS, gains on disposals of operations and financial assets increase compared to N GAAP for 2004, due to the effects of changes in pension obligations and translation differences.

11) Tax on IFRS adjustments relate primarily to pensions, asset retirement obligations and the sale of software. In addition, in 2004 a tax income of NOK 25 million is recorded for IFRS compared to N GAAP, see 8) above.

12) Under N GAAP, dividends payable reduces shareholders' equity for the year in which it relates. Under IFRS, dividends payable is recorded as a reduction of shareholders' equity in the year it is approved.

13) Minority interests for IFRS adjustments relate primarily to EDB Business Partner ASA.

CASH FLOW STATEMENT

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

BALANCE SHEET

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


Saturday?
Send me a
with the punches.
the one to need
Has he called yet? Three
You look good. Well, say
nå. Så utrolig skille her på
ønske du var her. Let's go to

Mobile markets mature quickly. Telenor will meet the competition by pursuing synergies and developing new services.

Telenor – 150 years

For 150 years, Telenor has been Norway's leading telecommunications provider, and today the company is positioned as an innovative international player. Here are a few key moments in Telenor's history:

2004
Telenor opens the first UMTS mobile network in Norway. Telenor enters into an agreement to roll out mobile communications infrastructure in Pakistan.

2002
The headquarters in Oslo is inaugurated.

2000
Telenor AS is partly privatised. Telenor buys into TAC/UCOM in Thailand (30% in TAC and 25% in the parent company UCOM).

1999
The Norwegian and Swedish states decide to intervene in the merger of Telenor and Telia. Telenor acquires a 33% share of the mobile operator DiGi in Malaysia.

1998
The last part of the monopoly on telecommunications is brought to an end.

1997
The telecommunications network is fully digitalised. Telenor enters into a consortium to build mobile networks in Ukraine and Germany, and opens mobile networks in Bangladesh and Ireland and is also awarded licences in Greece and Austria.

1996
Telenor is awarded a licence to build GSM networks in Montenegro and in Bangladesh.

1995
Norwegian Telecommunications changes its name to Telenor. Northwest GSM, where Telenor has a 13% ownership share, officially opens in St. Petersburg, Russia.

1994
Norwegian Telecommunications becomes a public corporation. International media describe the Winter Games at Lillehammer as "the Mobile Phone Olympics" – 25,000 mobile phones were in use.

1993
Norwegian Telecommunications' GSM-system is officially opened, in Tele-mobil's own network. Pannon GSM is established to deliver mobile telephony in Hungary, Norwegian Telecommunications holds a 14% share.

1992
Norwegian Telecommunications purchases the satellite "Thor", positions it at one-degree west, and a comprehensive programme for the distribution of TV signals is launched.

1991
Two licenses for GSM mobile telephony issued in Norway. One goes to Tele-mobil, owned 100% by Norwegian Telecommunications.

1988
Norwegian Telecommunications' monopoly on the sale of telephone sets ends.

1985
Automatisation of the Norwegian telecommunications network is completed.

1981
The mobile telephone is automated, and NMT is launched.

1976
Norwegian Telecom opens satellite connection from the mainland to oil installations in the North Sea.

1974
The last private telephone company, Andebu Telephone Association, is taken over by Norwegian Telecommunications.

1969
The Norwegian Telegraph Administration changes its name to Norwegian Telecommunications (Televerket), and transmission of data over the network is introduced.

1967
Last private city exchange, Mandal, taken over by The Norwegian Telegraph Administration.

1966
The manual mobile telephone is introduced.

1946
Telex services appear in Norway.

1920
The first automatic exchanges are installed in Norway (completed in 1985).

1918
The first automatic exchange appears.

1906
Telecommunications using radio waves officially opened between Røst and Sørvågen. This is one of the first of its kind in Europe.

1893
The first international telephone line set up, between Christiania and Stockholm.

1880
International Bell Company opens for traffic in Oslo.

1870
Telegraphy reaches Vardø in the far north of Norway, thereby securing nationwide coverage.

1869
Cable connection to Great Britain opened.

1867
Cable connection to Denmark opened.

1855
The Norwegian Telegraph Administration's first telegraph line, between Drammen and Christiania, is officially opened on 1 January.

MEMORANDUM AND ARTICLES OF ASSOCIATION OF TELENOR ASA

(Last amended 15 February 2005) – Translation from Norwegian

§ 1
The Company's name is Telenor ASA. The Company is a public limited company.

§ 2
The Company's registered office is in the municipality of Bærum, Norway.

§ 3
The Company's objects are to carry on a telecommunications business and any other business related thereto. The business may be carried on by the Company itself, or by its subsidiaries, or through participation as a joint venture partner in other companies or in co-operation with other companies.

§ 4
The Company's share capital is NOK 10,502,090,304.00 divided into 1,750,348,384 shares of a nominal value of NOK 6 each.

§ 5
The number of Directors shall be at least five but may not exceed eleven.

§ 6
The Chairman of the Board of Directors or the Vice-Chairman and one other member of the Board are authorised jointly to sign for the Company.

§ 7
The Company shall have a Corporate Assembly of 15 members. The members and the deputy members shall be elected for a term of 2 years. 10 members and three deputy members for those members shall be elected by the General Meeting. Five members and two observers with deputy members shall be elected by and from among the employees according to the rules in the Regulations to the Act relating to Public Limited Companies (Norway) governing the employees' right of representation on the board of directors and corporate assemblies of public limited companies, etc.

