telenor
group

Annual Report 2010

Contents

Dear shareholder,

In December 2010, we marked the 10 year anniversary for Telenor as a listed company on the Oslo Stock Exchange. During this period, our shareholders have experienced an average annual return on investment of around 10 per cent, outperforming the European telecom industry index.

In 2010, we delivered solid results and strong growth. We confirmed our position as one of Europe's fastest growing telecoms operators by adding 23 million mobile subscriptions during the year, mainly in Asia. We also started to see positive results from our strong focus on the go-to-market model in India, which represents a growth opportunity for Telenor Group in the coming years. We are closely monitoring the regulatory developments in India as we enter 2011.

Telenor has been a strong contributor to VimpelCom for many years, and VimpelCom has been a profitable investment for Telenor Group. Although we consider VimpelCom's acquisition of Wind Telecom as value destructive we regard VimpelCom as an attractive asset with strong growth potential going forward. As we enter 2011 we will continue to protect our rights as established in the shareholders agreement in order to avoid dilution, and continue to work for growth and operational improvements in VimpelCom.

Our industry is growing and changing. The increasing number of people with connectivity, the expanding capabilities and role of communications technologies in society and the increasing demand for network capacity is transforming our industry. The developments also allow the telecoms sector to transform other industries, unlock new opportunities and improve the lives of the previously unconnected in all parts of the world.

Responsibility is part of how we do business. It is rewarding to experience how our ideas are realised in services that have a positive impact on people and societies, and how we enable underserved groups to have the full benefits of modern telecommunications. Telenor strives to ensure a safe experience for our customers. We have continued our focus on responsible and sustainable business by systematically addressing the health, safety, security and environmental conditions in our companies and towards our suppliers.

Moving into 2011, the Telenor Group will strive to secure our market positions, continue implementing necessary efficiency measures and adapt to the new realities within our industry. We will continue to provide innovative and attractive solutions for our customers through actively exploring new areas for value creation by working with partners and customers.

With more than 30 000 competent employees worldwide dedicated to the same vision and values, I am confident that Telenor Group will continue to secure growth and value for our shareholders through 2011.

Report from the Board of Directors 2010

Behind from left: Kjersti Kleven / Board member Bjørn André Anderssen / Board member, employee representative Barbara Milian Thoralfsson / Board member Harald Stavn / Board member, employee representative Harald Norvik / Chairman Olav Volldal / Board member John Giverholt / Vice-Chairman Brit Østby Fredriksen / Board member, employee representative
In front from left: Dr. Burckhard Bergmann / Board member Liselott Kilaas / Board member Sanjiv Ahuja / Board member

In 2010, the Telenor Group had solid financial and operational results, and returned an all-time high total shareholder remuneration of NOK 9 billion. It was a year of recovery from the financial crisis in most of Telenor's markets, and especially the Asia region contributed to Telenor Group's growth. The results are won in a climate with increasing price competition and rapid technological changes that challenge the core business and established business models. Telenor's strategy is to focus on operational excellence at all levels, continuing modernisation of networks and systems, and market based innovation.

Main events of 2010

The Nordics invest in mobile network modernisation

Demand for mobile data in the Nordic region continued to increase throughout 2010. The introduction of devices such as smartphones and tablets is just the beginning of the new demand for alternative device types that will require further network capacity. All of Telenor's Nordic operations are currently investing in modernisation of their mobile networks to be well positioned for future increase in data traffic. In November 2010, Telenor Sweden became the first in the Group to launch its 4G (LTE) network. With 4G services currently available in Sweden's largest cities, Telenor Sweden plans to make 100 locations 4G-ready by 2013. Telenor will launch 4G services in Norway and Denmark in 2012. High quality services will continue to be key to improving efficiency and enhancing customer experience.

CEE embraces the mobile Web

Telenor's operations in Central and Eastern Europe reported a marginal revenue decline in 2010. However, Telenor's operations in Serbia and Montenegro showed growth in the second half of 2010, while Telenor in Hungary still experiences effects of the financial crises.

Telenor Serbia was the first in the Telenor Group to launch a new mobile Internet offering for nearly any mobile phone. The new offer brings mobile Web content to phones running on the company's 2G and 3G network.

Telenor Montenegro completed its network modernisation in 2010, and Telenor Serbia and Telenor Hungary are currently undertaking similar upgrades. These investments will provide faster and better data services through mobile broadband.

VimpelCom Ltd.

The new VimpelCom Ltd. was established and listed on the New York Stock Exchange (NYSE) on 21 April 2010, combining OJSC VimpelCom and Kyivstar to create a leading emerging markets mobile operator. On 4 October 2010, VimpelCom Ltd. announced its plans to merge with Wind Telecom. For updated information go to the section titled: "Events after the reporting period".

23 million new subscriptions in Asia

The Telenor Group's Asian operations performed strongly in 2010, with a total of 23 million new subscriptions, representing a growth of 31%. This growth was largely driven by Uninor in India and Grameenphone in Bangladesh.

Telenor Pakistan reported a 16% revenue increase despite the effects of the flooding in 2010. Employees in Telenor Pakistan showed strength in the face of adversity, joining forces to maintain network stability under difficult conditions and volunteering to aid flood victims.

Telenor Pakistan made mobile financial services an important part of their customer offering in 2010. Following its launch in late 2009, Telenor Pakistan's award-winning Easypaisa mobile banking service took off in insurance and savings products through its partnership with Tameer Bank.

Uninor in India reported a total of 12 million subscriptions at the end of its first full year of operation. Uninor's go-to-market model has been tuned and improved. India is a very competitive market with a challenging regulatory environment, and Uninor will work at being an effective, low-cost operator.

Financials

Revenues in 2010 were NOK 94.8 billion, a 5% growth compared to NOK 90.7[1] billion in 2009. The organic revenue growth of 6% was mainly the result of growth in our Asian operations and increased demand for mobile data.

EBITDA[2] before other income and expenses decreased by NOK 1.5 billion to NOK 29.2 billion, while the corresponding EBITDA margin of 31% decreased by around 3 percentage points, compared to 2009. Margin improvements in most operations, in particular in Pakistan, Malaysia and Thailand, were more than offset by cost in the operation in India.

Operating profit was NOK 12.5 billion compared to NOK 13.2 billion in 2009. Operating profit was negatively affected by a decrease in EBITDA as explained above and by higher depreciations and amortisations of NOK 1.2 billion, mainly related to network replacement in Norway and high investments in the Asian operations.

Profit before taxes was NOK 20.2 billion compared to NOK 14.9 billion in 2009. Share of net income and gains on disposal of associated companies increased by NOK 6.0 billion to NOK 9.7, billion mainly due to a gain related to the contribution of Kyivstar to the new entity VimpelCom Ltd. of NOK 6.5 billion. Net financial income (expenses) was NOK -2.0 billion both in 2010 and 2009. Income taxes in 2010 were NOK 5.0 billion, up from NOK 4.1 billion in 2009. Telenor's net income in 2010 was NOK 14.8 billion, NOK 8.69 per share. The corresponding figures for 2009 were NOK 10.1 billion and NOK 5.22 per share, respectively. Total investments in 2010 amounted to NOK 13.4 billion, of which NOK 11.9 billion were capital expenditure (capex) and NOK 1.5 billion were investments in businesses. Total capex decreased by NOK 4.3 billion. When excluding investments in new spectrum and licences in 2010 of in total NOK 0.3 billion, capex decreased by NOK 4.6 billion. The reduction was mainly due to lower investments in Uninor and Broadcast.

The net cash inflow from operating activities was NOK 26.5 billion in 2010 compared to NOK 30.6 billion in 2009, a decrease of NOK 4.1 billion. The reduction is mainly explained by a NOK 1.5 billion decrease in EBITDA, NOK 3.0 billion higher income tax payments and NOK 3.0 billion lower dividends received from associated companies. These negative effects were partly offset by positive change in working capital and currency effects of NOK 3.4 billion. The net cash outflow from investing activities during 2010 was NOK 15.6 billion, an increase of NOK 1.9 billion. The increase is mainly explained by the acquisition of C More Group AB in 2010. Despite high capital expenditure payments in Uninor, the capital expenditure payments for the Telenor Group in 2010 were at the same level as in 2009. The net cash outflow from financing activities during 2010 was NOK 9.3 billion, a net decrease of NOK 3.9 billion. The net decrease mainly consists of higher net repayment of debt in 2009 of NOK 11.3 billion which is partly offset by a net increase of dividend payments to shareholders of Telenor ASA and non-controlling interests in 2010, as well as share buy-back totalling NOK 7.4 billion. Cash and cash equivalents increased by NOK 2.0 billion during the year 2010 to NOK 13.6 billion as of 31 December 2010.

[1] Corresponding figures for 2009 have been adjusted to reflect reclassification to discontinued operation, see note 15 to the consolidated financial statements on page 44.
[2] See definition and reconciliation of EBITDA in note 5 to the consolidated financial statements.

At the end of 2010, total assets in the consolidated statement of financial position amounted to NOK 172.7 billion with an equity ratio (including non-controlling interests) of 55.7% compared to NOK 166.0 billion and 51.2%, respectively at the end of 2009. The increase of NOK 6.7 billion was mainly due to an increase in the carrying amounts of associated companies resulting from the contribution of Kyivstar to VimpelCom Ltd upon their merger. Total current liabilities at the end of 2010 were NOK 43.0 billion compared to NOK 39.5 billion at the end of 2009. Net interest-bearing liabilities decreased from NOK 26.3 billion at the end of 2009 to NOK 19.3 billion by the end of 2010. The decrease of NOK 7.0 billion was mainly due to debt repayments, the effect of the deemed disposal of EDB Business Partner ASA of NOK 2.7 billion and the increase in cash and cash equivalents during 2010. In the Board's view, the Telenor Group holds a satisfactory financial position.

Telenor's annual report for 2009 included an outlook for 2010, including EDB Business Partner ASA as if consolidated. This outlook was adjusted during 2010, partially due to the fact that the Asian operations improved their performance and the deconsolidation of EDB. The outlook for 2010 was most recently updated in Telenor's quarterly report for the third quarter of 2010. For 2010, Telenor (excl. EDB Business Partner) had an organic revenue growth of 6%, which is slightly above the outlook from the third quarter of 2010. EBITDA margin before other items was 31%, in line with the expected range of 30-31%. Capex (excluding licences and spectrum) as a proportion of revenues from continuing operations was 12% in 2010, in line with the expectation.

In accordance with section 3-3a of the Norwegian Accounting Act, the Board confirms that the prerequisites for the going concern assumption exist and that the financial statements have been prepared based on the going concern principle.

Telenor Group operations

The Telenor Group's main operations are concentrated in three geographic regions: The Nordics, Central and Eastern Europe, and Asia. Telenor Group has mobile operations in 11 markets in these regions, as well as an economic stake of 39.6 % in VimpelCom Ltd., which operates in 10 markets. Telenor's operations in Norway, Sweden and Denmark also offer fixed telecommunication services. In addition to the mobile and fixed operations, the Group's core business includes Telenor Broadcast, which has a leading position in the Nordic market for TV services and satellite broadcasting.

Please note that all comments below are related to development in local currency for 2010 compared to 2009 unless otherwise stated.

Nordic region

Telenor's number of mobile subscriptions in the region increased by 140,000, reaching 7.1 million by the end of 2010. The growth was primarily driven by strong demand for mobile data.

In Norway, total revenues were stable at NOK 26 billion. Increased sale of mobile data services along with increased handset sales and wholesale revenues contributed to the growth in mobile revenues of 4%. Fixed revenues declined by 3% in 2010, compared to a 2% reduction in 2009, in line with previous trends. EBITDA before other income and expenses was stable at the same level as in 2009; 40 % margin.

In Sweden, Telenor's total revenues in local currency increased by 3% compared to 2009, up to NOK 9.5 billion. Mobile revenues driven by demand for mobile data increased by 9% despite a reduction in interconnect rates and roaming charges. Continued reduction in the number of telephony and broadband subscriptions resulted in a 10% decline in fixed revenues. The EBITDA margin before other income and expenses improved by 2 percentage points, bringing it to 24%, due to revenue growth and cost efficiency activities. Telenor Sweden was the first company in Telenor Group to launch LTE services in November 2010, a joint network with Tele2.

Telenor in Denmark experienced a growth in total revenues in local currency of 2% from 2009 to 2010, up to NOK 7.3 billion. Mobile revenues increased by 6%, as higher data and wholesale revenues more than offset the reduction in roaming charges and interconnect rates. The fixed line operation continued to decline as the number of subscriptions and prices fell. The EBITDA margin before other income and expenses was stable at 24%

In the Nordic market for TV services, Telenor Broadcast maintained its leading position in 2010. Revenues grew by 3% up to NOK 8.8 billion, partly due to higher broadband and decoder penetration among Nordic pay-TV subscribers. The EBITDA margin before other income and expenses in 2010 was 25%, an increase of 2 percentage points compared to 2009. This increase was mainly related to increased revenues in Canal Digital.

Central and Eastern Europe

The effects of the general weakening of the economy in the CEE region, as well as currency effects and a crisis tax in Hungary, affected Telenor's businesses in a negative way in 2010. As in 2009, our operational priorities in 2010 have been to maintain revenue market share and solid operating cash flow margins.

Telenor Hungary experienced a 7% revenue decline in local currency resulting in total revenues of NOK 4.8 billion, partly due to continued reduction in interconnect and roaming fees as well as a result of reduced subscription and traffic revenues from own subscriptions following the general economic pressure. EBITDA margin before other income and expenses in 2010 was 37%, a decreased of 5 percentage points compared to 2009. The main reason for this decrease was the crisis tax levied upon the telecommunication industry in Hungary for the three years 2010 to 2012 after the Hungarian Parliament passed this tax in October 2010. When excluding the crisis tax the EBITDA margin before other income and expenses was in line with 2009. Telenor is protesting against this extra taxation and is of the opinion that such taxation is a not sound way forward for Hungary. The telecom sector is a key driver for economic growth, and the investment climate in Hungary is becoming substantially less attractive with such taxation.

In Telenor Serbia, revenues in local currency increased by 7% up to NOK 2.6 billion compared to 2009, driven by higher subscription base, increased average usage, as well as higher wholesale revenues. The EBITDA margin before other income and expenses decreased slightly to 40% in 2010.

In Telenor Montenegro, revenues in local currency declined by 4% up to NOK 160 million from 2009 to 2010 as increased competition resulted in substantially lower prices. EBITDA margin before other income and expenses in 2010 was 45%, an increase of 2 percentage points compared to 2009 due to extensive cost management.

Asia

Telenor Group's Asian operations in Thailand, Malaysia, Bangladesh, Pakistan and India added 23 million subscriptions, reaching 97 million in 2010. The subscription growth was mainly driven by Uninor in India and Grameenphone in Bangladesh.

In Thailand, DTAC's revenues in local currency increased by 10 % up to NOK 13.8 billion, mainly driven by subscription growth and smartphone demand. The EBITDA margin before other income and expenses was 35% in 2010, an increase of 4 percentage points from 2009. This increase was mainly caused by higher revenues, an improved interconnect balance and lower operating expenses, and in addition a one-time interconnect revenue from CAT/Hutch of NOK 160 million.

In Malaysia, DiGi's revenues in local currency increased by 10% up to NOK 10.2 billion, driven by subscription growth and demand for mobile data. The EBITDA margin before other income and expenses was 44% in 2010, an increase of one percentage point from 2009.

Grameenphone in Bangladesh increased its revenues in local currency by 14% up to NOK 6.5 billion, driven by strong subscription growth. Intense competition required higher subsidies which contributed to a reduction of 8 percentage points in EBITDA margin before other income and expenses to 49% in 2010. The SIM tax continues to be a significant barrier for the industry, and operators, for the sake of industry growth, are taking hits in profitability by subsidizing the SIM tax.

Telenor Pakistan increased revenues in local currency by 16% up to NOK 4.6 billion while the EBITDA margin before other income and expenses increased by 6 percentage points to 30% in 2010. The EBITDA margin improvement was a result of continued subscription growth in combination with lower subscriber acquisition costs.

In India, Uninor reported 12 million subscriptions by the end of its first full year of operation. Services were available in 13 telecom regions. Revenues were NOK 0.8 billion and the EBITDA loss was NOK 4,2 billion. Capital expenditures were reduced by NOK 2.1 billion to NOK 1.6 billion.

Other units

Revenues in other units remained stable at NOK 3.2 billion compared to 2009. In the third quarter of 2010, EDB Business Partner merged with ErgoGroup and the new company EDB ErgoGroup ASA is accounted for as an associated company. The income statements were reclassified to present EDB as discontinued operations. EBITDA improved as a result of reduced losses related to Cinclus Technology. EBITDA before other income and expenses was NOK -263 million in 2010 as compared to NOK -408 million in 2009.

Telenor Next was established in 2010 to contribute to Telenor's long term growth. By seeking business opportunities in areas where Telenor has previous experience or in adjacent markets to existing businesses, Telenor can nurture new and innovative business possibilities.

For supplementary segment information, reference is made to note 5 to the consolidated financial statements.

Research, innovation and corporate development

The dominant innovation system on today's global telecom scene is referred to as "open innovation", based on collaboration between partners from various industries and academia. Taking an active part in this system, Telenor has a broad approach to innovation. Spanning from incremental improvements of its core business to radical innovations to create new business opportunities, innovation activities are closely integrated in all of Telenor business units. In order to ensure the best possible customer experience, Telenor conducts research and facilitates customer driven innovations, combining consumer needs with technological possibilities.

By further developing and managing vendor strategies and portfolio across the Group, Telenor has in 2010 achieved good progress in lowering its operating costs and capex. Considerable efforts have also been put into driving operational excellence and best practice sharing across all business units. Collaboration in global teams has facilitated these processes, and business development and operational support across the Group are part of the agenda.

The Group aims to secure its position in the service delivery value network by optimising distribution and retail of relevant content and services to Telenor customers. Other key areas include leveraging of Group scale and competence within selected fields, such as customer experience, branding, technology, and IS/IT infrastructure.

Innovation is performed in many and varied projects, from Group level projects to large and small service and product development activities in the business units. While NOK 387 million has been recognized as research and development (R&D) cost in the profit and loss accounts for 2010 (NOK 441 million in 2009), the total amount spent on innovation exceeds this by far. Most of these activities are integrated in all business units across the Group, and are not captured as specified R&D items in the accounts. Examples of such investments include:

- Over the top services, which are being developed in order to be prepared for telecom and media services delivered independently of operators' networks (e.g. mobile VoIP).
- Network upgrading to 4G in order to develop and offer new wireless broadband services
- Financial services, from banking the unbanked in emerging markets to ordinary payment services
- New businesses within M2M connectivity and platforms, digital marketplaces, mobile health services, mobile services for planes and shipping, mobile advertising, etc.

Research linked to business challenges

Telenor's research agenda is dedicated to four prioritized areas that are closely linked to major business challenges: customers and brands, future technologies, new services such as mobile financial services, and business models. Considerable effort is put into focus areas such as the ultimate customer experience, mobile Internet and machine-to-machine (M2M) communication. Telenor collaborates with industry and research institutions worldwide, securing access to relevant, cutting edge knowledge. Telenor participates in a number of international projects, including EU research programmes and the global GSM Association, and contributes to standardisation bodies.

Health, Safety, Security and the Environment (HSSE)

In 2010, the Telenor Group has continued to work proactively and systematically within the areas of health, safety, security and the environment through its business assurance activities in all business units.

The focus on HSSE is strong across the Group. In 2010, Telenor continued to implement its HSSE Management System in accordance with OHSAS 18001 (occupational health & safety) and ISO 14001 (the environment) across the Group. By the end of 2010 the system was successfully implemented in almost all business units.

HSSE awareness was also prioritised in 2010. Across the Telenor Group more than 22,000 people took part in locally initiated HSSE awareness programmes. In addition, a total of 90% of employees throughout the Group participated in a group-initiated HSSE awareness program called "Zero". On average, every employee attended two HSSE training programs in 2010.

Telenor incurred one work-related fatality among employees during 2010, when an employee in Bangladesh suffered from electrocution while working with a portable generator. In addition, one work-related fatality was reported among in-house contractors in Serbia (traffic accident) and one work-related fatality was reported among first line suppliers in Pakistan. For the entire Group, the Lost-Time Injury Frequency (LTIF) for Telenor was 0.45 injuries per million worked hours in 2010, compared to 0.86 injuries per million in 2009. The sickness-related absence frequency for the Group in 2010 was 2.0%, comprised of 3.8% in the Nordic region, 2.9% in the CEE region, and 1.0% in Asia.

The Telenor Group worked systematically to reduce HSSE risk in the supply chain in 2010, as in 2009. By the end of 2010, a majority of Telenor Group's suppliers worldwide had committed to the company's Supplier Conduct Principles. Telenor has monitored the effects of this closely. During 2010, Telenor Group carried out 2,082 announced or unannounced supplier inspections.

For information on CO_2 emission and other environmental issues, please see the last section under corporate responsibility below.

People Development

At the end of 2010, the Telenor Group had 33 220 employees, 25 960 of whom are outside of Norway. Adjusted for the deemed disposal of EDB Business Partner ASA, this is a three per cent reduction compared to 2009.

The Telenor Group works consistently to attract and retain skilled and motivated employees and managers who have a strong commitment to the business, in line with the Group's ethical framework and values. In 2010, the Group continued the global Telenor Development Process which consists of a number of sub-processes such as workforce planning, performance review and leadership development. Telenor strives consistently to develop leadership capabilities and knowledge.

During 2010, Telenor maintained its focus on talent management and "The Telenor Way", a concept that defines Telenor's norms and values as the basis for a common way of working. The Telenor Way includes five elements: Vision, Company Values, Codes of Conduct, Policies and Procedures and Leadership Expectations.

The Telenor Group is committed to ensuring diversity and non-discrimination in the Group. All employees of the Telenor Group have signed the company's Codes of Conduct. By doing so, they are committed to opposing discrimination and shall do their utmost to promote equality in all employment practices. No direct or indirect negative discrimination shall take place, and the Telenor Group does not tolerate degrading treatment of any employee.

The Telenor Group operates the "Telenor Open Mind" programme. This programme offers physically disabled people two years of job training in the Group. So far, approximately 75% of the participants secured permanent employment after completing the programme. The Telenor Group sets requirements for diversity in recruitment and development programmes.

Telenor is committed to develop a healthy balance between work and private life.

35% of the total workforce consists of women in the Telenor Group. The corresponding figure for managers is 20%[3]. In 2010, 22% of the participants in Telenor Group's management development programmes were women. In 2010, the Board of Telenor ASA consisted of four women and seven men.

[3] Compared to 2009, the female ratio among managers is reduced from 25% to 20% due to an increase of managers following the build-up in India, of which the vast majority is men. Adjusted for this, the female manager ratio in Telenor Group was 26% in 2010

Corporate responsibility

The ICT industry has proven positive effects on economic growth and social welfare. Our industry has the power to transform society, which is why corporate responsibility is an important part of how Telenor Group operates. Our aim is to extend the wider benefits of telecommunications to as many people as possible.

In 2010, Telenor Group was once again ranked among the top five in the Mobile Telecommunications Sector by the Dow Jones Sustainability Indexes (DJSI). DJSI tracks the performance of the world's leading companies in terms of corporate sustainability performance and assesses the companies based on their combined performance on a range of economic, social and environmental criteria. Telenor achieved top scores in the categories "Digital Inclusion" and "Impact of Telecommunication Services".

In 2010 a new Corporate Responsibility (CR) strategy for Telenor Group was put in place. It lays the foundation for a focused, more coherent CR approach within the Telenor Group and will ensure a business-integrated approach to CR. Three focus areas are defined: "Enable" – to positively impact underserved groups through innovative use of telecommunications, "Safe" – to provide safe services and safe user experiences and "Climate" – to contribute to reduce climate change. In addition, the CR strategy commits all business units to pursue sound business practices and transparent reporting and communication.

Telenor Group encourages all of its business units to develop projects that enable more people to access and share vital information through innovative use of telecommunications. One example of such a project is Telenor Serbia's "Povezivanje", which was launched in 2010. Telenor Serbia, in partnership with UNICEF Serbia and the Serbian Ministry of Health, are now working to improve health information and access to health services for the Romany population of Serbia.

As the Telenor Group strives to give customers the full benefit of its communications solutions, safety remains a key priority. Telenor strives to ensure a safe experience for customers by focusing on: Protecting children and young adults online, helping law enforcement prevent Internet misuse, preventing digital bullying and promoting responsible use, and continuing to ensure that all Telenor Group installations are mounted in line with the WHO approved safety guidelines for electromagnetic fields.

During 2010, Telenor Group introduced its child sexual abuse filter in Asia. This move has been made possible through cooperating with Interpol, which is responsible for all monitoring of illegal web domains. Telenor's key objectives are to prevent re-victimization, prevent criminals from profiting from distribution and to offer customers a safer Internet experience.

The telecom industry can help alleviate the effects of climate change. Telenor works to minimise its environmental impact and offers climate-friendly technologies to customers. Total 2010 Group CO_2 emissions are calculated and estimated to be 1,085 thousand tonnes (including our operations in India), which is an increase of 45% compared with total Group emissions in 2009 [4)]. The increase is mainly due to the increased activity and network expansion in India. Excluding India, the CO_2 growth rate is 2%. The numbers include the emissions caused by the production of electricity bought from electric power plants in the countries where the Telenor Group operates, in addition to Telenor's own electricity production through the use of generators. Network operations accounted for 91% of the total Group CO_2 emissions for 2010, while buildings accounted for 4% and transport and business travel 5%.

Energy efficiency has become a strategic priority for the mobile industry since energy costs are one of the main network operational costs. In 2010 Telenor Group contributed to the GSMA's efforts to develop a methodology to benchmark energy efficiency in mobile networks.

During 2010 a new Environmental Management System based on the ISO 14001 standard was implemented in all Telenor business units. All business units will be assessed during 2011.
A new non-financial reporting system has been implemented in all of the business units and was used for the 2010 reporting.

[4)] The 2009 CO_2 emissions figure have been revised due to the deemed disposal of EDB and contribution of Kyivstar in 2010. As a result, the emissions in 2009 are re-calculated to be 747 thousand tonnes of CO_2.

During 2010, Telenor Group also encouraged all business units to establish mobile recycling programmes. As of today, mobile recycling solutions are available in eight companies throughout the Telenor Group (Norway, Denmark, Sweden, Hungary, Serbia, Montenegro, Thailand and Malaysia). The total number of collected handsets was 265,000 in 2010. Telenor Group sets high standards for its recycling partners and recently signed a global agreement with an international mobile recycling partner that is ISO 14001 certified and a specialist in the repair and end-of-life management of mobile phones.

Risk factors

Operating across multiple markets exposes Telenor Group to a range of financial, regulatory, operational, industry, political and reputational risks that may adversely affect its business.

Financial risk

65% of the Group's revenues are derived from operations with a functional currency other than the Norwegian Krone (NOK), representing a major financial risk. Committed cash flows in foreign currencies equivalent to NOK 50 million or more are hedged using currency forwards contracts. Committed cash flow in foreign currencies of amounts less than NOK 50 million and uncommitted foreign currency exposure 12 months forward may also be hedged. Only the net currency exposure is hedged using the currency market.

Exchange rate fluctuation affects the value of investments in foreign operations when translating financial statements into the presentation currency of Norwegian Krone. Exchange rate risk related to some of the Group's net investment in foreign operations is hedged by issuing financial instruments in the relevant currencies when appropriate. Telenor only partly mitigates this currency risk by allocating debt on the basis of assumed market values of assets in foreign currencies and market capabilities for the relevant currencies.[5]

The Telenor Group is exposed to interest rate risk through funding and liquidity management activities. In order to manage interest rate risks, financial instruments are used, such as fixed rate debt and interest rate swaps. The Group's treasury policy states that the interest rate duration on the debt portfolio shall be in the interval from 0.5 years to 2.5 years, and was 1.4 years as of 31 December 2010 (1.6 years as of 31 December 2009).

The Telenor Group is exposed to credit risk mainly related to accounts receivables and investments in financial institutions. The Group's credit risk towards financial institutions is mainly in the form of short-term bank deposits and financial derivatives. In 2010 the Telenor Group had no direct losses due to defaults on financial institutions.

The Telenor Group emphasises the need to retain financial flexibility, and seeks to ensure satisfactory financial flexibility through access to a diversified set of funding sources.

Regulatory risk

The Telenor Group's operations are subject to extensive regulatory requirements. Unfavourable regulatory developments and regulatory uncertainty could adversely affect the Group's results and business prospects.

In many countries where the Group operates, the regulator has reduced, or has planned to reduce, the regulated price of terminating mobile calls in other networks. A dramatic reduction of the mobile termination rate could significantly reduce the revenue from mobile voice traffic.

The Telenor Group depends on licences, access to spectrum[6], and numbering resources in order to provide communications services. Spectrum processes, including renewal of existing spectrum licences in some markets, are expected in a large number of markets over the next two years. If the Group is not successful in acquiring spectrum licences or is required to pay higher rates than expected, this might impact the Group's business strategy, and/or the Group could be required to make additional investments to maximise the utilisation of existing spectrum.

In several of the countries where Telenor Group operates, the government has imposed sector specific taxes and levies. The introduction of, or increase in, sector specific taxes and levies may adversely impact the Group's business.

[5] The most significant debt currencies for Telenor Group are EUR, USD, SEK, MYR, PKR, INR and THB.
[6] Spectrum in this sense is radio waves used for transmission of data between mobile phones and antennas.

In India, key elements of the regulatory regime are under consideration by the authorities and changes are proposed that could have a major impact on Uninor's operation. In addition, both the allocation of 2G licences in 2008 and the right to receive additional 1.8 MHz spectrum (up to 6.2 MHz) are under discussion. The outcome of these processes could have a material impact on Uninor operations.

In Bangladesh, Grameenphone's 2G licence and spectrum expires in November 2011. The conditions for renewal are still unclear, and there is a risk that licence conditions will be substantially less attractive than the existing licence requirements.

In Thailand, DTAC is currently operating their HSPA network under a non-commercial test approval and there is a risk that approval(s) for full commercial operation can face delays. It is uncertain when the 2,1GHz 3G licensing process will commence as this will depend upon the formation of the new regulatory body and there is a risk of delay in this process.

Operational/Industry risk

The introduction of new business models in the telecom sector may lead to structural changes within the industry. This has the potential to impact the Group's position in the value chain, service offerings and customer relationships. This may adversely impact the Group's results of operations.

Competition across the Group's portfolio of markets revolves around four main drivers: price, network coverage, product quality and customer relationship management. Revenue growth is partly dependent on the development and marketing of new applications and services. If a new service is not technically or commercially successful, or if limitations in existing services affect the customer experience, Telenor Group's ability to attract or retain customers may be impaired.

The quality and reliability of Telenor Group's telecommunications services depends on the stability of its network and the networks of other service providers with which it interconnects. These networks are vulnerable to damage or service interruptions. Repeated, prolonged or catastrophic network or systems failures could damage the Group's ability to attract and retain subscribers.

The Telenor Group depends on key suppliers and third-party providers for supply and maintenance of equipment and services that it needs to develop its network and operate its business. Problems that manifest in relation to the supply chain may adversely affect the Group's business and results of operations.

The Telenor Group's local partners or other co-shareholders may fail to adequately support the companies in which Telenor has invested, or disagree with the Group's strategy and business plans. This may prevent these companies from operating or competing effectively.

The Telenor Group handles substantial volumes of confidential information. Loss, mismanagement or unauthorised disclosure of such information could adversely affect the Group's business.

The growing scale of the Telenor Group's international operations brings with it the potential for exposure to fraud and corruption, both internally and opposite external stakeholders who may have a differing set of business values from those which the Telenor Group operates under. Failure to adhere to the values that the Telenor Group commits to in its global operations may damage customer perception of the Telenor brand as well as adversely impact the Group's results of operations.

Concern has been expressed that electromagnetic signals from mobile handsets and base stations may pose health risks. Any substantiation of such claims may adversely affect the Group's business and results of operations.

Political risk in each country

Telenor's performance is influenced by the macro-economic conditions in the markets where it operates. A repeat of the downturn in the global economy and/or further severe dislocation in global financial markets leading to recessionary trends may adversely impact the results of our operations.

The Telenor Group operates in geographic regions that have suffered historically from political instability, unrest and violence. Any escalation of such events, including terrorist attacks and war, may prevent the Group from operating its business effectively.

Risk management

Telenor's risk management objective is to earn competitive returns from our various business activities at acceptable risk levels and without compromising our vision, values and codes of conduct.

A consistent approach embedding risk assessments, designated risk ownership and risk response throughout the organizations has been established. A portfolio view of the Group risk exposure based on a Group-wide risk assessment is updated on a quarterly basis.

Operationally the aim is to integrate systematic risk management with the Group's business processes to achieve such objective. A key activity is to ensure that all managers at all levels assumes responsibility for risk management within their areas, and for embedding risk management in the day-today business processes.

Also see note 30 to the consolidated financial statements.

Shares and shareholder issues

The Telenor share is listed on the Oslo Stock Exchange (OSE) and was one of the most traded shares on OSE in 2010. Including reinvested dividends, the Telenor share increased by 21% during the year, whereas the benchmark index STOXX Europe 600 Telecommunications Index Gross Return (SXKGR) increased by 10%. The OSEBX index increased by 18%.

The Telenor share closed at NOK 94.80 at year-end 2010, corresponding to an equity value of NOK 157 billion.

At year-end, Telenor's share capital was NOK 9,947,333,076, divided into 1,657,888,846 ordinary shares. The share capital and registered number of shares remained unchanged during the year. The company had approximately 50,000 shareholders at year-end, marginally down from the previous year. The 20 largest shareholders held 78.1% of the registered shares.

Telenor owned 26.1 million treasury shares as of 31 December 2010, of which 22.9 million were held for the purpose of cancellation. In April 2010 Telenor entered into an agreement with its largest shareholder, the Kingdom of Norway, represented through the Ministry of Trade and Industry. Based on the number of treasury shares held for cancellation at year-end and subject by approval by the AGM in 2011, 26.8 million of the Ministry's shares will be redeemed for a consideration of approximately NOK 2.5 billion. This is a part of the above mentioned agreement, so that the Ministry's ownership stake in Telenor of 53.97% will remain unaffected if Telenor repurchased shares for cancellation. For more comprehensive information, reference is made to note 34 and 38 to the consolidated financial statements.

Through active communication with the capital market and shareholders in 2010, Telenor ensured that significant information required for an external evaluation of the Telenor Group's securities was published in accordance with applicable rules and guidelines.

Corporate governance

The Board of Telenor ASA emphasizes the importance of maintaining a high standard of corporate governance across the Telenor Group, in line with Norwegian and international rules and recommendations.

Telenor operates in accordance with the Norwegian Code of Practice for Corporate Governance with the exception of point 14 on the drawing up of main principles for takeover bids. The background for this exception is the Kingdom of Norway's 54% ownership in Telenor.

The Board of Directors has established three committees within the Board: The Governance and Remuneration Committee, the HSSE (health, safety, security and environment) Committee and the Audit Committee, which all are preparatory working committees of the Board.

The Governance and Remuneration Committee is composed of four members of the Board. Harald Norvik is the chairman of the committee. The Governance and Remuneration Committee ensures that Telenor has relevant policies and procedures related to good corporate governance. With regard to remuneration issues, the committee considers Telenor's remuneration policy and programs, including bonus programmes and share-based schemes, and presents recommendations to the Board of Directors for a final decision. The committee annually evaluates the CEO's and the Group Executive Management's remuneration and presents recommendations to the Board of Directors for final decision. The committee held six meetings in 2010.

The HSSE Committee is composed of three members of the Board. Olav Volldal is the chairman of the committee. The tasks of the HSSE Committee are to handle issues related to occupational health and safety management, general human rights and labour practices issues, external environment, personnel security and personnel safety, risk management of any kind of potential hazards for people working directly or indirectly for the Telenor Group and supplier (in a wide sense) management in all contexts of HSSE as referred above. The HSSE Committee held three meetings in 2010.

The Audit Committee is composed of three members of the Board. John Giverholt is the chairman of the Committee. The tasks of the Audit Committee are to monitor the financial reporting process, monitor the effectiveness of Telenor's systems for internal control and risk management, monitor Telenor's Internal Audit, to have regular contact with Telenor's external auditor regarding the auditing of the annual financial statements, and evaluate and oversee the auditor's independence. The Audit Committee also reviews ethics and compliance issues. The committee held six meetings in 2010.

The board committees report to the Board of Telenor ASA in connection with the scope of work described in the sections above. Each member of the Board has access to all working documents including the minutes from the committee meetings.

Details regarding Telenor's compliance with the Norwegian Code of Practice are described in the document Corporate Governance in Telenor at http://www.telenor.com/en/about-us/corporategovernance/.

Composition and work of the Board

Telenor's Board of Directors shall have a diverse composition and competence tailored to meet the company's needs. None of the Board members, apart from the employee representatives, are employees of Telenor or have carried out work for Telenor. The Board's work complies with Telenor's instructions for Board members and the applicable guidelines and procedures. The Board has also carried out a self-assessment of its own activities and competence. The Board of Directors held 14 Board meetings in 2010.

Events after the reporting period

VimpelCom Ltd.

In December 2010 the VimpelCom board approved in principle the acquisition of Wind Telecom by VimpelCom, over the objections of the three Telenor nominees to the board. After a period of renegotiation of the terms and conditions, the transaction was approved by the VimpelCom board on 17 January 2011, against the votes of the three Telenor nominated Board members. The decision also implied that the transaction should be considered a related party transaction, thereby depriving Telenor of its pre-emptive rights. On 17 March 2011, the Special General Meeting of shareholders of VimpelCom Ltd. approved the creation and issuance of new shares in connection with the Wind Telecom transaction.

On 31 January 2011, Telenor commenced an arbitration proceeding against VimpelCom Ltd. and Altimo Holdings & Investments Ltd. under the VimpelCom Shareholders Agreement, in order to protect Telenor's pre-emptive rights in the context of VimpelCom's proposed acquisition of Wind Telecom.

Telenor has requested an arbitration tribunal to determine that VimpelCom's proposed acquisition of Wind Telecom is not a Related M&A Transaction under the VimpelCom Shareholders Agreement, and that Telenor is entitled to exercise its pre-emptive rights under the Shareholders Agreement in connection with the issuance of new VimpelCom shares to the Wind Telecom shareholders if VimpelCom's proposed acquisition of Wind Telecom is completed. By the undertakings agreed upon in the Commercial Court in London 1 March 2011, VimpelCom, Altimo and Weather have agreed to take all necessary actions to cause Telenor's pre-emptive right shares to be promptly issued if the arbitration tribunal grants an award in Telenor's favour. In addition, VimpelCom, Altimo and Telenor agreed not to undertake, or cause VimpelCom to undertake, any acquisition, M&A Transaction, share issuance or other action that would dilute Telenor below 25% or that would cause Telenor and Altimo's combined ownership to fall below a simple majority of VimpelCom's voting shares, provided that Telenor has exercised all rights available to it under the VimpelCom Shareholders Agreement to maintain its voting stake in VimpelCom.

Uninor

In India, Uninor and many other telecoms operators as well as the federal government through the Department of Telecommunications and the Telecom Regulatory Authority of India have been named as respondents in public interest petitions filed before the Supreme Court. These petitions seek cancellation of the licenses granted by the government in January 2008 to such operators, an imposition or punitive damages on grounds of alleged irregularities in granting the licenses, failure to meet eligibility requirements and delays in meeting roll out obligations. The petitions are being heard by the Supreme Court since 1 March 2011 in day-to-day proceedings. See note 35 to the consolidated financial statements for further description.

Outlook for 2011

Based on the current Group structure including Uninor (EDB not included), and using currency rates as of 31 December 2010 Telenor expects:

- Organic revenue [7] growth above 5%
- An EBITDA margin before other income and expenses around 31%
- Capital expenditure as a proportion of revenues, excluding licences and spectrum, in the range of 12–13%

[7] Organic revenue is defined as revenue adjusted for the effects of acquisitions and disposals of operations and currency effects.

Telenor expects that Uninor will contribute with an EBITDA loss around NOK 4 billion and capital expenditure in the range of NOK 1.0–1.5 billion.

A growing share of the Telenor Group's revenues and profits is derived from operations outside Norway. Currency fluctuations may to a greater extent influence the reported figures in Norwegian Krone. Financial, regulatory, operational, industry, political and reputational risks, may also influence the profits.

Annual result and allocation

Telenor ASA's net income for the year 2010 was NOK 3,673 million, after receipt of a group contribution of NOK 4,620 million. The Board proposes the following allocation:

Transferred to retained earnings: NOK 3,673 million.

After this allocation, Telenor ASA's distributable equity totalled NOK 15,773 million as at 31 December 2010. The proposed cancellation of shares will impact the equity available for distribution as dividend by NOK 2.4 billion.

At the Annual General Meeting in May 2011, the Board will propose a dividend of NOK 3.80 per share for 2010 to be paid in May/June 2011, in total NOK 6.2 billion.

Fornebu, 24 March 2011

Harald Norvik
Chairman

John Giverholt
Vice-Chairman

Sanjiv Ahuja
Board member

Kjersti Kleven
Board member

Olav Volldal
Board member

Liselott Kilaas
Board member

Dr. Burckhard Bergmann
Board member

Barbara Milian Thoralfsson
Board member

Harald Stavn
Board member

Brit Østby Fredriksen
Board member

Bjørn André Anderssen
Board member

Jon Fredrik Baksaas
President & CEO

Consolidated Income Statement

Telenor Group 1 January–31 December

NOK in millions, except per share amounts	Note	**2010**	2009
Revenues	6	**94 843**	90 748
Operating expenses			
Costs of materials and traffic charges	7	**(26 239)**	(24 510)
Salaries and personnel costs	8	**(10 852)**	(10 659)
Other operating expenses	9, 11	**(28 532)**	(24 909)
Other income (expenses)	10	**(572)**	(595)
Depreciation and amortisation	12	**(16 134)**	(14 905)
Impairment losses	12	**(14)**	(1 938)
Operating profit		**12 500**	13 232
Share of net income from associated companies	21	**3 145**	3 667
Gain on disposal of associated companies	21	**6 549**	-
Financial income and expenses			
Financial income	13	**765**	586
Financial expenses	13	**(1 825)**	(2 513)
Net currency gains (losses)	13	**(649)**	(443)
Net change in fair value of financial instruments at fair value through profit or loss	13	**(370)**	431
Net gains (losses and impairment) of financial assets and liabilities	13	**90**	(83)
Net financial income (expenses)	13	**(1 989)**	(2 022)
Profit before taxes		**20 205**	14 877
Income taxes	14	**(4 982)**	(4 122)
Profit from continuing operations		**15 223**	10 755
Loss from discontinued operations	15	**(415)**	(652)
Net income		**14 808**	10 104
Net income attributable to:			
Non-controlling interests		**475**	1 451
Equity holders of Telenor ASA		**14 334**	8 653
Earnings per share in NOK			
From continuing operations:			
Basic	16	**8.94**	5.62
Diluted	16	**8.93**	5.61
From net income:			
Basic	16	**8.69**	5.22
Diluted	16	**8.67**	5.22

Consolidated Statement of Comprehensive Income

Telenor Group 1 January–31 December

NOK in millions	Note	**2010**	2009
Net income		**14 808**	10 104
Other comprehensive income (loss)			
Translation differences on net investments in foreign operations	25	1 665	(16 055)
Income taxes	14	70	(613)
Amount reclassified from equity to profit and loss on disposal	25	3 528	5
Net gain (loss) on hedge of net investments	30	606	2 676
Income taxes	14	(170)	(749)
Amount reclassified from equity to profit and loss on disposal	25, 30	(36)	-
Income taxes	14	10	-
Net gain on available-for-sale investments		10	(3)
Net gain on cash flow hedges	30	-	(334)
Income taxes	14	-	93
Amount reclassified from equity to profit and loss	30	667	-
Income taxes	14	(188)	-
Share of other comprehensive income (loss) from associated companies	25	(675)	(74)
Other comprehensive income (loss), net of taxes		**5 488**	(15 054)
Total comprehensive income (loss)		**20 297**	(4 950)
Total comprehensive income (loss) attributable to:			
Non-controlling interests		1 242	280
Equity holders of Telenor ASA		19 055	(5 230)

Consolidated Statement of Financial Position

Telenor Group as of 31 December

NOK in millions	Note	**2010**	2009
ASSETS			
Deferred tax assets	14	**2 006**	1 811
Goodwill	17, 18	**24 472**	28 873
Intangible assets	19	**27 007**	28 120
Property, plant and equipment	20	**52 963**	55 598
Associated companies	21	**31 026**	17 241
Other non-current assets	23	**3 048**	3 215
Total non-current assets		**140 522**	**134 858**
Prepaid taxes		**93**	141
Inventories		**1 113**	884
Trade and other receivables	22	**16 451**	17 470
Other financial current assets	23	**946**	941
Assets classified as held for sale	15	**-**	258
Cash and cash equivalents	24	**13 606**	11 479
Total current assets		**32 209**	**31 173**
Total assets		**172 731**	**166 031**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of Telenor ASA	25	**87 867**	75 976
Non-controlling interests	25	**8 351**	9 089
Total equity	25	**96 218**	**85 065**
Liabilities			
Non-current interest-bearing financial liabilities	29	**25 701**	32 959
Non-current non-interest-bearing financial liabilities	28	**1 125**	718
Deferred tax liabilities	14	**2 927**	3 834
Provisions and obligations	26, 27	**3 797**	3 952
Total non-current liabilities		**33 550**	**41 463**
Current interest-bearing financial liabilities	29	**8 751**	6 383
Trade and other payables	28	**27 848**	27 361
Current tax payables	14	**4 532**	3 583
Current non-interest-bearing liabilities	28	**879**	1 044
Provisions and obligations	26	**953**	848
Liabilities classified as held for sale	15	**-**	284
Total current liabilities		**42 963**	**39 503**
Total equity and liabilities		**172 731**	**166 031**

Fornebu, 24 March 2011

Harald Norvik
Chairman

John Giverholt
Vice-Chairman

Sanjiv Ahuja
Board member

Kjersti Kleven
Board member

Olav Volldal
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Harald Stavn
Board member