§ 8
The Company's General Meeting shall be chaired by the Chairman of the Corporate Assembly.

The Annual General Meeting shall be held before the end of June each year. The Annual General Meeting shall be called with at least two weeks' prior written notice. The notice of the meeting shall be accompanied by the agenda. Shareholders wishing to attend the Annual General Meeting must, subject to further decision of the Board, notify the Company to that effect no later than three days prior to the Annual General Meeting.

The Annual General Meeting shall transact the following business:

1. Approval of the financial statements and annual report, including distribution of dividend.
2. Other business which under Norwegian law or the Articles of Association falls under the Annual General Meeting.

The Company's General Meetings may be held in the municipality of Oslo, Norway.

§ 9
The Company shall have an Election Committee. The task of the Election Committee is to submit nominations to the General Meeting for the election of shareholder-elected members and deputy members to the Corporate Assembly, and to submit nominations to the Corporate Assembly for the election of shareholder-elected members and deputy members to the Board of Directors.

The Election Committee shall consist of four members who must be shareholders or representatives of shareholders. The Chairman of the Corporate Assembly is a permanent member and Chairman of the Election Committee. Two members shall be elected by the General Meeting, and one member shall be elected by and from among the shareholder-elected members and deputy members of the Corporate Assembly. The members of the Election Committee shall be elected for a term of two years.

Subject to motion from shareholder-elected members of the Board of Directors, the shareholder-elected members of the Corporate Assembly may adopt instructions for the Election Committee.

ELECTED OFFICERS AND MANAGEMENT

Corporate Assembly

Members elected by the shareholders
Chairman: Mona Røkke, Tønsberg
Bjørg Simonsen, Andfiskå
Jan Erik Korssjøen, Kongsberg
Randi Braathe, Rygge
Jostein Devold, Kristiansand
Rune Selmar, Oppegård
Hans Olav Karde, Tromsø
Nils-Edvard Olsen, Kirkenes
Signe Marie Jore Ritterberg, Oslo
Jørgen Ole Haslestad, Germany

Alternates elected by the shareholders
Inger-Grethe Solstad, Stavanger (1. alternate)
Stener Lium, Ranheim (2. alternate)
Siri Pettersen Strandenæs (3. alternate)

Members elected by the employees
Berit Kopren, Stavanger
Astri Skare, Bergen
Jan Riddervold, Lillehammer
Stein Erik Olsen, Flaktveit
Arne Jenssen, Trondheim

Alternates elected by the employees
Esther M. Strømme, Oslo
Francisco M. Rasmijn, Nesoddtangen
Ragnhild Holm, Bardu

Observers for the employees
Grethe Elin Henriksen-Alves, Oslo
Brit Østby Fredriksen, Drøbak

The Board of Directors

Members elected by the shareholders
Chairman: Thorleif Enger, Oslo
Vice-chairman: Bjørg Ven, Oslo
Hanne de Mora, Switzerland
Jørgen Lindegaard, Sweden
John Giverholt, Asker
Liselott Kilaas, Oslo
Paul Bergqvist (from 7 April 2005)

Members elected by the employees
Per Gunnar Salomonsen, Skien
Irma Tystad, Trysil
Harald Stavn, Kongsberg

Alternates elected by the employees
Ragnhild Hundere, Otta
Marianne Losnegaard Jensen, Oslo
Roger Rønning, Skotterud
Helge Enger, Brandval
Hjørdis Henriksen, Sortland

Group Management

Chief Executive Officer
Jon Fredrik Baksaas

Senior Executive Vice President
and Chief Financial Officer
Torstein Moland

Senior Executive Vice President and head
of Telenor's international mobile operations
Arve Johansen

Executive Vice President and head
of Telenor's Nordic mobile and fixed
network operations
Morten Karlsen Sørby

Executive Vice President
Jan Edvard Thygesen

Executive Vice President and head of
Telenor's Broadcast operations
Stig Eide Sivertsen

Annual reports on the web
Telenor's annual reports since
1994 are published on Telenor's website:
www.telenor.com/ir/annual reports

Social report
Telenor's corporate social responsibility,
including goals, initiatives and results, is
described in a separate section on Telenor's
website: www.telenor.com/csr

Financial calendar 2005

Wednesday 27 April
Results for the 1st quarter 2005. Capital Markets Day

Friday 20 May
Annual General Meeting

Friday 22 July
Results for the 2nd quarter 2005

Thursday 27 October
Results for the 3rd quarter 2005

This report contains statements regarding the future prospects of Telenor, involving growth initiatives, profit figures, strategies and objectives. The risks and uncertainties inherent in all statements regarding the future can lead to actual profits and development deviating substantially from what has been expressed or implied. The risk factors associated with Telenor's business activities are also described in form 20-F, which has been submitted to the Securities and Exchange Commission: (Available on: www.telenor.com/ir/annual_reports)

MILJØMERKET 241 450 Trykksak

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Telenor ASA
N-1331 Fornebu, Norway
Telephone: +47 67 89 00 00

Investor Relations:
Tel: +47 67 89 24 70

e-mail: ir@telenor.com