Brit Østby Fredriksen
Board member

Bjørn André Anderssen
Board member

Jon Fredrik Baksaas
President & CEO

Consolidated Statement of Cash Flows

Telenor Group 1 January–31 December

NOK in millions	Note	2010	2009
Profit before taxes from continuing operations		20 205	14 877
Loss before taxes from discontinued operations	15	(472)	(693)
Profit before taxes		**19 733**	**14 184**
Income taxes paid		(5 485)	(2 491)
Net (gain) loss from disposals, impairments and change in fair value of financial assets and liabilities		407	(57)
Depreciation, amortisation and impairment losses		16 622	17 653
Share of net income and gain on disposal of associated companies		(9 694)	(3 667)
Dividends received from associated companies		1 812	4 757
Changes in inventories		(218)	305
Changes in trade receivables and prepayments from customers		892	351
Changes in trade payables		(233)	(978)
Difference between expensed and paid pensions		31	(453)
Net currency losses not relating to operating activities		550	82
Changes in other operating working capital assets and liabilities		2 048	936
Net cash flow from operating activities		**26 465**	**30 622**
Proceeds from sale of property, plant and equipment and intangible assets		291	69
Purchases of property, plant and equipment and intangible assets		(13 422)	(13 014)
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed	24	(415)	6
Purchases of subsidiaries and associated companies, net of cash acquired	24	(1 416)	(655)
Proceeds from sale of other investments		1 054	163
Purchases of other investments		(1 682)	(235)
Net cash flow from investment activities		**(15 590)**	**(13 666)**
Proceeds from borrowings		18 987	13 703
Repayments of borrowings		(19 863)	(25 921)
Proceeds from issuance of shares, including from non-controlling interests in subsidiaries		2	518
Purchase of treasury shares		(2 164)	(5)
Repayment of equity and dividends paid to non-controlling interests in subsidiaries		(2 084)	(1 530)
Dividends paid to equity holders of Telenor ASA	24, 25	(4 141)	-
Net cash flow from financing activities		**(9 263)**	**(13 235)**
Effects of exchange rate changes on cash and cash equivalents		442	(1 094)
Net change in cash and cash equivalents		**2 054**	**2 627**
Cash and cash equivalents as of 1 January		11 552	8 925
Cash and cash equivalents as of 31 December		**13 606**	**11 552**
Of which cash and cash equivalents in discontinued operations as of 31 December	15	-	73
Cash and cash equivalents in continuing operations as of 31 December	24	**13 606**	**11 479**

Consolidated Statement of Changes in Equity

Telenor Group – for the years ended 31 December 2009 and 2010

NOK in millions	Attributable to equity holders of Telenor ASA: Paid-in capital [1]	Other reserves [1]	Retained earnings	Cumulative translation differences [1]	Total	Non-controlling interests [1]	Total equity
Equity as of 1 January 2009 (restated)	**10 016**	**11 915**	**56 190**	**2 826**	**80 947**	**7 621**	**88 568**
Total comprehensive income	-	(334)	8 653	(13 549)	(5 230)	280	(4 950)
Transactions with non-controlling interests	-	282	-	-	282	2 722	3 004
Equity adjustments in associated companies	-	28	-	-	28	-	28
Dividends	-	-	-	-	-	(1 530)	(1 530)
Share buy back	(13)	(70)	-	-	(83)	(5)	(88)
Sale of shares, share issue, and share options to employees	2	30	-	-	32	1	33
Equity as of 31 December 2009	**10 005**	**11 851**	**64 843**	**(10 723)**	**75 976**	**9 089**	**85 065**
Total comprehensive income	-	(201)	14 334	4 923	19 055	1 242	20 297
Transactions with non-controlling interests	-	(768)	-	-	(768)	144	(625)
Equity adjustments in associated companies	-	29	-	-	29	-	29
Dividends	-	-	(4 141)	-	(4 141)	(2 115)	(6 255)
Share buy back	(149)	(2 178)	-	-	(2 326)	(9)	(2 335)
Sale of shares, share issue, and share options to employees	3	38	-	-	41	-	41
Equity as of 31 December 2010	**9 859**	**8 771**	**75 036**	**(5 800)**	**87 867**	**8 351**	**96 218**

[1] See note 25

Notes to the Consolidated Financial Statements

Telenor Group

/ 00 / Contents notes

/ 01 / General information, compliance and changes in International Financial Reporting Standards

General information

Telenor ASA (the Company) is a limited liability company incorporated in Norway. The Company is subject to the provisions of the Norwegian Act relating to Public Limited Liability Companies. The Company's principal offices are located at Snarøyveien 30, N-1331 Fornebu, Norway. Telephone number: +47 810 77 000. Telenor is a telecommunication company and the principal activities of the Company and its subsidiaries (the Group) are described under segments in note 5.

These consolidated financial statements have been approved for issuance by the Board of Directors on 24 March 2011 and is subject to approval by the Annual General Meeting on 19 May 2011.

Statement of compliance

From 1 January 2005, as required by the European Union's IAS Regulation and the Norwegian Accounting Act, the Company has prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). References to "IFRS" hereafter should be construed as references to IFRS as adopted by the EU.

Adoption of new and revised standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. In addition, the Group has adopted the following new and amended standards and interpretations issued by the IASB and approved by the EU that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2010:

- IFRS 2 Share-based Payment: Group cash settled share-based payment transaction
- IFRS 3 Business Combinations: Revised
- IAS 27 Consolidated and Separate Financial Statements: Amended
- IAS 39 Financial Instruments – Recognition and Measurement: Eligible Hedged Items
- IFRIC 18 Transfer of assets from customers
- Improvements to IFRS issued April 2009

The Group has not early adopted any standards or interpretations in 2010.

When the adoption of the standard or interpretation has impacted the Group's consolidated financial statements, the impact is described below:

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. In addition IFRS 3 (Revised) introduces significant changes related to notes disclosures. These changes do not apply to 2009 comparative information. IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

At the date of authorisation of these financial statements, the following standards and interpretations that could affect the Group were issued but not effective:

IFRS 7 Financial Instruments – Disclosures (effective from 1 July 2011, but not approved by the EU). The amendment contains new disclosures to enhance the transparency of disclosure requirements for the transfer of financial assets. The amendments will assist users to understand the implications of transfers of financial assets and the potential risks that may remain with the transferor. The potential impact of the standard on the Group's disclosures in consolidated financial statements has not been concluded.

IFRS 9 Financial Instruments (effective from 1 January 2013, but not yet approved by the EU). The standard replaces the classification and measurement requirements for financial assets in IAS 39. Financial assets with basic loan features that are held for the purpose of collecting contractual cash flows shall be measured at amortised cost, unless one opts to measure these assets at fair value. All other financial assets shall be measured at fair value. The potential impact of the standard on the Group's consolidated financial statements has not been concluded.

IAS 24 Related Party Disclosures – Revised (effective from 1 January 2011). The revised standard clarifies the definition of a related party, and introduces a partial exemption from the disclosure requirements for government-related entities. The revised standard will have limited or no impact on the Group's consolidated financial statements.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010). The amendment requires rights issues in a currency other than the functional currency to be classified as equity when certain conditions are met. The amendment will have no impact on the Group's consolidated financial statements.

IFRIC 14 Prepayments of a Minimum Funding Requirement – Amended (effective for annual periods beginning on or after 1 January 2011). The amendment to the interpretation will allow entities to recognise a prepayment of pension contributions as an asset rather than an expense. The amendment will have no impact on the Group's consolidated financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). The interpretation clarifies the accounting treatment of financial liabilities that, as a result of a re-negotiation of the terms of the financial liability, are fully or partially extinguished with equity instruments. The potential impact of the interpretation on the Group's consolidated financial statements has not been concluded.

Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2011). The changes are primarily in order to remove inconsistencies and to clarify the wording of standards and interpretations. There are separate transition provisions for each standard. These changes have limited effect for the Group.

The management anticipates that these standards and interpretations will be adopted at the dates stated above provided that the standards and interpretations are approved by the EU.

/ 02 / Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets available for sale (primarily shares owned less than 20%) and derivative financial instruments, which are carried at fair value. Loans, receivables and other financial obligations are carried at amortised cost.

The consolidated financial statements are presented in Norwegian Kroner (NOK), rounded to the nearest million, unless otherwise stated. As a result of rounding differences, amounts and percentages may not add up to the total.

Basis of consolidation and non-controlling interests

Basis of consolidation from 1 January 2010

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

The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company, except for Uninor that prepares financial statements per 31 March due to fiscal year under the Indian Income Tax Act ends on March 31. Consistent accounting policies are used. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date when control is obtained and until the control ceases, respectively. Intercompany transactions, balances, revenues and expenses and unrealised Group internal profit or losses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented within equity separately from the equity attributable to the owners of the parent. Non-controlling interests consist either of the proportionate fair value of net identifiable assets or of fair value of those interests at the date of the business combination and the non-controlling interests' share of changes in equity since the date of the business combination. The principle for measuring non-controlling interests is determined separately for each business combination.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary it derecognises the assets, liabilities, non-controlling interest and any cumulative translation differences in relation to the subsidiary. Any investment retained at the date control is lost is measured at fair value and a gain/loss is recognised.

Basis of consolidation prior to 1 January 2010
In comparison to above-mentioned requirements, the following key differences apply:

- For acquisitions of non-controlling interests, prior to 1 January 2010, the difference between the consideration and the fair value of the share of the net assets acquired was recognised in goodwill. The change in fair values was recognised as an equity transaction.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010, have not been restated.

Foreign currency translation

The consolidated financial statements are presented in NOK, which is Telenor ASA's functional currency. Transactions in foreign currencies are initially recognised in the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. All exchange differences are recognised in the income statement with the exception of exchange differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, or monetary items that are regarded as a part of the net investments. These exchange differences are recognised as a separate component of other comprehensive income until the disposal of the net investment or settlement of the monetary item, at which time they are recognised in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in other comprehensive income. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions.

The Group has foreign entities with functional currency other than NOK. At the reporting date, the assets and liabilities of foreign entities with functional currencies other than NOK are translated into NOK at the rate of exchange at the reporting date and their income statements are translated at the average exchange rates for the year. The translation differences arising from the translation are recognised in other comprehensive income until the disposal of the net investment, at which time they are recognised in the income statement.

Current/non-current classification

An asset/liability is classified as current when it is expected to be realised/settled or is intended for sale or consumption in the Group's normal operating cycle, it is held primarily for the purpose of being traded, or it is expected/due to be realised or settled within twelve months after the reporting date. Other assets/liabilities are classified as non-current. Financial instruments are classified based on maturity, and hedging instruments are classified consistent with the underlying hedged item. Deferred revenues and costs related to connection are classified as current as they relate to the Group's normal operating cycle.

Business combinations

Business combinations from 1 January 2010
The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in operating expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and relevant conditions as at the acquisition date.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale and recognised at fair value less cost to sell.

Goodwill arising on acquisition is recognised as an asset measured at the excess of the sum of the consideration transferred, the fair value of any previously held equity interests and the amount of any non-controlling interests in the aquiree over the net amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the total consideration of the business combination, the excess is recognised in the income statement immediately.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised either in the income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the income statement.

Business combinations prior to 1 January 2010
In comparison to above-mentioned requirements, the following key differences apply:

- Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interests were measured at the proportionate share of the acquiree's identifiable net assets.
- Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Investments in associated companies

An associated company is an entity over which the Group has significant influence and that is not a subsidiary or a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but without the ability to have control over those policies. Significant influence normally exists when the Group has 20% to 50% voting power through ownership or agreements. Significant influence may also exist when the Group has more than 50% ownership interest, but where other shareholders have participating rights which prevent the Group from exercising control.

The results and assets and liabilities of associated companies are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associated companies are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associated companies (i.e. comprehensive income and equity adjustments), less any impairment in the value of individual investments. Adjustments are made where necessary to bring the accounting policies in line with those of the Group. Losses in associated companies in excess of the Group's interest in such companies, including any long-term loans and receivables that, in substance, form part of the Group's net investment in the associated companies are not recognised unless the Group has incurred legal or constructive obligations or made payments on behalf of these associated companies.

Any goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment. At each reporting date the Group evaluates if there are identified indications that the investment may be impaired. If there are such indications, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss (if any).

Where a Group entity transacts with an associate of the Group, profits or losses are eliminated or deferred to the extent of the Group's interest in the relevant associated company.

The net result of associated companies, including amortisation of excess values, impairment losses, reversal of impairment losses and gains and losses on disposals, are presented as two separate line items in the income statement between operating profit (loss) and financial items. Gains and losses on disposals are presented separately. The share of other comprehensive income is recognised in the Group's comprehensive income. Other equity adjustments in associated companies are recognised in the statement of changes in equity. As described in note 3, financial statements as of the reporting date are for some associated companies not available before the Company issues its consolidated financial statements. In such instances, the share of net income of the associate is recognised in the consolidated financial statements with a one quarter lag. Adjustments are made for the effects of publicly available information on significant transactions or events that occur between the latest interim financial reporting of the associated company and the date of these consolidated financial statements.

Interests in joint ventures

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

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

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

Goodwill

Goodwill arising in a business combination is not amortised. Goodwill does not generate cash flows independently of other assets or groups of assets and is allocated to the cash-generating units (defined below) expected to benefit from the synergies of the combination that gave rise to the goodwill. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if there is any indication that the cash-generating unit may be impaired. If the recoverable amount (the higher of fair value less cost to sell and value in use) of the cash-generating unit is less than the carrying amount of the cash-generating unit, the impairment losses first reduces the carrying amount of any goodwill and then reduces the carrying amount of the other assets of the unit pro-rata on the basis of the carrying amount of the individual assets. The carrying amount of any individual asset is not reduced below its individual recoverable amount or zero. An impairment loss recognised for goodwill is not reversed in a subsequent period if the fair value of the cash-generating unit recovers. Any impairment is presented as impairment losses in the income statement.

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

Cash-generating units

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In identifying whether cash inflows from an asset (or group of assets) are largely independent of the cash inflows from other assets (or groups of assets), the management considers various factors including how management monitors the entity's operations (such as by product or service lines, businesses or geographical areas). Goodwill is monitored and tested for the group of cash-generating units included where the fixed and mobile operations are monitored and reported as one operating segment.

The group of cash-generating units is in any case not larger than an operating segment determined in accordance with IFRS 8 Operating Segment.

Non-current assets held for sale and discontinued operations

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

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell and the assets are no longer depreciated (or amortised).

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

Profit after tax from discontinued operations is excluded from continuing operations and reported separately as profit (loss) from discontinued operations. Prior periods' profit (loss) from discontinued operations are reclassified to be comparable. Assets and liabilities classified as held for sale are presented on separate line items in the statement of financial position as current assets and current liabilities. Prior periods are not restated in the statement of financial position.

Revenue recognition and measurement

Revenues are recognised when goods are delivered or services rendered, to the extent that it is probable that the economic benefits from the transactions will flow to the Group and the revenues can be reliably measured. Revenues are measured at the fair value of the consideration received or receivable, net of discounts and sales related taxes. These taxes are regarded as collected on behalf on the authorities.

Revenues primarily comprise sale of

- Services: subscription and traffic fees, connection fees, interconnection fees, roaming charges, fees for leased lines and leased networks, fees for data network services and fees for TV distribution and satellite services.
- Customer equipment: telephony handsets, PCs, terminals, set-top boxes etc.

Subscription and traffic fees

Revenues from subscription fees are recognised over the subscription period while revenues from voice and non-voice services are recognised upon actual use. Consideration from the sale of prepaid cards to customers where services have not been rendered at the reporting date is deferred until actual usage.

Connection fees

Connection fees that are charged and not allocated to the other elements of an arrangement are deferred and recognised over the periods in which the fees are expected to be earned. The earning period is the expected period of the customer relationship and is based on past history of churn and expected development in the individual Group companies.

When connection fees are charged in multiple element arrangements where discounts are provided on other identifiable components in the transactions, the connection fees are allocated to sale of the discounted equipment or services, limited to the amount of the discounts, and recognised as revenues at the same time as the equipment or services are recognised as revenues.

Customer equipment

Revenues from sales of customer equipment are normally recognised when the equipment, including the related significant risks and rewards of ownership, is transferred to the buyer and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Multiple element arrangements

When the Group delivers multiple services and/or equipment as part of one contract or arrangement, the consideration is allocated to separate identifiable components if the delivered item has value to the customer on a standalone basis and there is objective and reliable evidence of the fair value of undelivered items. The consideration is allocated based on their relative fair values, and recognition of the revenue allocated to the delivered item is limited to the amount that is not contingent on the delivery of additional items or other specified performance criteria.

Discounts and customer loyalty programmes

Discounts are often provided in the form of cash discounts, free products or services delivered by the Group or by external parties. Discounts are recognised on a systematic basis over the period the discount is earned. Cash discounts or free products and services given as part of sales transactions are recognised as revenue reductions. Free products or services provided that are not related to sales transactions are recognised as expenses.

For customer loyalty programmes or other discount schemes where Telenor has a past history of honouring the obligations and reliable estimates can be made, the accrued discounts are limited to the estimated discounts that are expected to be utilised by the customers. Where reliable estimates for expected discounts to be utilised cannot be made, it is expected that the customers will utilise 100% of the discounts. Any changes in estimates are recognised in the periods when the estimates change or when the final outcome is known.

Presentation

The determination of whether the Group is acting as principal or agent in a transaction is based on an evaluation of the substance of the transaction, the responsibility for providing the goods or services and setting prices and the underlying financial risks and rewards. Where the Group acts as a principal, the revenues are recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customers, after trade discounts, with any related expenses charged as operating costs. Where the Group acts as an agent, the expenses are offset against the revenues and the resulting net revenues represent the margins or commissions earned for providing services in the capacity of an agent.

Revenues from roaming are recognised gross in line with general accepted accounting principles within the telecommunications industry.

Revenues from transit traffic are recognised based on an evaluation of the substance in the agreement, and will be recognised gross or net depending on whether the Group acts as a principal or agent in the transactions.

License fees payable to telecommunications authorities that are calculated on the basis of revenue share arrangements are not offset against the revenues. Instead, they are recognised as license costs because the Group is considered to be the primary obligor.

Interest and dividend income
Interest income is accrued on a time proportion basis that reflects an effective yield on the asset. Dividend income from investments is recognised when the Group's rights to receive payment have been established (declared by the General Meeting or otherwise).

Pensions

The Group's obligations related to defined benefit plans are valued at the present value of accrued future pension benefits for the employees at the end of the reporting period. Pension plan assets are valued at their fair value. Accumulated effects of changes in estimates, changes in assumptions and deviations from actuarial assumptions (actuarial gains or losses) that are less than 10% of the higher of the pension benefit obligations and the pension plan assets at the beginning of the year are not recognised. When the accumulated effect is above 10%, the excess amount is recognised in the income statement over the expected average remaining service period of the participating employees. The net pension cost for the period is presented as salaries and personnel costs.

Changes in the pension obligations due to changes in pension plans are recognised over the expected remaining service period when the changes are not immediately vested. Gains or losses on the curtailment or settlement of a defined benefit plan are recognised through the income statement when the curtailment or settlement occurs. A curtailment occurs when the Group either is demonstrably committed to make a material reduction in the number of employees covered by a plan or amends the terms of a defined benefit plan such that a material element of future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits. The effect of curtailment or/and settlement is presented as a part of 'other income and expenses' in the income statement.

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

Leasing

The Group may enter into arrangements that do not take the legal form of a lease but convey a right to use assets in return for payments. Determining whether the arrangements are, or contain, leases is based on the substance of the arrangements and requires an assessment of whether: (a) fulfilment of the arrangements is dependent on the use of a specific asset or assets; and (b) the arrangements convey a right to use the assets.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. The assessment for the classification of leases is based on the substance of the transactions.

The Group as lessor
Receivables on assets leased to others under finance leases are presented at an amount equal to the net investment in the leases. The finance income is allocated using a constant periodic rate of return on the net investment over the lease term. Direct costs incurred that are directly attributable to negotiating and arranging the leases are included in the receivables.

Lease income from operating leases is recognised on a straight-line basis over the lease terms. Incentives provided to the lessees are aggregated and recognised as a reduction of income on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are included in the carrying amounts of the leased assets and recognised on the same basis as lease income over the lease terms. Contingent rents are recognised as revenue in the period in which they are earned.

The Group as lessee
Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the leases or, if lower, at the present value of the minimum lease payments. The liabilities to the lessor are recognised as finance lease obligations in the statement of financial position. Lease payments are apportioned between finance expenses and reduction of the lease liability to achieve a constant periodic rate of interest on the remaining balance of the liability.

Lease payments under operating leases are recognised in the income statement on a straight-line basis over the lease terms. Incentives received on negotiating or renewing the operating leases are also amortised on a straight-line basis over the lease terms. Prepaid lease payments made on entering into operating leases or acquiring leaseholds are recognised in the statement of financial position and amortised over the lease term or the estimated customer relationship in accordance with the pattern of benefits provided.

Financial instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group has classified financial assets and liabilities into the following classes: trade receivables and other current and non-current financial assets, equity securities, cash and cash equivalents, trade payables and other non-interest bearing financial liabilities, interest-bearing liabilities and derivatives, see also note 30 and 31.

The categorisation of the financial instrument for measurement purposes is done based on the nature and purpose of the financial instrument and is determined at the initial recognition. The Group does not apply the fair value option.

The Group has financial assets classified in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Financial assets at fair value through profit or loss consist of assets held for trading and include derivatives. Loans and receivables consist of unquoted non-derivative assets with fixed or determinable payments. Financial assets available-for-sale consist of non-derivative assets designated as available for sale or assets that are not classified in one of the other categories.

The Group has financial liabilities classified in the following categories: as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. Financial liabilities at fair value through profit or loss consist of liabilities held for trading and include derivatives. Financial liabilities at amortised cost consist of liabilities that are not a part of the category at fair value through profit or loss.

The financial instruments are recognised in the Group's statement of financial position as soon as the Group becomes a party to the contractual provisions of the instrument, using trade date accounting. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when the Group has the intention and legally enforceable right to settle the contracts net, otherwise the financial assets and liabilities are presented gross.

Trade receivables and other current and non-current financial assets

Trade receivables and other current and non-current financial assets include trade receivables, other financial non-current interest-bearing and non-interest-bearing assets (including bonds and commercial papers with original maturity beyond three months and excluding capital contribution to the Telenor Pension Fund, which is a part of the class equity securities). See note 22 and 23. These assets are a part of the category loans and receivables and are measured on initial recognition at fair value and subsequently measured at amortised cost using the effective interest rate method adjusted for provision for any impairment. Impairment for estimated irrecoverable amounts is recognised in the income statement when a loss event and objective evidence that the asset is impaired, exist. The impairment is calculated by taking into account the historic evidence of the level of bad debt experienced for customer types and the aging of the receivable balance. Individual trade receivables are impaired when management assess them not to be wholly or partially collectible.

Equity securities

Equity securities include available for sale investments and capital contribution to Telenor Pension Fund that are a part of the category financial assets available-for-sale, and assets held for trading that are a part of the category financial assets at fair value through profit or loss, see note 23.

Equity securities in the category financial assets available-for-sale are initially measured at fair value plus directly attributable transaction costs, and are subsequently measured at fair value. Unrealised gains and losses arising from changes in fair value are recognised directly in other comprehensive income until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the income statement for the period. Equity securities available for sale are considered impaired and an impairment loss is taken to the income statement if the reduction in value is substantial or prolonged. Impairment losses recognised for equity investments classified as available-for-sale are not subsequently reversed through the income statement.

Equity securities in the category financial assets at fair value through profit or loss are initially and subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in the income statement on the line net change in fair value of financial instruments at fair value through profit or loss.

Cash and cash equivalents

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

Trade payables and other non-interest bearing financial liabilities

Trade payables and other non-interest bearing financial liabilities include trade payables, liabilities to associated companies and other current and non-current non-interest bearing financial liabilities, see note 28. These liabilities are a part of the category financial liabilities at amortised cost and are initially recognised in the statement of financial position at fair value, and subsequently measured at amortised cost using the effective interest rate method.

Interest-bearing liabilities

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

Derivatives

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps, cross currency interest rate swaps and, to a small extent, interest rate options to hedge its risks associated with interest rate and foreign currency fluctuations. The Group does not use derivative financial instruments for trading purposes.

The derivative financial instruments are measured at fair value. Any gains or losses arising from changes in fair value on derivatives that are not cash flow hedges or hedges of net investments are recognised in the income statement as financial income or expense. Accounting for cash flow hedges and hedges of net investments are described below. For detailed information related to derivative financial instruments and hedging, see note 30 and 31.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risk and economical characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses recognised in the income statement. Currency derivatives embedded in committed purchase or sales contracts are not bifurcated and recognised at fair value if the contract requires payments denominated in either the functional currency of one of the parties to the contract or in a commonly used currency for purchase or sales in the relevant economic environment.

Derivatives are recognised without any offsetting, as assets when the value is positive and as liabilities when the value is negative, as long as the Group has no intention or legally enforceable right to settle the contracts net.

Hedging

The Group applies hedge accounting for hedges that meet the criteria in IAS 39. The Group has cash flow hedges, fair value hedges and hedges of net investments in foreign operations.

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

Hedge relationships that meet the requirements for hedge accounting are accounted for in the Group's consolidated financial statements as follows:

Cash flow hedges

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

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

Amounts recognised directly in other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the gain or loss on the hedge instrument that was recognised in other comprehensive income is reclassified to the income statement in the same period or periods during which the asset acquired or liability assumed affects the income statement.

If the forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs.

Fair value hedges

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

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such, that is attributable to a particular risk and could affect the income statement. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged. The derivative is also measured at fair value and gains and losses from both the hedging instrument and the hedged item are recognised in the income statement.

For fair value hedges relating to items earlier carried at amortised cost, the adjustment for gains and losses attributable to the risk being hedged is amortised through the income statement over the remaining time to maturity.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. The fair value adjustment to the hedged object attributable to the risk being hedged at de-designation will be amortised in the income statement over the remaining time to maturity.

Hedges of a net investment

A hedge of a net investment in a foreign operation is accounted for in a similar way to a cash flow hedge. Foreign exchange gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in other comprehensive income while any foreign exchange gains or losses relating to the ineffective portion are recognised in the income statement. On disposal of the foreign entity, the cumulative value of foreign exchange gains or losses recognised directly in other comprehensive income is transferred to the income statement.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities. Deferred tax assets and liabilities are calculated using the liability method with full allocation for all temporary differences between the tax base and the carrying amount of assets and liabilities in the consolidated financial statements, including tax losses carried forward. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or in respect of temporary differences associated with investments in subsidiaries, associates or joint ventures where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

For undistributed earnings in subsidiaries deferred tax is provided for to the extent it is expected that retained earnings will be distributed in the foreseeable future. For undistributed earnings in associated companies, deferred tax is provided for because the Group cannot control the timing of the reversal of the temporary differences. 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 end of the reporting period.

Deferred tax assets that will be realised upon sale or liquidation of subsidiaries or associated companies are not recognised until a sales agreement has been entered into or liquidation is decided.

The Group includes deductions for uncertain tax positions when it is probable that the tax position will be sustained in a tax review. The Group records provisions relating to uncertain or disputed tax positions at the amount expected to be paid. The provision is reversed if the disputed tax position is settled in favour of the Group and can no longer be appealed.

Deferred tax assets are recognised in the statement of financial position to the extent it is more likely than not that the tax assets will be utilised. The enacted tax rates at the end of the reporting period and undiscounted amounts are used.

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

Inventories

Inventories are valued at the lower of cost or market price for products that will be sold as a separate product. Inventories that will be sold as part of a transaction with several components, which is expected to earn net income, are valued to cost even if the selling price of the inventory is below cost price. Cost is determined using the FIFO or weighted average method.

Costs related to connection fees

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

Advertising costs, marketing and sales commissions

Advertising costs, marketing and sales commissions are expensed as incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated to reduce the cost of assets, other than land which is not depreciated, to their estimated residual value, if any, over their estimated useful lives. The cost of assets includes direct and incremental costs and, for qualifying assets, borrowing costs are capitalised as a part of the asset. Depreciation commences when the assets are ready for their intended use.

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

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

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

Repair and maintenance is expensed as incurred. If new parts are capitalised, replaced parts are derecognised and any remaining net carrying amount is recognised in operating profit (loss) as loss on disposal.

Swap of assets are recognised at fair value if the transaction has commercial substance and the value of the assets can be measured reliably. If these criteria are not met the carrying amount of the old assets are carried forward for the new assets.

Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic lives. Useful lives and amortisation method for intangible assets with finite useful life are reviewed at least annually. The straight-line depreciation method is used for most intangible assets as this best reflects the consumption of the assets.

Gains and losses arising from derecognition of an intangible asset are measured at the difference between the net sales proceeds and the carrying amount of the asset and are reported as "other income (expense)" in the income statement as part of operating profit.

Research and development costs

Development expenditures that meet the criteria for recognition, i.e. that it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost can be measured reliably, are capitalised. The assets are amortised over their expected useful life once the asset is available for use. Costs incurred during the research stage of a project, as well as maintenance and training costs, are expensed as incurred.

Development costs that do not meet the criteria of capitalisation are expensed as incurred.

Impairment of property, plant and equipment and intangible assets other than goodwill

At each reporting date the Group evaluates if there are identified indications that property, plant and equipment or intangible assets may be impaired. If there are such indications, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful life and intangible assets not yet brought into use are assessed for impairment annually. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment losses are recognised in the income statement. Where impairment losses are subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the updated estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been recognised had no impairment losses been recognised for the asset (or cash-generating unit) in prior years. The reversal of impairment losses are recognised in the income statement.

Provisions

Provisions such as workforce reductions, onerous contracts and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value.

Assets retirement obligations

An asset retirement obligation exists where the Group has a legal or constructive obligation to remove an asset and restore the site. Where the Group is required to settle an asset retirement obligation, the Group has estimated and capitalised the net present value of the obligations and increased the carrying value of the related asset. The cash flows are discounted at a pre-tax risk-free rate as risks are reflected in the cash flows. Subsequent to the initial recognition, an accretion expense is recognised as finance cost relating to the asset retirement obligation, and the capitalised cost is expensed as ordinary depreciation with the related asset. The effects on the net present value of any subsequent changes to the gross removal costs or discount rates adjust the carrying value of assets and liabilities, and are expensed over the remaining estimated useful life of the related assets.

Share-based payments

The Group has issued equity-settled share-based payments to certain employees. Such payments include both the closed share option programme, grant of a fixed monetary compensation where the participant is required to invest the net amount into Telenor ASA shares and bonus shares under the mentioned compensation above. Bonus shares are awarded net after tax and considered to be both equity-settled and cash-settled share-based payments, due to the included tax effect.

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

Cash-settled share-based payments are measured at fair value of the liability. The liability shall be remeasured at each reporting date. Fair value of the share programme is measured to the consideration given on behalf of the employees. Bonus shares might be awarded if certain conditions are met. Fair value of the bonus shares are measured based on a Monte Carlo simulation model.

The Group has an employee share ownership programme whereby employees have the possibility to purchase the Group's ordinary shares at a discount to the current market value and bonus shares. These programmes are being considered and decided by the Board of Directors on an annual basis. Discounts in the employee share ownership programme are recognised as salaries and personnel costs when the discount is given to the extent that the discount is vested. Non-vested discounts, including bonus shares, are recognised as an expense based on the estimate of the discount related to shares expected to vest, on a straight-line basis over the vesting period.

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

Payments from employees for shares which are issued by Telenor ASA under the option plan or the employee share ownership programme, are recognised as an increase in shareholders' equity.

Statement of cash flows

The Group presents the statement of cash flows using the indirect method. Cash inflows and outflows are shown separately for investing and financing activities, while operating activities include both cash and non-cash line items. Interest received and paid and dividends received are reported as a part of operating activities. Dividends distributed (both by Telenor ASA and by subsidiaries with non-controlling interests) are included as a part of financing activities. Value Added Tax and other similar taxes are regarded as collection of tax on behalf of authorities, and are reported net.

The statement of cash flows includes discontinued operations prior to their disposal.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

/ 03 / Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The following represents a summary of the critical accounting judgements the management has made in the process of applying the Group's accounting policies:

Consolidation of DiGi

The Group's ownership interest in DiGi is 49.0%. The Group consolidates DiGi.

DiGi is listed on Bursa Malaysia Securities Berhad and the shares in DiGi are widely dispersed. As the Group owns 49% of the shares, 98% of the shares have to be present at the General Meeting for the Group not to have the majority of the votes at the General Meeting. As a consequence of this and based on past general meetings, the Group has the power to direct DiGi's activities. The Group's assessment is that the ability to exercise control is upheld through a majority of the votes at the General Meeting and at the Board of Directors meetings. Continuing consolidation based on de facto control will be assessed on an ongoing basis.

Key sources of estimation uncertainty – critical accounting estimates

A critical accounting estimate is one which is both important to the presentation of the Group's financial position and results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make important estimates based on assumptions about the outcome of matters that are inherently uncertain. Management evaluates such estimates on an ongoing basis, based upon historical results and experience, consultations with experts, trends and other methods which management considers reasonable under the circumstances, as well as forecasts as to how these might change in the future.

Business combinations, see also note 4

Management is required to allocate the cost of acquisition of acquired companies to the assets acquired and liabilities assumed based on their estimated fair values. For the larger acquisitions, third-party valuation experts are engaged to assist in determining and allocating the fair values of the assets acquired and liabilities assumed. Such valuations require management to make significant judgements in selecting valuation methods, estimates and assumptions.

Significant acquired intangible assets that have been recognised by the Group in connection with business combinations include customer bases, customer contracts, brands, licenses, service concession rights, roaming agreements and software. The significant tangible assets primarily include networks.

Critical estimates in valuing certain assets include, but are not limited to, future expected cash flows for customer contracts, licenses and roaming agreements and replacement cost for brands and property, plant and equipment. 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 values may differ from estimates.

Revenue recognition

The Group's revenues primarily consist of revenues from sale of services and periodic subscriptions. The Group offers subscribers, via multiple element arrangements or otherwise, a number of different services with different price plans, and provides discounts of various types and forms, often in connection with different campaigns, over the contractual or average customer relationship period. The Group also sells wholesale products to other operators and vendors in different countries and across borders. Management has to make estimates related to revenue recognition, relying to some extent, on information from other operators on values of services delivered. Management also makes estimates of the final outcome in instances where the other parties dispute the amounts charged. Furthermore, management has to estimate the average customer relationship for revenue that is initially recognised as deferred revenue in the statement of financial position and recognised in the income statement over a future period, e.g. connection fee.

Pension costs, pension obligations and pension plan assets, see also note 27

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 affect the fair value of net pension liabilities. Changes in the discount rate is the individual change with the most significant impact, see also note 27, where a sensitivity analysis for changes in certain actuarial assumptions and how they influence the pension obligations and the pension costs is included. The basis for the assumptions is also described in this note.

Depreciation and amortisation, see also note 12, 19 and 20

Depreciation and amortisation expenses are based on management estimates of residual value, amortisation method and the useful life of property, plant and equipment and intangible assets. Estimates may change due to technological developments, competition, changes in market conditions and other factors and may result in changes in the estimated useful life and in the amortisation 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 the assets and technologies, in which the Group invested several years ago, are still in use and provide the basis for the new technologies. Critical estimates in the evaluations of useful lives for intangible assets include, but are not limited to, estimated average customer relationship based on churn, remaining license or concession period and expected developments in technology and markets. The useful lives of property, plant and equipment and intangible assets are reviewed at least annually taking into consideration the factors mentioned above and all other important relevant factors. Estimated useful lives for similar types of assets may vary between different entities in the Group due to local factors such as growth rate, maturity of the market, history and expectations for replacements or transfer of assets, climate and quality of components used. A change in estimated useful lives is a change in accounting estimate, and depreciation and amortisation charges are adjusted for prospectively.

Impairment, see also note 17, 18, 19, and 20

The Group has made significant investments in property, plant and equipment, intangible assets, goodwill and other investments. Goodwill, intangible assets with indefinite useful life and intangible assets not yet brought into use are tested for impairment annually or more often if indicators of impairment exist, whereas other assets are tested for impairment when circumstances indicate there may be a potential impairment. Factors that indicate impairment which trigger impairment testing include the following: significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use; significant negative industry or economic trends; significant loss of market share; significant unfavourable regulatory decisions and significant cost overruns in the development of assets.

Estimating recoverable amounts of assets and companies must in part be based on management's evaluations, including determining appropriate cash-generating units, determining the discount rate, estimates of future performance, revenue generating capacity of the assets and assumptions of the future market conditions. A significant part of the Group's operations is in countries with emerging markets. The political and economical situation in these countries may change rapidly and global financial turmoil and recession will potentially have a significant impact on these countries. During the financial crisis there were strong indications of increased country risk in the most exposed markets, which was reflected in the discount rates. As the financial markets have regained their stability, the estimated country risk premiums have been reduced, however recessionary effects and increased macroeconomic risks still remain. Changes in circumstances and in management's evaluations and assumptions may give rise to impairment losses in the relevant periods.

There are significant variations between different markets with respect to growth, mobile penetration, ARPU, market share and similar parameters, resulting in differences in EBITDA margins. The future developments of EBITDA margins are important in the Group's impairment assessments, and the long-term estimates of EBITDA margins are highly uncertain. In particular, this is the case for emerging markets that are still not in a mature phase.

Deferred tax assets, see also note 14

Deferred tax assets are recognised to the extent that it is probable that the assets will be realised. Significant judgement is required to determine the amount that can be recognised and depends foremost on the expected timing, level of taxable profits as well as tax planning strategies and the existence of taxable temporary differences. The judgements relate primarily to losses carried forward in some of the Group's foreign operations. When an entity has a history of recent losses the deferred tax asset arising from unused tax losses is recognised only to the extent that there is convincing evidence that sufficient future taxable profit will be generated. Estimated future taxable income is not considered such evidence unless that entity has demonstrated the ability by generating significant taxable income for this year or there are certain other events providing sufficient evidence of future taxable profit. New transactions and the introduction of new tax rules may also affect the judgements due to uncertainty concerning the interpretation of the rules and any transitional rules.

Associated companies, see note 21

The Group has as of 31 December 2010 an ownership interest of 39% in VimpelCom Ltd. (VimpelCom) and accounts for the investment in VimpelCom under the equity method. After the combination of VimpelCom and Kyivstar GSM in the second quarter of 2010, the carrying amount and share of net income from VimpelCom is significantly increased. Financial statements of VimpelCom as of the reporting date are not available before the Board of Telenor ASA approves its consolidated financial statements. VimpelCom is listed on the New York Stock Exchange and the company is not able to provide financial information to one investor without providing equivalent information to all other investors at the same time. As a consequence, the share of net income from VimpelCom is from 2010 recognised in the consolidated financial statements of the Group with a one quarter lag. Previously, the share of net income from VimpelCom was based on estimates for the unpublished quarter, which required significant judgement and represented a material uncertainty. For 2010, the share of net income from VimpelCom for the first to the third quarter is recognised by the Group. The fourth quarter of 2010 will be recognised in the first quarter of 2011. Adjustments are made for the effects of publicly available information on significant transactions and events that occur between the latest interim financial reporting from VimpelCom and the date of these consolidated financial statements. This requires significant judgement.

Legal proceedings, claims,regulatory discussions and tax uncertainty, see also note 14 and 35

The Group is subject to various legal proceedings, disputes and claims including regulatory discussions related to the Group's business, licenses, tax positions, investments etc., the outcomes of which are subject to significant uncertainty. Management evaluates, among other factors, the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount to be accrued for any matter or accrue for a matter that has not been previously accrued because it was not considered probable or a reasonable estimate could not be made.

Through the operations in many emerging markets, the Group is involved in legal proceedings, including regulatory discussions. The legal systems in these countries are, to varying degrees, less predictable than the Norwegian legal system. Accordingly, management's estimates relating to legal proceedings and regulatory issues in these countries involve a relatively higher level of uncertainty.

/ 04 / Business combinations, acquistions of non-controlling interests and disposals

No material business combinations were completed in 2010. There were, however, material acquisitions of non-controlling interests related to a business combination which took place in 2009. One material disposal was completed in 2010, the deemed disposal of EDB Business Partner ASA. All business combinations are accounted for by applying the acquisition method of accounting.

Unitech Wireless (Uninor) – India (acquisition of non-controlling interests)

On 7 January 2010, the Group acquired an 11.1% ownership interest in addition to the previously acquired ownership of 49.0%. On 10 February 2010, the Group acquired an additional 7.2% ownership interest, increasing the ownership to 67.3%. The transactions were completed by capital contributions of NOK 1.8 billion and NOK 2.6 billion, respectively. The acquisitions of non-controlling interests have been accounted for as equity transactions and NOK 768 million have been charged to the equity attributable to the equity holders of Telenor ASA.

Individually immaterial business combinations during 2010

During 2010, the Group has acquired some small businesses with a consideration less than NOK 50 million per acquisition. The business combinations were executed through acquisition of assets and liabilities assumed. The fair values at the acquisition dates are reported according to IFRS. The identifiable assets and liabilities acquired in the transactions, and the goodwill arising, are as follows:

NOK in millions	Fair value of total assets and liabilities at acquisition date
Intangible assets	36
Property, plant and equipment	28
Other financial non-current assets	1
Inventories	12
Trade and other receivables	15
Other financial current assets	6
Provisions	(19)
Current liabilities	(10)
Net assets acquired	**69**
Goodwill	(2)
Total consideration for the net assets acquired	**67**

The useful lives of intangible assets at the date of acquisition were estimated on average at: customer base 7 years, software 3 years, trademarks 15 years and development costs 1 to 5 years The trade and other receivables are valued at fair value, where the gross amount due under contract is NOK 15 million and the non-collectable amount is estimated to approximately NOK 1 million.

In one of the business combination, the fair values of the net assets exceed the consideration transferred. The Group has reassessed the procedures that were used to measure the assets acquired and liabilities assumed. The Group decided that the procedures and the resulting measures were appropriate. The gain recognised is NOK 7 million and is included in "other income (expenses)" in the income statement. The goodwill arising in the other business combinations is attributable to know-how.

These companies contributed NOK 22 million in revenues and negative NOK 49 million to the Group's net income for the period between the date of consolidation and 31 December 2010. This does not include the Group's interest expenses related to the financing of the acquisitions.

Information about the combined entity's operating revenues and net income

The impact on the operating revenues and net income as if the business combinations were effected in the beginning of the annual reporting period is immaterial.

Disposal 2010

The Group has disposed of one material business during 2010, EDB Business Partner ASA. EDB Business Partner ASA merged with ErgoGroup AS and this was carried out with accounting effect from 30 September 2010. As a consequence of the merger the Group's ownership interest was reduced to 27.2% and a loss of NOK 25 million was recognised. After the merger EDB ErgoGroup ASA is accounted for as an associated company and EDB Business Partner ASA is presented as discontinued operation. See note 15 and 21 for further information.

The Group has also disposed of some minor businesses during 2010, which resulted in a net gain of NOK 7 million.

Acquisitions in 2009

NOK in millions		Change in		
Company	Country	ownership interest %	Business	Consideration
Unitech Wireless	India	33.5	Mobile telecommunications	1 675
Norkring Belgie [1]	Belgium	75.0	Digital terrestrial transmission for television and radio	230
BiBoB A/S	Denmark	100.0	Mobile telecommunications	124

[1] The consideration of Norkring Belgie includes liabilities assumed of NOK 11 million.

Business combinations 2009

There was one material business combination in 2009.

Unitech Wireless

On 17 March 2009, the Group announced the acquisition of a 33.5% ownership interest in Unitech Wireless in India. The acquisition was completed on 20 March 2009 by a capital contribution in Unitech Wireless of NOK 1.7 billion paid in cash. At the same time, it was announced that the Group would acquire 67.3% of Unitech Wireless in stages pending regulatory approval. Regulatory approval was announced on 19 October 2009. The Group gains control through the share agreement. The value was set based on fair value after negotiations between the parties.

Unitech Wireless offers mobile services to residential and business customers in India under the brand Uninor.

The purchase price allocation was performed with assistance from third-party valuation experts and is final. The carrying values at the date of acquisition are reported according to IFRS. The identifiable assets and liabilities acquired in the transaction, and the goodwill arising, are as follows:

NOK in millions	Unitech Wireless carrying amount at acquisition date	Fair value adjustments	Final fair values
Licences	2 362	1 014	3 376
Property, plant and equipment	3	-	3
Other financial non-current assets	1	-	1
Trade and other receivables	47	-	47
Cash and cash equivalents	1 749	-	1 749
Non-current interest-bearing financial liabilities	-	-	-
Deferred tax liabilities	109	(345)	(236)
Provisions and obligations	(84)	-	(84)
Trade and other payables	(188)	-	(188)
Current non-interest-bearing liabilities	-	-	-
Current interest-bearing liabilites	(2 717)	-	(2 717)
Total identifiable net assets	**1 281**	**669**	**1 950**
Non-controlling interests	852	445	1 296
Net identifiable assets acquired	**429**	**224**	**654**
Goodwill arising on acquisition			1 021
Total consideration for the shares, satisfied by cash [1]			**1 675**
Liabilities assumed			-
Total consideration, satisfied by cash			**1 675**

[1] Of the final total consideration, NOK 35 million was business combination costs, while it was estimated to NOK 26 million in the preliminary purchase price allocation.

The useful life of licences at the date of acquisition was estimated at 19 years. The licences are granted for an initial period of 20 years (19 years remaining at the date of acquisition) with a prolongation option for the authorities of 10 years. Accordingly, the useful life of licences at the date of acquisition was set to 19 years.

The trade and other receivables are valued at fair value, where the gross amount due under contract is equal to the fair value and the total amount is collectible. The goodwill arising on the acquisition of Unitech Wireless is mainly attributable to the expected fair value of the business beyond the licence period in addition to deferred tax liabilities related to the excess values. The non-controlling interests are valued to the proportionate share of the acquiree's identifiable net assets.

Unitech Wireless contributed NOK 3 million in revenues and had net income of negative NOK 1.0 billion in the period between the date of consolidation and 31 December 2009, which is included in the Group's net income. This does not include the Group's interest expenses related to the financing of the acquisition.

On 19 May 2009, the Group acquired a 15.5% ownership interest in addition to the first acquisition of 33.5%. The transaction was completed by a capital contribution of NOK 1.8 billion and is accounted for as acquisition of non-controlling interests. The difference between the consideration transferred and carrying amount of the non-controlling interests was recorded as goodwill recognised with NOK 0.5 billion. No significant changes in fair values were identified.

Individually immaterial business combinations during 2009

During 2009, the Group has acquired BiBoB A/S, Norkring Belgie and other acquisitions with a consideration of less than NOK 50 million per acquisition. The carrying values at the acquisition dates are reported according to IFRS. The identifiable assets and liabilities acquired in the transactions, and the goodwill arising, are as follows:

NOK in millions	Carrying amount at acquisition date	Fair value adjustments	Fair values
Intangible assets	17	304	321
Deferred tax assets	15	(11)	4
Property, plant and equipment	162	-	162
Other financial non-current assets	9	-	9
Trade and other receivables	109	-	109
Cash and cash equivalents	45	-	45
Deferred tax liabilities	-	(76)	(76)
Trade and other payables	(127)	-	(127)
Current non-interest-bearing financial liabilities	(35)	-	(35)
Current interest-bearing financial liabilities	(17)	-	(17)
Total identifiable net assets	**178**	**217**	**395**
Non-controlling interests	46	57	103
Net identifiable assets acquired	**132**	**160**	**292**
Goodwill arising on acquisition			93
Total consideration			**385**
Total consideration for the shares, satisfied by cash			188
Total consideration for the shares, satisfied by contingent consideration			38
Carrying amount as associated company at the date of consolidation			159
Total consideration for the shares			**385**
Liabilities assumed, satisfied by cash			11
Total consideration			**396**

The useful lives of intangible assets at the date of consolidation were estimated on average at: customer base of 3.5 years, customer contract of 15 years and trademarks of 15 years. The goodwill arising on the acquisition of these smaller companies is attributable to employees and the anticipated profitability of its operations and includes deferred tax liabilities related to the excess values.

The non-controlling interests are valued to the proportionate share of the acquire's identifiable net assets.

These companies contributed NOK 965 million in revenues and negative NOK 3 million to the Group's net income for the period between the date of consolidation and 31 December 2009. This does not include the Group's interest expenses related to the financing of the acquisitions.

Information about the combined entity's operating revenues and net income

The following financial information is presented as if the acquisition dates for all business combinations that were completed in the period, was in the beginning of the annual reporting period:

NOK in millions, except per share amounts	2009
Revenues	90 842
Profit before taxes and non-controlling interests	14 793
Net income attributable to equity holders of Telenor ASA	8 574
Net income per share in NOK	5.18

The results are adjusted for the Group's interest expenses and the result in the period prior to the acquisition. The interest expenses are calculated based on the total consideration and the average interest rate in 2009 for loans in local currency. The information has been prepared for comparative purposes only and are not necessarily indicative of the result of operations which actually would have been the result had the acquisitions been in effect in the beginning of the annual reporting period or of future results.

Disposals in 2009

The Group has disposed some minor businesses during 2009, which resulted in a net loss on disposal of NOK 75 million included in Other income and expenses (see note 10).

Aeromobile was put under administration in the United Kingdom at the end of December 2009 and the parent company guarantee that Telenor ASA had given was called upon. Total net loss recognised was NOK 87 million.

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

/ 05 / Key figures segments

The segment information for the period 2009 to 2010 is reported in accordance with the reporting to Group Executive Management (chief operating decision-makers). As of 2010, Norway is now defined as one single operating segment since fixed and mobile operations have been merged and are no longer monitored separately by Group Management. In addition Serbia, Montenegro and Uninor are regarded as separate operating segments in 2010. Kyivstar is no longer defined as an operating segment due to the combination with OJSC VimpelCom into the new entity VimpelCom Ltd., see note 21. EDB Business Partner ASA (presented under Other units in 2009) was reclassified to discontinued operations, see note 15. Prior year comparatives have been changed accordingly.

The segment reporting is consistent with financial information used by the chief operating decision-makers for assessing performance and allocating resources. Segment result is defined as EBITDA before other income and expenses.

The Group's primary reportable segments are based on the business operations. The primary products and services are mobile communication, fixed line communication and TV-based activities ("Broadcast"). In addition, the Group reports Other units as a separate segment.

The Group's mobile communication business includes voice, data, internet, content services, customer equipment and electronic commerce. In Norway, Denmark and Sweden, fixed line businesses are reported together with mobile operations. Fixed services comprise analogue PSTN, digital ISDN, broadband telephony, xDSL, Internet and leased lines, as well as communication solutions.

Broadcast comprises the Group's TV-based activities within the Nordic region including pay-TV services via satellite dish, cable TV-networks, satellite master antenna TV-networks systems, broadband access services to cable TV-subscribers and broadcasting rights. Broadcast owns and operates the national terrestrial broadcast network in Norway and parts of Belgium, and provides satellite broadcasting services to the Nordic region and Central and Eastern Europe, utilising three geo-stationary satellites. Broadcast also provides security solutions to pay-TV operators in more than 75 countries.

Other units consist of New Business, Corporate functions and Group activities. New Business consists of start-up companies and activities that separately are not significant enough to be reported as separate segments. The companies operate within international communication services, machine to machine communication and internet based services. Corporate functions and Group activities comprise activities such as real estate, research and development, strategic Group projects, Group Treasury, international services, the internal insurance company and central staff and support functions.

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

Gains and losses arising from internal transfer of businesses, group contribution and dividends within the Group are not included in the income statements for the segments.

Segment Information 2010

NOK in millions	Revenues	External revenues	EBITDA before other income and expenses [1]	EBITDA [1]	Depreciation, amortisation and impairment losses	Operating profit (loss)	Investments [2]
Norway	26 302	25 340	10 500	10 343	(3 551)	6 792	2 891
Sweden	9 497	9 323	2 266	2 222	(2 084)	137	1 005
Denmark	7 274	7 089	1 758	1 647	(978)	669	1 119
Hungary	4 806	4 783	1 755	1 636	(708)	927	264
Serbia	2 638	2 522	1 053	1 043	(622)	421	259
Montenegro	644	604	287	285	(125)	160	24
DTAC – Thailand	13 848	13 809	4 820	4 872	(1 695)	3 177	797
DiGi – Malaysia	10 167	10 156	4 500	4 501	(1 478)	3 023	1 355
Grameenphone – Bangladesh	6 492	6 491	3 212	3 213	(1 450)	1 763	734
Pakistan	4 653	4 616	1 382	1 295	(1 293)	2	617
Uninor – India	773	772	(4 246)	(4 257)	(787)	(5 044)	1 624
Broadcast	8 836	8 738	2 213	2 137	(950)	1 187	1 915
Other units	3 181	601	(263)	(272)	(451)	(723)	850
Eliminations	(4 269)	-	(16)	(16)	26	10	(7)
Total group	**94 843**	**94 843**	**29 220**	**28 648**	**(16 148)**	**12 500**	**13 445**

[1] See table below for definition and reconciliation of EBITDA. EBITDA before other income and expenses is the segment result.

[2] Investments are defined as capital expenditures and investments in businesses.

Segment Information 2009

NOK in millions	Revenues	External revenues	EBITDA before other income and expenses [1]	EBITDA [1]	Depreciation, amortisation and impairment losses	Operating profit (loss)	Investments [2]
Norway	26 249	25 201	10 476	10 366	(2 941)	7 425	2 606
Sweden	9 031	8 863	1 959	1 823	(2 007)	(185)	826
Denmark	7 813	7 607	1 899	1 673	(1 389)	284	1 039
Hungary	5 524	5 509	2 289	2 242	(676)	1 566	420
Serbia	2 949	2 856	1 202	1 200	(2 617)	(1 417)	322
Montenegro	731	692	311	308	(107)	201	46
DTAC – Thailand	12 044	12 020	3 689	3 685	(1 577)	2 108	1 089
DiGi – Malaysia	8 743	8 734	3 791	3 791	(1 325)	2 466	1 279
Grameenphone – Bangladesh	5 947	5 946	3 390	3 389	(1 510)	1 879	944
Pakistan	4 350	4 319	1 055	1 051	(1 318)	(267)	1 325
Uninor – India	3	3	(906)	(906)	(79)	(985)	3 713
Broadcast	8 565	8 469	1 944	1 887	(882)	1 005	2 171
Other units	3 170	528	(408)	(462)	(452)	(914)	840
Eliminations	(4 371)	-	(21)	28	37	66	(9)
Total group	**90 748**	**90 748**	**30 670**	**30 075**	**(16 843)**	**13 232**	**16 611**

[1] See table below for definition and reconciliation of EBITDA. EBITDA before other income and expenses is the segment result.

[2] Investments are defined as capital expenditures and investments in businesses.

Reconciliation of EBITDA

NOK in millions	2010	2009
Net income	**14 808**	**10 104**
Loss from discontinued operations	(415)	(652)
Profit from continuing operations	**15 223**	**10 755**
Income taxes	(4 982)	(4 122)
Profit before taxes	**20 205**	**14 877**
Net financial income (expenses)	(1 989)	(2 022)
Share of net income from associated companies	3 145	3 667
Gain on disposal of associated companies	6 549	-
Operating profit	**12 500**	**13 232**
Depreciation and amortisation	(16 134)	(14 905)
Impairment losses	(14)	(1 938)
EBITDA	**28 648**	**30 075**
Other income (expenses)	(572)	(595)
EBITDA before other income and expenses	**29 220**	**30 670**

Geographic distribution of external revenues based on customer location

NOK in millions	2010	2009
Norway	29 681	29 280
Sweden	10 633	10 219
Other Nordic	8 600	9 211
Other Western Europe	1 279	1 198
Central Europe	8 095	9 179
Malaysia	10 015	8 642
Thailand	13 311	11 591
Other Asia [1]	12 685	10 915
Other countries	545	515
Total revenues	**94 843**	**90 748**

[1] Other Asia includes Grameenphone (Bangladesh), Telenor Pakistan and Uninor (India).

Assets by geographical location of the company

	Non-current assets excluding deferred tax assets and other non-current assets		Total assets	
NOK in millions	2010	2009	2010	2009
Norway	25 929	30 116	37 078	46 598
Sweden	12 260	12 258	17 460	16 729
Other Nordic	8 894	9 341	11 248	11 846
Other Western Europe	405	359	673	680
Central Europe	14 290	17 117	16 365	19 227
Eastern Europe	27 834	16 176	27 834	16 211
Thailand	15 147	14 335	20 661	18 371
Other Asia [1]	30 675	30 095	41 377	36 303
Other countries	34	35	36	66
Total assets	**135 468**	**129 832**	**172 731**	**166 031**

[1] Other Asia includes DiGi (Malaysia), Grameenphone (Bangladesh), Telenor Pakistan and Uninor (India).

/ 06 / Revenues

NOK in millions	2010	2009
Analog (PSTN)/digital (ISDN, xDSL and BBT)	12 946	13 179
Mobile telephony	65 754	62 523
Leased lines	730	824
Satellite and TV-distribution	8 680	8 392
Other network-based activities	1 261	1 819
Other	1 607	1 470
Total services	**90 978**	**88 207**
Customer equipment	3 866	2 541
Total products	**3 866**	**2 541**
Revenues	**94 843**	**90 748**

Analog (PSTN)/digital (ISDN, xDSL and broadband telephony (BBT)) includes revenues from traffic, subscription and connection for analog (PSTN), digital (ISDN, xDSL and BBT), internet subscriptions and incoming traffic from other telephone operators.

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

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

Satellite and TV-distribution includes revenues from satellite broadcasting and distribution of TV channels to the Nordic market. TV-distribution includes revenues from subscription, connection and distribution of TV channels through cable and satellite, and sale of conditional access services for pay-TV.

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

Customer equipment includes sale of equipments as telephone sets, mobile phones, smart phones, computers, PABX's etc.

Other includes revenues from IT-operations, contracting, lease of properties etc.

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

/ 07 / Costs of materials and traffic charges

NOK in millions	2010	2009
Traffic charges – network capacity	(15 591)	(15 582)
Traffic charges – satellite capacity	(95)	(88)
Costs of materials etc	(10 588)	(8 899)
Own work capitalised	35	60
Total costs of materials and traffic charges	**(26 239)**	**(24 510)**

Traffic charges include operating lease expenses relating to the lease of dedicated network and satellite capacity. These costs are included in the different cost categories in the table above and not shown separately because they do not, in substance, differ from the relevant cost categories. See note 33 for information about operating lease commitments.

/ 08 / Salaries and personnel costs

NOK in millions	2010	2009
Salaries and holiday pay	(9 035)	(8 653)
Social security tax	(1 046)	(1 057)
Pension costs including social security tax (note 27)	(834)	(867)
Share-based payments, excluding social security tax	(57)	(53)
Other personnel costs	(597)	(579)
Own work capitalised	717	550
Total salaries and personnel costs	**(10 852)**	**(10 659)**

The average number of man-years employed was 33,000 in 2010 and 38,000 in 2009. This includes 6,000 man-years related to discontinued operations for 2009.

/ 09 / Other operating expenses

NOK in millions	2010	2009
Operating leases of buildings, land and equipment	(3 573)	(2 309)
Other cost of premises, vehicles, office equipment etc	(1 831)	(1 214)
Operation and maintenance	(4 915)	(4 906)
Travel and travel allowances	(502)	(536)
Postage freight, distribution and telecommunication	(505)	(547)
Concession fees	(4 155)	(3 742)
Marketing and sales commission	(7 121)	(5 968)
Advertising	(2 600)	(2 081)
Bad debt (note 22)	(500)	(580)
Consultancy fees and external personnel	(2 121)	(2 359)
Other	(734)	(729)
Own work capitalised	25	62
Total other operating expenses	**(28 532)**	**(24 909)**

/ 10 / Other income and expenses

NOK in millions	2010	2009
Gains on disposals of fixed assets and operations	158	37
Losses on disposals of fixed assets and operations	(283)	(284)
Expenses for workforce reduction and onerous (loss) contracts	(401)	(348)
One-time effects on pension costs	(46)	-
Total other income (expenses)	**(572)**	**(595)**

Gains on disposals were primarily related to sale of properties and fixed assets both in 2010 and in 2009.

Losses on disposals in 2010 were mainly due to disposals of obsolete equipment in Telenor Norway, Telenor Denmark, Telenor Pakistan and Broadcast. Losses in 2009 were primarily related to disposals of obsolete equipment in Telenor Denmark and Telenor Sweden.

Expenses for workforce reductions and onerous (loss) contracts in 2010 were mainly attributable to loss contracts in Telenor Hungary and Broadcast, and workforce reductions in Telenor Norway, Telenor Denmark, Telenor ASA, Telenor Hungary and Telenor Sweden. In 2009, the expenses were mainly attributable to loss contracts in Broadcast, and workforce reductions in Telenor Denmark, Telenor Sweden and Telenor Norway. See also note 26.

One-time effects on pension costs in 2010 were related to closing of the current AFP (early retirement) pension scheme in Norwegian companies. See note 27 for more information.

/ 11 / Research and development costs

Research and development costs that have been recognised in the income statement amounted to NOK 387 million and NOK 441 million in 2010 and 2009, respectively. Expensed research and development activities relate to new technologies, new products, security in the network and new usages of the existing network. The amount mentioned above does not reflect development recognised as intangible assets or property, plant and equipment in the statement of financial position.

Innovation activities are integrated in all business units across the Group. Hence, the total expenditure related to innovation activities exceeds the NOK 387 million which has been recognised as pure research and development cost in the income statement for 2010. This figure does not include the Group's investments in a large and varied portfolio of innovation projects, such as over the top services, which are being developed in order to be prepared for telecom and media services delivered independently of operators' networks (e.g. Web-TV, mobile VoIP), mobile financial services (e.g. "EasyPaisa" – mobile banking in Pakistan), connectivity services (M2M services provided by Telenor Connexion), Cellbazaar, etc. In addition, the Group has in several of its operations invested in new licenses and upgraded the network to 4G in order to be able to offer a wider range of new services demanding higher capacity and speed.

/ 12 / Depreciation, amortisation and impairment losses

	Property, plant and equipment		Goodwill		Intangible assets		Prepaid leases		Total	
NOK in millions	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Depreciation and amortisation	(11 270)	(9 913)	-	-	(4 643)	(4 762)	(221)	(230)	(16 134)	(14 905)
Impairment losses	-	(1)	(14)	(1 937)	-	-	-	-	(14)	(1 938)
Total depreciation, amortisation and impairment losses	**(11 270)**	**(9 914)**	**(14)**	**(1 937)**	**(4 643)**	**(4 762)**	**(221)**	**(230)**	**(16 148)**	**(16 843)**

The increase in depreciation in 2010 compared to 2009 was mainly due to Uninor commencing depreciation late in 2009 while having a full year effect in 2010, and in addition there were accelerated depreciation in Telenor Norway due to replacements of mobile infrastructure. No other major changes were made in estimated useful lives compared to 2009. See note 19 and 20 for further information.

Impairment losses on goodwill was related to Telenor Norway in 2010, and mainly related to Telenor Serbia in 2009. See note 17 for specification of goodwill and note 18 for impairment testing of goodwill.

Prepaid leases relates primarily to access charges for lease of the cables of other operators (local loop unbundling etc) in Sweden and Denmark. The basis for the amortisation period for access charges is the estimated customer relationship period, which is based on historical information. See note 22 for more information.

/ 13 / Financial income and expenses

NOK in millions	2010	2009
Interest income on cash and cash equivalents	478	315
Dividend income on available-for-sale financial assets	13	4
Other financial income	274	267
Total financial income	**765**	**586**
Interest expenses on financial liabilities measured at amortised cost	(1 706)	(2 469)
Capitalised interest	104	322
Total interest expenses	**(1 602)**	**(2 147)**
Other financial expenses	(223)	(366)
Total financial expenses	**(1 825)**	**(2 513)**
Net foreign currency gains (losses), excluding effects of reclassifications	18	(443)
Amounts reclassified from equity to profit and loss (cash flow hedges)	(667)	-
Net foreign currency gains (losses)	**(649)**	**(443)**
Net change in fair value of financial instruments at fair value through profit or loss	**(370)**	**431**
Net gains (losses) on disposal of financial assets available-for-sale	55	1
Net gains (losses) on disposal of financial assets at fair value through profit or loss	3	(1)
Other net gains (losses) financial assets	32	(83)
Net gains (losses and impairment) of financial assets and liabilities	**90**	**(83)**
Net financial income (expenses)	**(1 989)**	**(2 022)**

The increase in financial income in 2010 compared with 2009 was mainly due to increased volume of current deposits and an increase in interest rates related to cash and cash equivalents, as a consequence of a general increase in interest rates in the market. Other financial income relates primarily to benefits from Cross Border QTE Leases for GSM mobile network and fixed-line network, see note 29.

The decrease in financial expenses in 2010 compared with 2009 was primarily due to decreased volume of interest-bearing liabilities during the year.

Borrowing costs are capitalised (capitalised interest) on qualifying assets and are based on terms for the general borrowing programs for Norwegian subsidiaries or the relevant foreign subsidiaries' borrowing costs. Subsidiaries owned 90% or more by the Group are financed by the Group. See note 29 for further information about interest rates on external borrowings.

The net change in fair value of financial instruments was primarily attributable to derivatives used for economic hedge of interest-bearing liabilities that do not fulfil the requirements for hedge accounting according to IAS 39.

Amounts reclassified from equity to profit and loss (cash flow hedges) include the loss amounting to NOK 534 million on the foreign exchange derivative contracts entered into to hedge the currency risk related to the third and fourth INR denominated equity injection into Uninor which took place during the first quarter of 2010. The derivatives were entered into in 2009 and were accounted for as instruments hedging the acquisition of a business. When implementing the revised IAS 27 at 1 January 2010 it was no longer possible to hedge acquisition of non-controlling interests as the transactions would no longer impact recorded assets or the income statement. Consequently, the loss on these derivative contracts was taken from equity to the income statement in the first quarter of 2010.

/ 14 / Income taxes

NOK in millions	2010	2009
Profit before taxes	20 205	14 877
Current taxes	(6 503)	(4 833)
Change in deferred taxes	1 521	711
Income tax expense	**(4 982)**	**(4 122)**

Effective tax rate

The table below reconciles the reported income tax expense to the expected income tax expense according to the Norwegian corporate income tax rate of 28%. It also presents the main elements of the tax expense. Selected line items are commented below the table.

NOK in millions	2010	2009
Income tax expense at corporate income tax rate in Norway (28%)	(5 657)	(4 166)
Tax rates outside Norway different from 28%	508	343
Share of net income from associated companies	881	1 027
Non-taxable income	44	24
Non-deductible expenses	(345)	(356)
Gains/losses on sale/exchange of shares	1 569	38
Current and deferred taxes on retained earnings in subsidiaries and associated companies	483	(380)
Deferred tax assets not recognised current year	(1 945)	(682)
Change in previous years' valuation allowances	56	48
Impairment of goodwill that is not tax deductible	(4)	(196)
Tax credits	39	42
Significant disputed items	(815)	-
Tax effect of discontinued operations	91	112
Other	112	27
Income tax expense	**(4 982)**	**(4 122)**
Effective tax rate in %	**24.7**	**27.7**

Tax rates outside Norway different from 28%

Significant effects are related to the fact that Telenor Hungary (24%) and Telenor Serbia (10%) have tax rates lower than 28%, while Grameenphone Ltd. (Bangladesh: 35%), Telenor Pakistan (35%) and Uninor (India: 33%) have higher tax rates. If there is a loss and the tax rate is higher than 28% this will result in a positive figure at this line. Effects of changes in tax rates are also included. For the year 2010 the net effect is insignificant, while year 2009 includes a positive effect of NOK 371 million due to reduced tax rate for Grameenphone Ltd. following the listing of its shares.

Share of net income from associated companies

Share of net income from associated companies is recognised on an after tax basis and therefore does not impact the Group's tax expense, see note 21. Tax on undistributed earnings in associated companies is included in the line "Current and deferred taxes on retained earnings in subsidiaries and associated companies".

Gains/losses on sale/exchange of shares

Gain on disposal of associated companies is included in this line. For 2010 this mainly relates to the NOK 6.5 billion gain from the VimpelCom Ltd. transaction. This transaction resulted in a taxable gain of 3% of NOK 34 billion taxed at 28%, or NOK 282 million in current tax expense in 2010 which is also included in this line.

Current and deferred taxes on retained earnings in subsidiaries and associated companies

The Group has recognised a deferred tax liability (primarily withholding tax) on undistributed earnings in subsidiaries and associated companies outside of Norway. For subsidiaries, the provision for a deferred tax liability is made to the extent it is expected that retained earnings will be distributed in the foreseeable future. For associated companies, the deferred tax liability is recognised based on the total undistributed earnings (the Group's share) because the Group is not able to control the timing of the distribution of dividends. Undistributed retained earnings in foreign subsidiaries and associates for which deferred taxes have not been provided amount to NOK 0.7 billion.

This line also includes current taxes on dividends received from subsidiaries during the year.

Current and deferred taxes on retained earnings in subsidiaries and associated companies shows a net tax income in 2010. This is due to reversal of withholding tax provisions related to OJSC VimpelCom and Kyivstar of approximately NOK 1 billion.

Deferred tax assets not recognised current year

Deferred tax assets are not recognised on deductible temporary differences (primarily tax losses carried forward) unless the Group can demonstrate probable taxable profits that will be available against such deductible temporary differences. For 2010 and 2009 this primarily relates to Telenor Pakistan and Uninor.

Change in previous years' valuation allowance

This line includes deferred tax assets previously not recognised, and derecognition of previously recognised deferred tax assets and is primarily related to reversal of valuation allowances in the Swedish tax group.

Impairment of goodwill that is not tax deductible

Impairment of goodwill deriving from initial purchase price allocation for shares in subsidiaries is generally not tax deductible. In 2009, goodwill impairment is related to Telenor Serbia.

Significant disputed items

During the third quarter of 2010, Telenor ASA received a reassessment by the Norwegian tax authorities of its 2006 and 2007 tax returns, concerning gain on a Total Return Swap agreement related to shares in OJSC VimpelCom as the underlying object. The Norwegian tax authorities claim that the Total Return Swap should be taxed as financial instruments with recurring realisations. Following the receipt of the reassessment the Group provided for a tax expense of NOK 814 million in the third quarter of 2010, which was paid in the fourth quarter. The Group disagrees with the tax authorities' position and has appealed the reassessment.

Tax losses carried forward

Tax losses carried forward in selected countries expire as follows as of 31 December 2010:

NOK in millions	Norway	Sweden	India	Pakistan	Other	Total
2011	–	–	–	–	135	135
2012	–	–	–	5	22	27
2013	–	–	–	12	48	60
2014	–	–	–	19	262	281
2015	–	–	–	9	67	76
2016 and later	–	–	4 337	8	208	4 553
Not time-limited	1 440	1 137	1 182	7 081	181	11 021
Total tax losses carried forward	**1 440**	**1 137**	**5 519**	**7 134**	**923**	**16 152**
On which deferred tax assets have not been recognised (Valuation allowance)	1 437	329	5 519	3 591	923	11 799
Tax losses on which deferred tax assets have been recognised	**3**	**807**	**–**	**3 543**	**–**	**4 353**

Tax losses carried forward in selected countries expire as follows as of 31 December 2009:

NOK in millions	Norway	Sweden	India	Pakistan	Other	Total
2010	–	–	–	–	49	49
2011	–	–	–	372	570	942
2012	–	–	–	301	22	323
2013	–	–	–	12	25	37
2014	–	–	–	526	11	537
2015 and later	–	–	628	8	289	925
Not time-limited	318	466	166	5 628	226	6 804
Total tax losses carried forward	**318**	**466**	**794**	**6 847**	**1 192**	**9 617**
On which deferred tax assets have not been recognised (Valuation allowance)	209	425	668	3 914	1 100	6 316
Tax losses on which deferred tax assets have been recognised	**109**	**41**	**125**	**2 934**	**92**	**3 301**

For Telenor Pakistan and Uninor, deferred tax assets are not recognised in excess of deferred tax liabilities as probable future taxable profits to offset these deductible temporary differences cannot be demonstrated at this point in time. Some of the tax losses in the Norwegian and Swedish operations are not recognised due to restrictions limiting the probability of future utilisations.

Tax effect of temporary differences and tax losses carried forward as of 31 December

	2010			2009		
NOK in millions	Deferred tax assets	Deferred tax liabilities	Of which assets not recognised (valuation allowance)	Deferred tax assets	Deferred tax liabilities	Of which assets not recognised (valuation allowance)
Tangible and intangible assets	4 387	(7 116)	(312)	4 170	(7 628)	(20)
Undistributed earnings in foreign subsidiaries and associated companies	-	(528)	-	-	(1 242)	-
Other non-current items	2 550	(1 749)	(100)	2 513	(1 753)	(2)
Total non-current assets and liabilities	**6 937**	**(9 393)**	**(412)**	**6 683**	**(10 623)**	**(22)**
Total current assets and liabilities	**1 016**	**(453)**	**(43)**	**1 213**	**(409)**	**-**
Tax losses carried forward	**5 182**	**-**	**(3 755)**	**3 206**	**-**	**(2 072)**
Total deferred tax assets/liabilities	**13 134**	**(9 846)**	**(4 209)**	**11 102**	**(11 032)**	**(2 094)**
Net deferred tax assets/liabilities	**-**	**(921)**	**-**	**-**	**(2 024)**	**-**
Of which deferred tax assets	-	2 006	-	-	1 811	-
Of which deferred tax liabilities	-	(2 927)	-	-	(3 834)	-

Recognised deferred tax assets mainly relate to Norway and Thailand.

Changes in net deferred taxes

NOK in millions	2010	2009
As of 1 January	**(2 024)**	**(1 881)**
Recorded to the income statement	1 521	711
Recorded to other comprehensive income	(278)	(1 270)
Acquisitions and disposals	(44)	(303)
Translation differences on deferred taxes	(75)	608
Tax effect from discontinued operations	(22)	111
As of 31 December	**(921)**	**(2 024)**

/ 15 / Discontinued operations

For discontinued operations, Group internal transactions remain consolidated and eliminated in the consolidated financial statements. Group external transactions are reclassified to discontinued operations. Accordingly, the tables presented below will not represent the activities of the discontinued operations on a stand-alone basis.

Cinclus Technology

Cinclus Technology is a subsidiary of the Group and was a provider of Automatic Meter Reading technology. Cinclus Technology has during 2010 ceased its operations based on previous customer contracts, and has disposed of all assets and liabilities relating to its operations of these contracts. Cinclus Technology still owns the technology developed by the company.

EDB Business Partner

In the extraordinary general meeting of EDB Business Partner ASA held on 8 July 2010, the general meeting approved the proposed combination with ErgoGroup ASA. The closing of the EDB Business Partner ASA merger with ErgoGroup ASA was carried out with accounting effect from 30 September 2010. Following the merger, the Group's ownership in EDB Business Partner ASA was diluted and the merged company was reported as an associated company, see note 21.

The value of the associated company EDB ErgoGroup ASA was, at the date control was lost, measured at fair value, and a loss of NOK 25 million was recognised and classified as part of loss from discontinued operations.

The results of the Group's discontinued operations:

	2010			2009		
NOK in millions	Total	EDB	Cinclus	Total	EDB	Cinclus
Revenues	4 773	4 773	-	7 184	6 902	282
Expenses	(5 130)	(5 297)	167	(7 430)	(6 813)	(616)
Operating loss	**(357)**	**(524)**	**167**	**(245)**	**89**	**(334)**
Net financial income (expenses)	(115)	(115)	-	(448)	(162)	(286)
Loss before taxes	**(472)**	**(639)**	**167**	**(693)**	**(73)**	**(620)**
Income taxes	57	82	(25)	41	(169)	210
Loss from discontinued operations	**(415)**	**(556)**	**142**	**(652)**	**(241)**	**(410)**

Loss from discontinued operations attributable to:

NOK in millions	2010	2009
Non-controlling interests	(271)	(218)
Equity holders of Telenor ASA	(144)	(434)
Loss per share in NOK from discontinued operations		
Basic	(0.25)	(0.40)
Diluted	(0.26)	(0.39)

The major categories of assets and liabilities of the Group's operations classified as held for sale (Cinclus Technology AS):

NOK in millions	2009
Assets	
Current assets excluding cash and cash equivalents	185
Cash and cash equivalents	73
Total current assets	**258**
Total assets classified as held for sale	**258**
Liabilities	
Non-current liabilities	2
Current liabilities	282
Total liabilities classified as held for sale	**284**
Net liabilities directly associated with operations held for sale	**26**

The Group had no assets and liabilities classified as held for sale as of 31 December 2010.

Net cash flows related to the Group's discontinued operations:

	2010			2009		
NOK in millions	Total	EDB	Cinclus	Total	EDB	Cinclus
Net cash flow from operating activities	(367)	(431)	64	369	139	231
Net cash flow from investing activities	(291)	(247)	(44)	(379)	(374)	(4)
Net cash flow from financing activities	(333)	(333)	-	(417)	(298)	(119)

/ 16 / Earnings per share

From net income

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

Earnings

NOK in millions, except per share amount	2010	2009
Net income attributable to the equity holders of Telenor ASA	14 334	8 653
Effect of dilutive potential shares	–	–
Net income for the purposes of diluted earnings per share	**14 334**	**8 653**
Basic earnings per share	8.69	5.22
Diluted earnings per share	8.67	5.22

Number of shares in thousands	2010	2009
Weighted average number of shares for the purposes of basic earnings per share	1 649 205	1 656 329
Effect of dilutive potential shares:		
Share options and bonus shares	3 171	1 502
Weighted average number of shares for the purposes of diluted earnings per share	1 652 376	1 657 831

The denominators for the purposes of calculating both basic and diluted earnings per share have been adjusted for the effects of acquisition of treasury shares.

From continuing operations

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

Earnings

NOK in millions, except per share amount	2010	2009
Net income attributable to the equity holders of Telenor ASA	14 334	8 653
Adjusted for:		
Loss from discontinued operations	(415)	(652)
Net income for the purposes of basic earnings per share from continuing operations	**14 749**	**9 305**
Effect of dilutive potential shares	–	–
Net income for the purposes of diluted earnings per share from continuing operations	**14 749**	**9 305**
Basic earnings per share from continuing operations	8.94	5.62
Diluted earnings per share from continuing operations	8.93	5.61

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

/ 17 / Goodwill

NOK in millions	Telenor Denmark	Telenor Sweden	Telenor Hungary	DTAC Thailand	Telenor Serbia	Uninor India	Broadcast	EDB Business Partner	Other [1]	Total
Accumulated cost										
As of 1 January 2009	**9 007**	**5 338**	**5 774**	**2 535**	**8 156**	**-**	**2 059**	**4 268**	**1 306**	**38 443**
Translation differences	(1 407)	(557)	(1 015)	(354)	(1 696)	(67)	(19)	(116)	(128)	(5 359)
Arising on acquisition of subsidiaries	76	-	-	-	6	1 466	-	-	1	1 549
Reallocation of goodwill	-	-	-	-	-	-	-	-	9	9
Derecognised on disposal of subsidiaries	-	(8)	-	-	-	-	-	(118)	(35)	(161)
Reclassified as held for sale	-	-	-	-	-	-	-	-	(93)	(93)
As of 31 December 2009	**7 676**	**4 773**	**4 759**	**2 181**	**6 466**	**1 399**	**2 040**	**4 034**	**1 060**	**34 388**
Translation differences	(476)	358	(390)	275	(924)	77	11	38	57	(974)
Arising on acquisition of subsidiaries	-	-	-	-	-	-	-	14	5	19
Derecognised on disposal of subsidiaries	-	-	-	-	-	-	-	(4 086)	(3)	(4 089)
As of 31 December 2010	**7 200**	**5 131**	**4 369**	**2 456**	**5 542**	**1 476**	**2 051**	**-**	**1 118**	**29 344**
Accumulated impairment losses										
As of 1 January 2009	**(3 767)**	**(212)**	**-**	**-**	**-**	**-**	**(133)**	**-**	**(104)**	**(4 216)**
Translation differences	588	22	-	-	141	-	4	-	-	755
Impairment losses from continued operations	-	-	-	(5)	(1 932)	-	-	-	-	(1 937)
Impairment losses from discontinued operations	-	-	-	-	-	-	-	(218)	-	(218)
Derecognised on disposal of subsidiaries	-	8	-	-	-	-	-	-	-	8
Reclassified as held for sale	-	-	-	-	-	-	-	-	93	93
Impairment as of 31 December 2009	**(3 179)**	**(182)**	**-**	**(5)**	**(1 791)**	**-**	**(129)**	**(218)**	**(11)**	**(5 515)**
Translation differences	197	(14)	-	(1)	256	-	(2)	-	-	436
Impairment losses	-	-	-	-	-	-	-	-	(14)	(14)
Derecognised on disposal of subsidiaries	-	-	-	-	-	-	-	218	3	221
Impairment as of 31 December 2010	**(2 982)**	**(196)**	**-**	**(6)**	**(1 535)**	**-**	**(131)**	**-**	**(22)**	**(4 872)**
Carrying amount										
As of 31 December 2010	**4 218**	**4 935**	**4 369**	**2 450**	**4 007**	**1 476**	**1 920**	**-**	**1 097**	**24 472**
As of 31 December 2009	**4 497**	**4 591**	**4 759**	**2 176**	**4 675**	**1 399**	**1 911**	**3 816**	**1 049**	**28 873**

[1] Other includes primarily DiGi (Malaysia), Telenor Montenegro and Telenor Norway.

The impairment loss of NOK 14 million in 2010 relates to Telehuset stores in Telenor Norway.

See note 18 for impairment testing of goodwill.

/ 18 / Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to individual cash-generating units or operating segments as presented in note 17.

Fair value less cost-to-sell is applied to determine the recoverable amounts of the cash-generating units that are listed companies. Fair value less cost-to-sell has been derived from quoted market prices as of 31 December 2010 and 2009. DTAC is listed both on the Stock Exchanges in Singapore and in Thailand. DiGi is listed on the Stock Exchange in Malaysia.

Discounted cash flow models are applied to determine the value in use for the remaining cash-generating units. Management has projected cashflows based on financial forecasts and strategy plans over the first three-year period except for Uninor where the financial forecast and strategy plan cover a period of five years.

Operations that are in a growth phase and have not reached steady state by the end of the explicit forecast period have two extrapolation periods. Free cash flows for the period up to steady state are extrapolated using growth rates that reflect management's best estimate for market and economic development of the relevant country in which the entity operates. Beyond steady state, the free cash flows are extrapolated using constant nominal growth rates. By the end of 2010, it is assumed that Uninor has not reached steady state by the end of its explicit forecast period.

The value in use estimates have been compared with market valuation and multiples for peers in the telecommunications business for reasonableness.

Key assumptions

Key assumptions used in the calculation of value in use are growth rates, EBITDA margins, capital expenditure and discount rates.

Growth rates – The expected growth rates for a cash-generating unit converges from its current level experienced over the last few years to the long-term growth level in the market the entity operates. The growth rates used to extrapolate cash flow projections beyond the explicit forecast period are based on management's past experience, assumptions in terms of market share and expectations for the market development in which the entity operates. The growth rates used to extrapolate free cash flows in the terminal value are not higher than the expected long-term growth in the economy in which the entity operates.

Average EBITDA margin – The EBITDA margin represents the operating margin before depreciation and amortisation and is estimated based on the current margin level and expected future market development, which also takes into consideration committed operational efficiency programmes. Changes in the outcome of these initiatives may affect future estimated EBITDA margins.

Capital expenditure ("Capex") – A normalised capex to sales ratio (capital expenditure as a percentage of revenues) is assumed in the long run. Changes in traffic volumes and number of subscriptions during a growth phase will affect the future capex to sales ratio. The Broadcast DTH/cable TV operation is less capital-intensive and the capex to sales ratio is therefore not one of the key assumptions for the valuation of this business. Estimated capital expenditures do not include capital expenditures that significantly enhance current performance of assets, as such effects generally are not included in the cash flow projections.

Discount rates – Discount rates are based on Weighted Average Cost of Capital (WACC) derived from Capital Asset Pricing Model (CAPM) methodology. The cost of a company's equity and debt, weighted to reflect its capital structure of 70:30 respectively, derive its weighted average cost of capital. In economies where risk-free yields do not exist, the WACC rates used in discounting the future cash flows are based on a US 10-year risk-free interest rate, adjusted for inflation differential and country risk premium. The discount rates also take into account the debt premium, market risk premium, gearing, corporate tax rate, and asset beta. For cash-generating units within economies that currently experience high inflation rates and expect lower future inflation, rolling discount rates are applied.

The recoverable amounts for the cash-generating units have been determined based on the following key assumptions for the years ended 31 December 2010 and 2009:

	Discount rate after tax (WACC) in %		Discount rate pre tax in %		Nominal growth in free cash flow in terminal value in %	
	2010	2009	2010	2009	2010	2009
Telenor Hungary	**11.2–9.7**	10.5– 9.4	**13.5–12**	13.0–11.8	**0.0**	0.0
Telenor Denmark	**6.9**	7.0	**8.9**	9.3	**0.5**	1.0
Telenor Sweden	**6.5**	6.5	**8.2**	8.8	**0.5**	0.5
Broadcast	**6.3**	6.6	**8.5**	9.0	**0.0**	0.0
Telenor Serbia	**14.5–11.8**	16.0–12.2	**15.5–12.8**	17.8–13.6	**3.0**	3.5
Uninor, India (see further details below)	**13.9–11.2**	12.9–11.5	**15.7–12.9**	19.5–11.6	**6.0**	6.0

In the calculation, the Group has applied estimated cash flows after tax and corresponding discount rates after tax. The recoverable amounts would not change significantly if pre-tax cash flows and pre-tax discount rates had been applied instead. The pre tax discount rates are estimated using an iterative method.

For Uninor, significant growth in cash flows is expected during the extrapolation period. The expected annual compound growth rate in the free cash flows of Uninor for year 6–10 is 7.8%, with the highest growth early in the period. These growth rates are based on assumptions with regards to the expected Uninor roll out at the end of the period covered by the five-year strategy plan, market share and management's best estimate for ARPU levels and number of subscribers. Beyond year 10, the free cash flow is extrapolated using a constant nominal growth rate (terminal value).

After completion of the roll out phase, capex for Uninor is expected to be lower than average due to a less capital intensive business model arising from extensive outsourcing. See note 32, 33, 35 and 39 for additional information.

Sensitivity to changes in key assumptions

In connection with the impairment testing of goodwill, sensitivity analyses have been carried out. Other than Uninor, the Group believes that no reasonably possible change in any of the key assumptions used for impairment testing would cause the carrying amount of any of the cash generating unit to exceed its recoverable amount.

The total carrying amount of property, plant and equipment, intangible assets and goodwill of Uninor amounts to NOK 9.4 billion as of the year end 2010. The estimated recoverable amount of Uninor exceeds the carrying amount of the cash generating unit by approximately NOK 600 million. Impairment testing of Uninor is carried out based on the following key assumptions:

Key assumptions in 2010	Percentage points
Discount rate after tax	13.9 – 11.2
Revenue growth [1]	37.3
EBITDA margin growth [2]	16.6
Growth in free cash flow from year 6–10 [3]	7.8
Nominal growth rate	6.0

[1] Represents the compound annual growth rate during the whole 10 year period.
[2] Represents the compound annual growth rate during the period starting from the year when EBITDA turns positive until terminal year.
[3] Represents the compound annual growth rate.

The following changes in key assumptions, in isolation, would lead to a recoverable amount approximately equal to the carrying amount and any changes beyond those described below may lead to an impairment loss:

- Decrease in revenue by 7.4 percentage points during the period 2011–2013.
- Decrease in EBITDA margin by 0.7 percentage points for the whole period including terminal value.
- Increase in discount rate after tax by 0.3 percentage points for the whole period including terminal value.
- Decrease in nominal growth rate in terminal value by 0.6 percentage points.

/ 19 / Intangible assets

NOK in millions	Customer base	Licenses	Trade-marks	Software acquired	Internal generated software	Roaming agreements and other [1]	Work in progress [2]	Total
Accumulated cost								
As of 1 January 2009	**7 563**	**24 114**	**3 220**	**11 787**	**2 748**	**4 651**	**1 693**	**55 776**
Reclassifications [3]	2	12	(2)	247	2	(286)	(57)	(82)
Additions	7	694	2	1 892	–	93	77	2 765
Internally developed	–	–	–	–	289	1	–	290
Additions through acquisition of subsidiaries	213	3 361	19	–	–	64	–	3 657
Translation differences	(988)	(3 745)	(450)	(1 221)	(35)	(662)	(149)	(7 250)
Derecognition	(2 109)	–	(3)	(185)	(61)	(231)	(51)	(2 640)
Reclassified as assets held for sale	–	–	–	(34)	–	(30)	(5)	(69)
As of 1 January 2010	**4 688**	**24 436**	**2 786**	**12 486**	**2 943**	**3 600**	**1 508**	**52 447**
Reclassifications [3]	(3)	24	2	(74)	(4)	(2)	(26)	(83)
Additions	–	854	1	1 537	–	46	239	2 677
Internally developed	–	–	–	–	308	4	–	312
Additions through acquisition of subsidiaries	2	–	23	5	–	8	–	38
Translation differences	7	1 455	100	179	(17)	(51)	88	1 761
Derecognition	(2 920)	(1 041)	(285)	(796)	(783)	(42)	(4)	(5 871)
As of 31 December 2010	**1 774**	**25 728**	**2 627**	**13 337**	**2 447**	**3 563**	**1 805**	**51 281**
Accumulated amortisation and impairment losses								
As of 1 January 2009	**(6 018)**	**(5 219)**	**(1 480)**	**(8 117)**	**(2 018)**	**(1 752)**	**(19)**	**(24 623)**
Reclassifications [3]	(1)	1	–	(284)	–	228	19	(37)
Amortisation from continuing operations	(664)	(1 604)	(434)	(1 526)	(215)	(319)	–	(4 762)
Amortisation from discontinued operations	(40)	(2)	–	(24)	(82)	(13)	–	(161)
Impairment losses from discontinued operations	–	–	–	–	(120)	–	–	(120)
Translation differences	829	710	237	829	21	235	–	2 861
Derecognition	2 102	–	1	131	61	191	–	2 486
Reclassified as assets held for sale	–	–	–	16	–	13	–	29
As of 1 January 2010	**(3 792)**	**(6 114)**	**(1 676)**	**(8 975)**	**(2 353)**	**(1 417)**	**–**	**(24 327)**
Reclassifications [3]	2	(9)	(1)	(85)	–	–	–	(93)
Amortisation	(458)	(1 824)	(213)	(1 658)	(182)	(308)	–	(4 643)
Translation differences	(12)	(370)	–	(72)	11	21	–	(422)
Derecognition	2 776	1 013	285	751	351	35	–	5 211
As of 31 December 2010	**(1 484)**	**(7 304)**	**(1 605)**	**(10 039)**	**(2 173)**	**(1 669)**	**–**	**(24 274)**
Carrying amount								
As of 31 December 2010	**290**	**18 424**	**1 022**	**3 298**	**274**	**1 894**	**1 805**	**27 007**
As of 31 December 2009	**896**	**18 322**	**1 110**	**3 511**	**590**	**2 183**	**1 508**	**28 120**

[1] The carrying amounts of the roaming agreements were NOK 1.7 billion in 2010 and NOK 1.9 billion in 2009.
[2] Net additions.
[3] Including reclassifications to/from other lines in the statement of financial position which is not a part of this table.

The additions of licenses in 2010 and 2009 were primarily DTAC's investments in mobile networks related to DTAC's concession right, as well as acquisition of 4G licences in Telenor Denmark in 2010. The additions in software acquired in 2010 mainly consist of acquisitions in Telenor Norway, Telenor Sweden, DiGi and DTAC. Additions of intangible assets in 2009 from acquisitions of subsidiaries were mainly related to licenses in the acquisition of Unitech Wireless (Uninor) in India, see note 4. The other acquisitions during 2009 were Norkring België N.V. by Broadcast and BiBoB by Denmark, both of which included acquisition of customer bases, and Telenor Serbia Direct, which included acquisition of other intangible assets.

Derecognition of intangible assets in 2010 mainly consists of the deemed disposal of EDB Business Partner ASA, see note 4, 15 and 21 for more details.

DTAC operates under a concession right to operate and deliver mobile services in Thailand granted by the Communication Authority of Thailand ("CAT"). CAT allows DTAC to arrange, expand, operate and provide the cellular system radio communication services in various areas in Thailand. The concession originally covered a 15-year period but the agreement was amended on 23 July 1993 and 22 November 1996, with the concession period being extended to 22 and 27 years, respectively. Accordingly, the concession period under the existing agreement expires in 2018. In February 2011, the Cabinet in Thailand appointed a committee to negotiate with the operators regarding amendments to the operators' concession agreements, alleging that CAT and the Ministry of Information and Technology (MICT) did not have the required Cabinet approval for the amendments. At present, the final conclusion of the Cabinet or the way the Cabinet would exercise its discretion on this matter is still unknown to the Group. However, the Group believes the amendments were entered into in good faith, that the amendments are legitimate and that the state was not harmed by it.

The service concession of DTAC is accounted for under the Intangible Asset Model according to IFRIC 12 Service Concession Arrangements. The carrying amount of the concession right amounts to NOK 9.1 billion as of 31 December 2010 (NOK 8.7 billion as of 31 December 2009) and is amortised on a straight-line basis over the remaining concession period. Enhancements and extensions are capitalised and amortised over the remaining useful life of the concession. Repair, maintenance and replacements are expensed as incurred.

Uninor holds GSM 1800 licenses (22 licenses, one for each telecom circle) in India with a total carrying amount of NOK 3.5 billion as of 31 December 2010 (NOK 3.4 billion as of 31 December 2009). The license periods are 20 years and the licenses are amortised until 2028.

The intangible assets included above have finite useful lives, over which the assets are amortised. Customer base, trademarks and roaming agreements (the major part of "other") were acquired as part of business combinations. Licenses consist, in addition to the DTAC concession right and Uninor licenses, primarily of mobile licenses that were acquired separately or as part of business combinations.

The amortisation period for customer base is the expected customer relationships based on historical experience of churn for the individual businesses, and varies primarily between 3 to 5 years. Licenses and roaming agreements are amortised over the license periods (10 to 20 years, excluding the DTAC concession right). Trademarks are amortised over their estimated useful lives, which is on average 15 years. Software is amortised over their estimated useful lives. Given the history of rapid changes in technology, computer software is susceptible to technological obsolescence and therefore, their estimated useful life is normally 3 to 5 years.

/ 20 / Property, plant and equipment

NOK in millions	Local, regional and trunk networks	Mobile telephone network and switches	Subscriber equipment	Switches and equipment	Radio installa-tions	Cable-TV equipment	Buildings	Land	Corporate adminis-trative assets	Satellites	Work in progress [1]	Total
Accumulated cost												
As of 1 January 2009	**36 752**	**37 741**	**971**	**15 208**	**8 855**	**2 282**	**13 621**	**959**	**9 328**	**3 614**	**5 743**	**135 074**
Reclassifications [2]	2 514	(12 279)	440	4 432	5 815	9	(32)	-	204	-	92	1 195
Additions	1 995	1 783	251	2 578	1 959	337	1 101	2	1 814	1 011	333	13 164
Additions through acquisition of subsidiaries	-	-	-	-	-	-	73	-	100	-	-	173
Translation differences	(1 064)	(4 814)	(90)	(1 293)	(1 405)	(17)	(812)	(84)	(967)	-	(776)	(11 322)
Derecognition	(501)	(73)	(159)	(1 141)	(102)	(23)	(44)	(2)	(600)	(36)	(84)	(2 765)
Reclassified as assets held for sale	-	-	-	-	-	-	(1)	-	(54)	-	-	(55)
As of 1 January 2010	**39 696**	**22 358**	**1 413**	**19 784**	**15 122**	**2 588**	**13 906**	**875**	**9 825**	**4 589**	**5 308**	**135 464**
Reclassifications [2]	67	(127)	1	(448)	613	(1)	(13)	28	48	-	(57)	111
Additions	2 079	1 281	203	1 635	1 779	277	1 005	1	1 442	-	(666)	9 036
Additions through acquisition of subsidiaries	22	-	-	-	-	-	-	1	6	-	-	29
Translation differences	211	478	54	232	99	(1)	(118)	27	130	-	80	1 192
Derecognition	(603)	(588)	(167)	(292)	(186)	(33)	(635)	(9)	(4 167)	-	(58)	(6 738)
As of 31 December 2010	**41 472**	**23 402**	**1 504**	**20 911**	**17 427**	**2 830**	**14 145**	**923**	**7 284**	**4 589**	**4 607**	**139 094**
Accumulated depreciation and impairment losses												
As of 1 January 2009	**(28 020)**	**(16 285)**	**(718)**	**(11 566)**	**(4 072)**	**(1 295)**	**(5 697)**	**(15)**	**(5 719)**	**(1 878)**	**(37)**	**(75 302)**
Reclassifications [2]	(554)	4 571	(344)	(2 303)	(2 281)	(8)	31	(3)	(183)	-	1	(1 073)
Depreciation from continuing operations	(2 031)	(2 401)	(231)	(1 422)	(1 798)	(199)	(531)	-	(1 124)	(176)	-	(9 913)
Depreciation from discontinued operation	-	-	-	-	-	-	(7)	-	(244)	-	-	(251)
Impairment losses from continuing operations	-	-	-	-	-	-	(1)	-	-	-	-	(1)
Impairment losses from discontinued operations	-	-	-	-	-	-	-	-	(4)	-	-	(4)
Translation differences	503	2 048	73	504	528	9	176	1	552	-	4	4 398
Derecognition	479	73	158	869	87	22	24	1	526	36	-	2 275
Reclassified as assets held for sale	-	-	-	-	-	-	-	-	5	-	-	5
As of 1 January 2010	**(29 623)**	**(11 994)**	**(1 062)**	**(13 918)**	**(7 536)**	**(1 471)**	**(6 005)**	**(16)**	**(6 191)**	**(2 018)**	**(32)**	**(79 866)**
Reclassifications [2]	(41)	241	-	(19)	(46)	-	(5)	(5)	(39)	-	-	86
Depreciation	(2 197)	(2 466)	(224)	(1 469)	(2 715)	(216)	(570)	(2)	(1 207)	(204)	-	(11 270)
Translation differences	(116)	(173)	(55)	(122)	(5)	(1)	39	-	(86)	-	1	(518)
Derecognition	597	550	166	278	180	32	404	-	3 235	-	(5)	5 437
As of 31 December 2010	**(31 380)**	**(13 842)**	**(1 175)**	**(15 250)**	**(10 122)**	**(1 656)**	**(6 137)**	**(23)**	**(4 288)**	**(2 222)**	**(36)**	**(86 131)**
Carrying amount												
As of 31 December 2010	**10 092**	**9 560**	**329**	**5 661**	**7 305**	**1 174**	**8 008**	**900**	**2 996**	**2 367**	**4 571**	**52 963**
As of 31 December 2009	**10 073**	**10 364**	**351**	**5 866**	**7 586**	**1 117**	**7 901**	**859**	**3 634**	**2 571**	**5 276**	**55 598**
Depreciation periods in years [3]	3–30	5–30	3	3–10	5–15	3–15	3–90	-	3–10	17–18	-	-

[1] Net additions.
[2] Including reclassifications to/from other lines in the statement of financial position which is not a part of this table.
[3] Asset categories presented in this movement schedule is an aggregated total from different asset components belonging to a particular category, and the disclosed depreciation rates represent a range of useful lives allocated to components.

The Group has finance leases with carrying amounts of NOK 950 million as of 31 December 2010 (NOK 1,023 million as of 31 December 2009), primarily fibre optic network (local, regional and trunk networks) in Grameenphone in Bangladesh and DiGi in Malaysia with NOK 456 million and NOK 143 million, respectively, as of 31 December 2010 (NOK 486 million and NOK 0 million in 2009), and properties (buildings and land) in Denmark and Sweden of NOK 141 million and NOK 209 million, respectively, as of 31 December 2010 (NOK 154 million and NOK 199 million in 2009). Finance leases related to IT equipment (corporate administrative assets) in EDB Business Partner ASA, which was deconsolidated in 2010, were included with NOK 121 million in 2009. The leases related to satellites in Broadcast, which were included with NOK 61 million in 2009, have been terminated in 2010.

As of 31 December 2010, future minimum annual rental commitments under finance leases (the Group as a lessee) were as follows:

NOK in millions	Within 1 year	2–5 years	More than 5 years
Future minimum lease payments	94	455	1 511
Less amount representing interest	(84)	(377)	(701)
Present value of finance lease obligations	**10**	**77**	**810**

As of 31 December 2009, future minimum annual rental commitments under finance leases (the Group as a lessee) were as follows:

NOK in millions	Within 1 year	2–5 years	More than 5 years
Future minimum lease payments	307	490	1 460
Less amount representing interest	(94)	(346)	(716)
Present value of finance lease obligations	**213**	**144**	**744**

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

/ 21 / Associated companies and joint ventures

Associated companies:

NOK in millions	2010	2009
Balance as of 1 January	**16 981**	**20 631**
Additions	16 337	-
Disposals	(7 544)	-
Share of net income	3 145	3 667
Equity transactions including dividends	(1 750)	(3 558)
Share of other comprehensive income	(675)	(41)
Translation differences	4 282	(3 719)
Balance as of 31 December	**30 776**	**16 981**
Of which investments carried at a negative value [1]	250	260
Carrying amount of investments in associated companies	**31 026**	**17 241**

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

Additions and disposals in 2010 are primarily related to the contribution of the Group's 56.5% ownership interest in Kyivstar to VimpelCom Ltd. Fair value of Kyistar as at the transaction date was NOK 18.7 billion and the Group recognised a gain on disposal of approximately NOK 6.7 billion after elimination of the gain related to the Group's ownership in VimpelCom Ltd. of NOK 4.4 billion. The gain in the income statement related to Kyivstar amounts to NOK 6.5 billion after recognition of transaction related cost.

Specifications of investments in associated companies

NOK in millions Company	Share owned in % [1]	Carrying amount 31 December 2009	Investments/ (disposals) during 2010	Share of net income [2]	Gain on disposal	Equity transactions including dividends	Share of other comprehensive income	Translation differences	Carrying amount 31 December 2010
Kyivstar J.S.C		3 826	(14 256)	327	6 740	(300)	-	3 663	-
VimpelCom Ltd.	39.6	12 293	14 256	2 740	-	(1 387)	(638)	569	27 833
C-More Group AS	35.0	-	1 163	(56)	-	-	-	40	1 147
EDB ErgoGroup ASA	27.5	-	891	(34)	-	-	-	-	857
Kjedehuset AS	49.0	135	-	54	-	(39)	-	-	150
A-Pressen AS	48.2	585	-	108	-	(16)	(33)	-	644
RiksTV AS	33.3	(259)	7	5	-	-	-	-	(247)
Opplysningen AS	26.3	86	(28)	11	-	-	-	-	69
Others	-	315	20	(10)	-	(8)	(3)	9	323
Total		**16 981**	**2 053**	**3 145**	**6 740**	**(1 750)**	**(675)**	**4 282**	**30 776**

[1] The share owned and voting interests are the same except for VimpelCom Ltd., where the voting interests are 36.03%.

[2] Share of net income includes the Group's share of net income after taxes, amortisation of excess values and adjustment for differences in accounting policies.

Share of net income from VimpelCom Ltd. consists of share of net income for the first quarter to the third quarter of 2010. In 2010, the Group started to include VimpelCom Ltd.'s published results with a one quarter lag. See note 3 for further details.

Market values of the Group's ownership interest in listed associated companies as of 31 December 2010 was NOK 45.4 billion, NOK 1.2 billion and NOK 97.4 million for VimpelCom Ltd., EDB ErgoGroup ASA and Wireless Matrix Corporation (included in others), respectively.

OJSC VimpelCom, Kyivstar and VimpelCom Ltd.

On 21 April 2010, pursuant to the agreement entered into between the Group and Altimo on 4 October 2009 and the exchange offer made by VimpelCom Ltd., the shares in OJSC VimpelCom were exchanged for shares issued in VimpelCom Ltd. VimpelCom Ltd. was established on top of the existing OJSC VimpelCom and the shareholders of OJSC VimpelCom received shares in VimpelCom Ltd. with a share exchange ratio of 1:1. Accordingly, VimpelCom Ltd. is seen as an extention of OJSC VimpelCom and the Group has accounted for its investment in OJSC VimpelCom at continuity. No gain or loss was recognised based on the share exchange of OJSC VimpelCom.

Following the completion of the exchange offer, the Group and Altimo contributed their respective shareholdings in Kyivstar in exchange for shares in VimpelCom Ltd. Accordingly, the Group recognised a fair value step up gain on the contribution of its 56.5% shares of Kyivstar to VimpelCom Ltd. of NOK 6.7 billion after elimination of the gain related to the Group's retained ownership in VimpelCom Ltd.

Upon completion of both the exchange offer and contribution, the previous arbitration proceedings and all other pending disputes between the parties related to VimpelCom and Kyivstar were withdrawn.

VimpelCom Ltd. is incorporated in Bermuda, headquartered in the Netherlands, and is listed on the New York Stock Exchange. The Group owns 39.58% shares of VimpelCom Ltd. with a voting right of 36.03%. See note 35 for information regarding potential dilution of ownership interest in VimpelCom Ltd.

EDB ErgoGroup ASA

EDB ErgoGroup ASA is a newly established company from the merger of EDB Business Partner ASA and ErgoGroup ASA, see note 4 and note 15 for further information. This is an associated company owned 27.5% by the Group and is accounted for under the equity method. The fair value of the Group's share of EDB ErgoGroup ASA as of 30 September 2010 was NOK 678 million.

Subsequent to the merger, the Group participated in EDB ErgoGroup ASA's rights issue with NOK 252 million and the ownership interest increased from 27.2% to 27.5%.

The following table sets forth summarised financial information of the Group's share of associated companies as of 31 December.

NOK in millions	2010	2009
Income Statement information		
Revenue	26 364	28 661
Net income	**3 145**	**3 667**
Statement of Financial Position information (including excess values)		
Total assets	58 340	39 017
Total liabilities	27 564	22 036
Net assets	**30 776**	**16 981**

Joint ventures

3G Infrastructure Services AB

3G Infrastructure Services AB was acquired as a part of Vodafone Sweden (the mobile operations in Sweden) on 5 January 2006. 3G Infrastructure Services AB is a jointly controlled entity with the mobile operator "3", of which the Group consolidates proportionally 50%, which is equal to ownership and share of votes. 3 and Telenor Sweden were awarded 3G licenses in Sweden. The jointly controlled entity was established to build the network together to reduce costs to build and operate the 3G network.

Net4Mobility HB

Net4Mobility HB is a jointly controlled entity with the mobile operator Tele2 Sverige AB. Telenor Sweden owns 50% which is equal to the share of votes. The jointly controlled entity was established in 2009 to build and operate a 4G network together to reduce costs and improve competitive position in the Swedish market. The agreement comprises spectrum sharing in various frequency bands. Tele2 and Telenor Sweden acquired 4G 2600 MHz licences in Sweden in 2008 and will, according to the partnership agreement, contribute with these licenses to the joint venture. Telenor Sverige AB acquired their 4G licence in May 2008 for approximately NOK 450 million.

There has been limited activity in Net4Mobility during 2010 as the company is still in a start-up phase. As of 31 December 2010, no licenses or network equipment have been contributed to the joint venture.

Subsequent to the reporting period, Tele2 and Telenor Sweden participated in the auction for acquisition of another 4G license in the frequency band of 800 MHz through Net4Mobility HB. The auction was concluded with license being granted to Net4Mobility HB on 4 March 2011.

Telenor Gauntlet Holding AB, a limited liability company wholly owned by Telenor Sverige AB, is the Group partner in the partnership. Under Swedish law, all partners in a partnership are jointly and severally liable for all obligations in a partnership.

In order to achieve the expected benefits from the network collaboration in Net4Mobility HB, the Group will have to contribute its share of capital commitment up to the amount of NOK 1.3 billion. Apart from that, there are no further commitments or contingent liabilities towards the companies.

The Group's share of assets, liabilities, revenues, expenses, taxes and profit of the jointly controlled entities, which are consolidated in the Group's financial statements, are as follows:

NOK in millions	2010	2009
Revenues	643	636
Operating expenses	(646)	(685)
Net financial income (expenses)	(2)	(4)
Profit before taxes	**(5)**	**(53)**
Income taxes	(1)	13
Net income	**(6)**	**(40)**
Non-current assets	1 621	1 512
Current assets	154	203
Total assets	**1 775**	**1 715**
Non-current liabilities	1 326	1 468
Current liabilities	151	135
Total liabilities	**1 477**	**1 603**
Net assets	**298**	**112**

/ 22 / Trade and other receivables

NOK in millions	2010	2009
Trade receivables	9 683	10 321
Provision for bad debt	(1 093)	(1 143)
Total trade receivables	**8 591**	**9 178**
Other current receivables		
Interest-bearing receivables	321	161
Accrued revenues	2 888	2 729
Receivables on associated companies and joint ventures	570	629
Receivables on employees	16	21
Other non-interest-bearing receivables	1 312	1 383
Provision for bad debt	(4)	(3)
Total other current receivables	**5 103**	**4 920**
Prepaid expenses [1]		
Deferred costs related to connection revenues	394	328
Prepaid leases that are amortised [2]	236	393
Prepaid expenses	2 126	2 651
Total prepaid expenses	**2 757**	**3 372**
Total trade and other receivables	**16 451**	**17 470**

[1] Prepaid expenses do not meet the definition of a financial instrument, and are presented as non-financial (NF) in note 31.

[2] For prepaid leases that are amortised, see note 12.

Specification of provision for bad debt:

NOK in millions	2010	2009
Provision as of 1 January	**(1 146)**	**(1 215)**
Change during the year	(28)	(121)
Currency effects	20	195
Other changes [1]	57	(5)
Provision as of 31 December [2]	**(1 097)**	**(1 146)**
Realised losses for the year	(558)	(562)
Recovered amounts previously impaired	87	71

[1] Other changes includes effects from acquisitions and disposals of businesses.

[2] Provision of NOK 201 million as of 31 December 2010 (NOK 264 million as of 31 December 2009) relates to Telenor Hungary. Due to local Hungarian regulations, Telenor Hungary is not able to write off receivables without having tax disadvantages if certain conditions are not met.

Specification of the age distribution of trade receivables is as follows [1]:

		Not past	Past due on the reporting data in the following periods:					
NOK in millions	Carrying amount	due on the reporting date	less than 30 days	between 30 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 365 days	more than 365 days
As of 31 December 2010								
Trade receivables	9 683	5 662	1 694	354	178	344	507	944
Provision for bad debt	(1 093)	(13)	(27)	(48)	(40)	(127)	(227)	(611)
Total trade receivables	**8 591**	**5 650**	**1 667**	**306**	**138**	**217**	**280**	**333**
As of 31 December 2009								
Trade receivables	10 321	6 302	1 708	382	229	343	623	734
Provision for bad debt	(1 143)	(21)	(10)	(28)	(28)	(103)	(388)	(565)
Total trade receivables	**9 178**	**6 282**	**1 698**	**354**	**201**	**239**	**235**	**169**

[1] Trade receivables are a part of the class trade receivables and other current and non-current financial assets in note 31. Age distribution is not disclosed for other receivables of this class due to immaterial amounts.

For the trade and other current receivables that are not impaired or past due there are no indicators at the date of the reporting that that the debtors will not be able to meet their payment obligations.

For information about the grouping of the financial instruments into appropriate classes see note 31.

/ 23 / Other current and non-current assets

NOK in millions	2010	2009
Financial non-current assets [1]		
Available-for-sale investments	191	201
Financial derivatives – non-interest-bearing (note 31)	883	1 409
Fair value hedge instruments – interest-bearing (note 31)	910	1 010
Other financial non-interest-bearing non-current assets [2]	672	410
Other financial interest-bearing non-current assets [3]	149	46
Total financial non-current assets	**2 805**	**3 076**
Prepaid expenses	243	139
Total other non-current assets	**3 048**	**3 215**
Other financial current assets [1]		
Assets held for trading	71	85
Bonds and commercial papers > 3 months	659	515
Financial derivatives – non-interest-bearing (note 31)	216	341
Total other financial current assets	**946**	**941**

[1] For further information about the fair values, methods for valuation and grouping into classes of financial instruments, see note 31.

[2] Other financial non-interest-bearing non-current assets:

NOK in millions	2010	2009
Capital contribution to Telenor Pension Fund	298	298
Receivables on associated companies [4]	4	4
Loans to employees	1	1
Other non-interest-bearing loans and deposits	369	107
Other financial non-interest-bearing non-current assets	**672**	**410**

[3] Other financial interest-bearing non-current assets:

NOK in millions	2010	2009
Receivables on associated companies [4]	18	18
Loans to employees	–	18
Other non-current receivables	131	10
Other financial interest-bearing non-current assets	**149**	**46**

[4] Negative value on the associated company RiksTV AS in 2010 of NOK 247 million has partly been recognised as a NOK 143 million reduction in receivables which relates to a loan considered as a part of the Group's investment in RiksTV AS, while the remaining NOK 104 million is recognised as a provision, see also note 21 and 26. For 2009 the corresponding numbers, also related to RiksTV, were NOK 259 million, NOK 110 million and NOK 149 million, respectively.

/ 24 / Additional cash flow information

Acquisitions and disposals of subsidiaries and associated companies

The table below shows the effects on the consolidated statement of financial position from acquisitions and disposals of subsidiaries and associated companies. Please refer to note 4 for supplementary information on major acquisitions and disposals of subsidiaries and note 21 for information on associated companies.

NOK in millions	2010	2009
Acquisitions of subsidiaries and associated companies		
Associated companies	16 337	161
Other non-current assets	70	4 924
Current assets	33	1 419
Liabilities	(29)	(2 930)
Non-controlling interests	–	(1 436)
Carrying amount of associated companies and joint ventures at the time of acquisition	–	(159)
Gain recognised in the income statement at the time of acquisition	(7)	-
Total consideration	**16 404**	**1 979**
Cash payments related to acquisitions	(1 421)	(807)
Cash in subsidiaries acquired	5	152
Purchases of subsidiaries and associated companies, net of cash acquired	**(1 416)**	**(655)**
Disposals of subsidiaries and associated companies		
Associated companies	7 544	-
Other non-current assets	5 158	134
Current assets	2 155	246
Liabilities	(5 658)	(184)
Non-controlling interests	(944)	-
Gains (losses) and translation adjustments on disposals	6 522	(118)
Sales price	**14 777**	**78**
Proceeds received as sale consideration	(76)	64
Cash in subsidiaries disposed of	(339)	(58)
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed of	**(415)**	**6**

Acquisitions and disposals of subsidiaries and associated companies in 2010 consist mainly of the deemed disposal of EDB Business Partner ASA and the contribution of Kyivstar to VimpelCom Ltd., where there were no cash proceeds. See note 4 and 21 for further information.

Restricted bank accounts as of 31 December

NOK in millions	2010	2009
Restricted bank accounts		
For employees' tax deduction	4	4
Uninor security deposits related to bank loans	127	326
Other restricted bank accounts	13	11
Total restricted bank accounts	**144**	**341**

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

Cash and cash equivalents as of 31 December

NOK in millions	2010	2009
Cash and cash equivalents in the Group's cash pool systems		
(including short term deposits < 3 months available for Telenor ASA)	4 315	5 949
Cash and cash equivalents outside the Group's cash pool systems	9 291	5 530
Total cash and cash equivalents	**13 606**	**11 479**

The Group has established cash pool systems. Under these agreements, Telenor ASA is the Group account holder and the other companies in the Group are sub-account holders or participants. The banks can offset balances in their favour against deposits, so that the net position represents the net balance between the bank and the Group account holder.

Subsidiaries in which Telenor owns less than 90% of the shares are normally not participants in the Group's cash pool systems, held by Telenor ASA. As of 31 December 2010 and 2009, the major part of the cash and cash equivalents outside the Group's cash pool systems was related to Uninor, DiGi, Grameenphone, DTAC and Telenor Serbia, as well as EDB Business Partner ASA as of 31 December 2009.

Significant non-cash transactions

NOK in millions	2010	2009
Finance leases – part not paid in the year of initial recognition	105	4
Issuing of shares for non-cash payment	331	-

The finance lease in 2010 is mainly related to a fibre optic network in DiGi. The issuing of shares for non-cash payment is related to debt conversion in Uninor.

Interest proceeds and payments

NOK in millions	2010	2009
Proceeds from interest income	422	378
Payments of interest expenses	(1 657)	(2 307)

Income taxes paid not classified as operating activities

Payments of withholding taxes on dividends paid to shareholders of Telenor ASA are classified together with the dividend payments under financing activities, and were NOK 135 million in 2010 and NOK 0 million in 2009.

/ 25 / Note to Consolidated Statement of Changes in Equity

Paid-in capital

NOK in millions, except number of shares	Number of shares	Share capital	Other paid in capital	Treasury shares	Total paid-in capital
Equity as of 1 January 2009	**1 657 888 846**	**9 947**	**69**	**-**	**10 016**
Share buy back	-	-	-	(13)	(13)
Share options granted to employees	-	-	-	2	2
Equity as of 31 December 2009	**1 657 888 846**	**9 947**	**69**	**(11)**	**10 005**
Share buy back	-	-	-	(149)	(149)
Share options granted to employees	**-**	**-**	**-**	**3**	**3**
Equity as of 31 December 2010	**1 657 888 846**	**9 947**	**69**	**(157)**	**9 859**

Nominal value per share is NOK 6.

Telenor ASA held 26,117,284 treasury shares as of 31 December 2010 (1,859,890 shares as of 31 December 2009). Telenor ASA has an agreement with the Kingdom of Norway through the Ministry of Trade and Industry to carry through share buy backs with the purpose to cancel these shares through write-down of the share capital to maintain its ownership interest. The proposed cancellation is subject to approval by shareholders in the Annual General Meeting on 19 May 2011 and if approved, it is estimated to NOK 2.5 billion.

Other reserves

NOK in millions	Net unrealised gains/(losses) reserve	Employee equity benefits reserve	Transactions with non-controlling interests	Equity adjustments in associated companies	Share buy back	Transfer from other paid in capital, including the effect from cancellation of shares	Total other reserves
Equity as of 1 January 2009 (restated) [1]	**(202)**	**243**	**4 263**	**167**	**(6 996)**	**14 440**	**11 915**
Other comprehensive income (loss), net of taxes	(260)	-	-	(74)	-	-	(334)
Share-based payment	-	24	-	-	-	-	24
Share options granted	-	6	-	-	-	-	6
Transactions with non-controlling interests	-	-	282	-	-	-	282
Other changes in other reserves during 2009	-	-	-	28	(70)	-	(42)
Equity as of 31 December 2009	**(462)**	**273**	**4 545**	**121**	**(7 066)**	**14 440**	**11 851**
Other comprehensive income (loss), net of taxes	475	-	-	(675)	-	-	(201)
Share-based payment	-	17	-	-	-	-	17
Share options granted	-	21	-	-	-	-	21
Transactions with non-controlling interests	-	-	(768)	-	-	-	(768)
Other changes in other reserves during 2010	-	-	-	29	(2 178)	-	(2 148)
Equity as of 31 December 2010	**13**	**311**	**3 777**	**(524)**	**(9 244)**	**14 440**	**8 771**

[1] Following the implementation of the revised IAS 1 in 2009 the presentation of equity was changed with regards to reclassifications between certain components of equity.

Net unrealised gains/losses reserve
This reserve records fair value changes on available-for-sale financial assets, and the effective portion of the gain or loss on hedging instruments in cash flow hedges.

Employee equity benefits reserve
This reserve is used to record increases in the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

Transactions with non-controlling interests
This reserve records effects from transactions with non-controlling interests. The opening balance 2010 also includes reserves related to previous business combinations in connection with step acquisitions in associated companies and joint ventures.

In 2010, transactions with non-controlling interests was related to the capital increase in Uninor. The loss is recognised directly against equity. See note 4. In 2009, transactions with non-controlling interests in subsidiaries were mainly related to gains on realisation of ownership interests as a result of an Initial Public Offer in Grameenphone.

Equity adjustments in associated companies
This reserve records underlying adjustment on equity in associated companies, such as other comprehensive income and share buy back.

NOK in millions	Equity adjustments in associated companies
Equity as of 1 January 2009 (restated)	**167**
Other comprehensive income, excluding effects of disposal	(79)
Amount reclassified from equity to profit and loss	5
Other comprehensive income, net of taxes	**(74)**
Other changes in other reserves	28
Equity as of 31 December 2009	**121**
Other comprehensive income, excluding effects of disposal	(675)
Amount reclassified from equity to profit and loss	-
Other comprehensive income, net of taxes	**(675)**
Other changes in other reserves	29
Equity as of 31 December 2010	**(525)**

Share buy back
This reserve is used to record decrease in other reserves as a result of acquisition of treasury shares. The price paid in excess of the nominal value of the shares reduces this reserve.

Transfer from other paid in capital, including the effect from cancellation of shares
This reserve is used to record increase in other reserves as a result of transfers from other paid-in capital, including transfers from other paid-in capital related to cancellation of treasury shares.

Cumulative translation differences

NOK in millions	Foreign currency translation of net investment	Net investment hedge	Taxes	Net Translation differences
Equity as of 1 January 2009 (restated)	**3 818**	**(1 600)**	**608**	**2 826**
Changes during 2009, excluding effects of disposal	(14 867)	2 676	(1 363)	(13 554)
Amount reclassified from equity to profit and loss on disposal	5	-	-	5
Net changes during 2009	(14 862)	2 676	(1 363)	(13 549)
Equity as of 31 December 2009	**(11 044)**	**1 076**	**(755)**	**(10 723)**
Changes during 2010, excluding effects of disposal	914	606	(100)	1 419
Amount reclassified from equity to profit and loss on disposal	3 528	(36)	10	3 502
Net changes during 2010	4 441	570	(90)	4 923
Equity as of 31 December 2010	**(6 602)**	**1646**	**(845)**	**(5 800)**

The amounts reclassified from equity to profit and loss in 2010 are related to the disposal of Kyivstar and EDB Business Partner ASA.

In 2010, the translation differences on net investment in foreign operations is affected by the depreciation of the Norwegian Krone against the functional currencies of the Groups's major investments. The appreciation of the Swedish Krone by 8%, the Malaysian Ringgit and the Thai Bath by 13% and the Indian Rupee by 5% had the most significant impact. The depreciation of the Serbian Dinar by 14%, the Danish krone by 6% and the Hungarian forint by 8% had the opposite impact.

In 2009, the translation differences on net investment in foreign operations is mainly affected by appreciation of the Norwegian Krone against the functional currencies of the Group's major investments. The depreciation of the Pakistani Rupee by 23%, the Serbian Dinar by 21%, the Russian Ruble by 20%, the Bangladeshi Taka by 18%, the Thai Bath by 14%, the Malaysian Ringgit by 17% and the Ukrainian Hryvnia by 17% against the Norwegian Krone had the most significant impact.

Dividends

Dividends	2010	2009
Dividend per share in NOK – paid	2.50	-
Dividend per share in NOK – proposed by the Board of Directors	3.80	2.50

Total dividends of NOK 4.1 billion were paid in 2010. No dividends were paid in 2009.

In respect of 2010, the Board of Directors propose that a dividend of NOK 3.80 per share is paid to shareholders. This dividend is subject to approval by shareholders in the Annual General Meeting on 19 May 2011 and has not been included as a liability in the financial statements. The proposed dividend, if approved, is payable to all shareholders on the Norwegian Central Securities Depository (VPS) on 19 May 2011. The total estimated dividend to be paid is NOK 6.2 billion.

Equity available for distribution as dividends from Telenor ASA was NOK 22.0 billion as of 31 December 2010. The proposed cancellation of shares will impact the equity available for distribution as dividend by NOK 2.4 billion.

Non-controlling interests

NOK in millions	Non-controlling interests in % 31.12.10	Non-controlling interests share of net income (loss) 2010	Non-controlling interests share of net income (loss) 2009	Non-controlling interests in the statement of financial position 31.12.10	Non-controlling interests in the statement of financial position 31.12.09
DiGi	51	1 119	899	1 335	1 343
Grameenphone	44.2	416	560	1 762	1 844
DTAC	34.5	792	491	4 110	3 187
Unitech Wireless	32.7	(1 753)	(563)	905	1 433
EDB Business Partner ASA	-	(106)	72	-	998
Other	-	9	(8)	240	284
Total	**-**	**475**	**1 451**	**8 351**	**9 089**

During the first quarter of 2010 further acquisitions in Unitech Wireless (Uninor) in India were executed, which increased the Group's ownership interest to 67.3%. As of 31 December 2009 the Group's ownership interest was 49%. See note 4 for further information.

During the third quarter of 2010 the Group disposed EDB Business Partner ASA. See note 15 for further information.

During the fourth quarter of 2009, as a result of Initial Public Offer in Bangladesh, the Group decreased its economic interest in Grameenphone by 6.2%.

/ 26 / Provisions and obligations

Non-current

NOK in millions	2010	2009
Pension liabilities (Note 27)	1918	2 089
Provisions for workforce reduction, onerous (loss) contracts and legal disputes	115	158
Asset retirement obligations (ARO)	1 578	1 355
Negative carrying amount associated companies	104	149
Other provisions	82	201
Total non-current provisions and obligations	**3 797**	**3 952**

Current

NOK in millions	2010	2009
Provisions for workforce reduction, onerous (loss) contracts and legal disputes	339	285
Asset retirement obligations (ARO)	16	6
Other provisions	597	557
Total current provisions and obligations	**953**	**848**

Development in 2010

NOK in millions	Workforce reduction	Onerous (loss) contracts	Legal disputes (note 35)	ARO	Total
As of 1 January 2010	**231**	**187**	**25**	**1 361**	**1 804**
Obligations arising during the year and effects of changes in estimates[1]	295	143	60	160	658
Accretion expense	–	–	–	63	63
Amounts utilised	(310)	(154)	(18)	(2)	(484)
Unused amounts reversed	(3)	(15)	–	–	(18)
Reclassifications	(4)	–	84	–	80
Disposal	(15)	(47)	–	–	(62)
Translation differences	3	(4)	(3)	12	8
As of 31 December 2010	**197**	**110**	**148**	**1 594**	**2 049**

[1] For asset retirement obligations, an increase of NOK 87 million is included due to decrease in long-term interest rates.

Development in 2009

NOK in millions	Workforce s reduction	Onerous (loss) contracts	Legal disputes (note 35)	ARO	Total
As of 1 January 2009	**170**	**304**	**1**	**1 405**	**1 880**
Obligations arising during the year and effects of changes in estimates from continuing operations[1]	260	93	2	(1)	354
Obligations arising during the year and effects of changes in estimates from discontinuing operations	56	58	–	–	114
Accretion expense	–	7	–	61	68
Amounts utilised	(243)	(151)	(2)	(8)	(404)
Unused amounts reversed	(5)	–	(1)	(1)	(7)
Reclassifications	1	2	24	(2)	25
Translation differences	(8)	(15)	1	(93)	(115)
Reclassified as held for sale	–	(111)	–	–	(111)
As of 31 December 2009	**231**	**187**	**25**	**1 361**	**1 804**

[1] For asset retirement obligations, a decrease of NOK 115 million is included due to increase in long-term interest rates.

Asset Retirement Obligations

The Group has 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 the Group to remove the asset and restore the sites to their original condition at the end of the lease term. The table above presents all changes in the Group's assets retirement obligations.

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

Workforce reduction, onerous (loss) contracts and legal disputes

Provisions for workforce reductions included approximately 1,100 employees as of 31 December 2010 and approximately 850 employees as of 31 December 2009. This includes 120 employees related to discontinued operations for 2009.

Provisions for legal disputes represent management's best estimates of the actual outcome. The actual outcome of amount and timing may differ significantly from the estimates.

/ 27 / Pension costs, benefit obligations and plan assets

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

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

Telenor Pension Fund in Norway, a defined benefit plan offered to all employees in Norway was closed for new members during 2006 and defined contribution plans with insurance companies were established as replacements.

3,710 of the Group's employees were members of the contribution plan in Norway as of 31 December 2010 (3,625 as of 31 December 2009). In 2010 3,815 of the Group's employees were covered through the defined benefit plans funded through Telenor Pension Fund (4,253 in 2009). In addition the Telenor Pension Fund paid out pensions to 1,471 persons in 2010 (1,713 in 2009). Telenor Sweden has a defined benefit plan with 853 active members in 2009 (917 in 2009). In other companies, there are primarily contribution plans.

The defined benefit plan in Sweden carries an obligation of NOK 294 million in 2010 and NOK 239 million in 2009. The pension expense was NOK 35 million in 2010 (NOK 26 million in 2009). The assumptions are set within the recommended levels according to Swedish actuaries. The discount rate used for the pension calculations as of 31 December 2010 was 4.0% while the salary increase was set to 3.0%, the same assumptions which were applied as of 31 December 2009.

Some of the Swedish companies have multi-employer benefit plans. The administrators are not able to calculate the Group's share of assets and liabilities and these plans are consequently accounted for as defined contribution plans.

The Group offers an unfunded defined benefit plan to executive employees. As of 31 December 2010 the obligation recognised in the statement of financial position was NOK 289 million (NOK 240 million as of 31 December 2009) and the benefit obligation amounted to NOK 353 million (NOK 264 million as of 31 December 2009). The increased obligations relate to changes in individual agreements with some members of the plan, see also note 36 for further description.

In Norway, the Group is a member of "agreement-based early retirement plans" (AFP) which is a defined benefit multi-employer plan. In the wage agreement in 2008 between NHO and LO it was agreed on a new AFP agreement which will be effective from 2011. The old AFP scheme was closed at 31 December 2010. To cover the deficit in the old plan, the members have to pay a monthly contribution per employee over a five year period and accordingly a one-time cost of NOK 46 million has been recognised in 2010. The administrators are not able to calculate the Group's share of assets and liabilities and these plans are consequently accounted for as defined contribution plans. When an employee retires through AFP the company has an obligation to pay a percentage of the benefits. In 2010, NOK 10 million was recognised in the income statement as service cost related to new AFP retirees and NOK 12 million in 2009. For 2010, NOK 40 million and for 2009 NOK 25 million in pension contribution were expensed for these plans.

The risk table, K2005, is used for death and expected lifetime, while the risk table for disability for the main pension plan is based on KU, which is the enhanced disability table of Storebrand (insurance company). The average expected lifetime in the risk tables are 81 years for men and 85 years for women. The table below shows the probability of an employee in a certain age group becoming disabled or dying, within one year, as well as expected lifetime.

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

The plan assets were measured at 31 December 2010 and 2009. Calculation of the projected benefit obligations (PBO) as of 31 December 2010 was based on the member base at 3 November 2010 (22 October 2009).

The actuarial calculations for the Telenor Pension Fund obligations were carried out by independent actuaries. The present value of the projected defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

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

At the time when Telenor AS (now Telenor ASA) was incorporated in 1995, the employees received paid-up policies in the Norwegian Public Service Pension Fund. Employees which have been members of the Norwegian Public Service Pension Fund will have an accrued pension right covered by this fund as a part of total payments. The payments from this pension fund will be adjusted by the increase of the base amount annually approved by the Norwegian parliament. The Norwegian Public Service Pension Fund concluded in 2009 a project for updating the correct values of these paid-up policies. Based on these updated values the benefit obligation for the Group was reduced by NOK 275 million in 2009. The effect is included in the unrecognised net actuarial gain.

NOK in millions	2010	2009
Change in projected benefit obligation [1]		
Projected benefit obligation as of 1 January	5 783	7 843
Service cost from continuing operations	378	387
Interest cost from continuing operations	245	213
Service cost from discontinuing operations	-	108
Interest cost from discontinuing operations	-	93
Actuarial (gains) and losses	347	(738)
Curtailments, settlements and past service cost	79	(1 872)
Acquisitions and sale	(617)	(2)
Benefits paid/paid-up policies	(197)	(181)
Reclassified as discontinued operations or held for sale	-	(20)
Translation difference	21	(49)
Benefit obligations as of 31 December	**6 039**	**5 783**
Change in plan assets		
Fair value of plan assets as of 1 January	4 173	4 165
Actual return on plan assets	171	768
Curtailments and settlements	(7)	(1 062)
Acquisitions and sale	(604)	(2)
Pension contribution	346	393
Benefits paid/paid-up policies	(96)	(73)
Reclassified as discontinued operations or held for sale	-	(7)
Translation difference	(1)	(9)
Fair value of plan assets as of 31 December	**3 983**	**4 173**
Funded status at the end of the year	**2 056**	**1 610**
Unrecognised net actuarial gains (losses) [1]	(138)	479
Total provision for pensions including social security tax as of 31 December	**1 918**	**2 089**
Total provision for pensions as of 1 January	**2 089**	**2 634**
Acquisitions and sale	(221)	-
Net periodic benefit costs from continuing operations	468	479
Net periodic benefit costs from discontinuing operations	-	(482)
Pension contribution	(346)	(393)
Benefits paid paid-up policies	(57)	(57)
Social security tax on pension contribution	(34)	(50)
Reclassified as discontinued operations or held for sale	-	(3)
Translation difference	20	(38)
Total provision for pensions as of 31 December. including social security tax (note 26)	**1 918**	**2 089**

[1] Benefit obligation and unrecognised net actuarial gains (losses) include social security tax.

Amounts for the current and previous four periods are as follows:

NOK in millions	2010	2009	2008	2007	2006
Benefit obligations at the end of the year	6 039	5 783	7 843	6 283	6 349
Fair value of plan assets at the end of the year	3 983	4 173	4 165	3 868	4 042
Funded status	2 056	1 610	3 677	2 415	2 307
Experience adjustments on benefit obligations in %	8.2	13.2	0.5	(1.3)	(1.8)
Difference between expected and actual return on plan asset in %	(2.1)	12.7	(15.6)	(2.9)	2.3

Experience adjustments are the effects of differences between previous actuarial assumptions and what has actually occurred.

Assumptions used to determine benefit obligations for Norwegian companies as of 31 December

	2010	2009
Discount rate in %	4.2	5.0
Future salary increase in %	3.8	4.5
Future increase in the social security base amount in %	3.8	4.5
Future turnover in %	5.0	8.0
Expected average remaining service period in years	7.6	8.2
Future pension increases in %	3.3	4.0

Assumptions used to determine net periodic benefit costs for Norwegian companies for year ended 31 December

	2010	2009
Discount rate in %	5.0	4.4
Expected return on plan assets in %	6.3	5.8
Future salary increase in %	4.5	4.0
Future increase in the social security base amount in %	4.5	4.0
Future turnover in %	8.0	8.0
Expected average remaining service period in years	8.2	8.2
Future pension increases in %	4.0	3.5

The assumptions are set based on an internally developed model and are evaluated against guidelines published by The Norwegian Standard Accounting Board (NRS). The discount rate for the defined benefit plan in Norway was estimated based on the interest-rate on Norwegian government bonds. Average time before the payments of earned benefits was calculated to be 23 years, and the discount rate was projected to a 23-year rate based on reference to German non-current interest rates, as the longest duration in Norway is 10 years. The assumption for salary increase, increase in pension payments and G-regulation are tested against historical observations and the relationship between different assumptions.

The discount rate for the benefit obligation as of 31 December 2010 was set to 4.2%, compared to 4.0% as recommended by NRS. The expected return on plan assets is based on the asset allocation in the Pension Fund, see also table below. Future salary increase is set at 3.8%, 0.05 percentage point above the level of salary increase excluding career adjustment from NRS. Future increase in the social security base amount is set at 3.8%, compared to 3.75% in the NRS guidelines. Future pension increases are set 0.5 percentage points below the social security base amount based on historical observations in the Group.

Components of net periodic benefit cost

NOK in millions	2010	2009
Service cost	(378)	(386)
Interest cost	(245)	(214)
Expected return on plan assets	227	148
Past service cost	(34)	-
Losses on curtailments and settlements	(45)	-
Amortisation of actuarial gains and losses	7	(28)
Net periodic benefit costs	**(468)**	**(480)**
Contribution plan costs	(413)	(387)
Total pension costs charged to the income statement for the year	**(880)**	**(867)**
Of which reported as other expense (note 10)	(46)	-
Of which reported as pension cost (note 8)	(834)	(867)

The table below shows an estimate of the potential effects of changes in the key assumptions for the defined benefit plans in Norway. The following estimates are based on facts and circumstances as of 31 December 2010. Actual results may deviate materially from these estimates.

NOK in millions	Discount rate		Future salary Increase		Social security base amount		Annual adjustments to pensions		Turnover	
Change in % is percentage points	+1%	-1%	+1%	-1%	+1%	-1%	+1%	-1%	+4%	- 4%
Changes in pension:										
Benefit obligations	(783)	998	540	(501)	(187)	148	589	(497)	(156)	192
Expense due to amortisation of actuarial losses	(42)	44	-	(6)	-	-	-	(6)	-	-
Net periodic benefit cost including effect due to amortisation of actuarial losses (as shown above)	(133)	136	49	(74)	(31)	3	43	(63)	(30)	13

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

Asset categories	2010	2009
Bonds %	62	63
Equity securities %	27	24
Real estate %	9	10
Other %	2	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 to a large extent currency hedged. 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 Telenor Pension Fund owns real estates previously held by the Group. The values of these were set based on evaluations made by an independent Project and Construction Management Company. Parts of the buildings are leased back from the Pension Fund. Approximately 40% of the buildings measured in market value are used by the Group through internal rental contracts.

The expected non-current return on plan assets as of 31 December 2010 was 5.5% (6.3% in 2009). Expected returns on plan assets are calculated based on the estimated Norwegian government bond yield at the balance sheet date, adjusted for the different investment categories of the plan assets. The expected long-term yield above government bonds is based on historical non-current yields.

The Group expects to contribute approximately NOK 284 million to the Telenor Pension Fund in 2011.

As of 31 December 2010, the estimated pension cost for 2011 for the defined benefit plans in Norway was estimated to NOK 346 million. The companies outside Norway have mainly contribution plans. The costs of the benefit plans outside Norway are less than 10% of the total benefit costs and no estimates are made for these plans.

/ 28 / Trade and other payables and non-interest bearing liabilities

Non-current non-interest-bearing liabilities

NOK in millions	2010	2009
Financial derivatives (see note 31)	690	437
Other non-current non-interest-bearing liabilities	435	281
Total non-current non-interest-bearing liabilities	**1 125**	**718**

Trade and other payables

NOK in millions	2010	2009
Trade payables	6 039	7 606
Accrued expenses	12 395	10 124
Liabilities to associated companies	3	5
Total trade and other financial payables	**18 437**	**17 735**
Deferred connection revenues	746	710
Prepaid revenues	5 578	5 361
Government taxes, tax deductions etc.	3 087	3 555
Total other payables	**9 411**	**9 626**
Total trade and other payables	**27 848**	**27 361**

Current non-interest bearing liabilities

NOK in millions	2010	2009
Financial derivatives (see note 31)	307	147
Other current non-interest-bearing liabilities	572	897
Total current non-interest-bearing liabilities	**879**	**1 044**

For information about the fair value of the financial derivatives and the grouping of financial instruments into appropriate classes, see note 31.

/ 29 / Interest-bearing liabilities

NOK in millions	2010 Current interest-bearing liabilities	2010 Non-current interest-bearing liabilities	2010 Total	2009 Current interest-bearing liabilities	2009 Non-current interest-bearing liabilities	2009 Total
Interest-bearing liabilities measured at amortised cost						
– Bank loans	5 367	1 288	6 655	2 021	4 591	6 612
– Finance lease obligations	10	887	897	213	888	1 101
– Bonds and Commercial Paper	3 006	14 023	17 029	3 435	8 471	11 906
– Other liabilities	368	1 103	1 471	546	977	1 523
Interest-bearing liabilities in fair value hedge relationships	**-**	**8 400**	**8 400**	**168**	**18 032**	**18 200**
Total interest-bearing liabilities	**8 751**	**25 701**	**34 452**	**6 383**	**32 959**	**39 342**

Non-current interest-bearing liabilities

NOK in millions Company/segment	Debt instrument	Currency	Average interest% rate in 31.12.10	Debt before the effect of currency swaps 31.12.10	Debt adjusted for the effect of currency swaps 31.12.10	Average interest rate in % 31.12.09	Debt before the effect of currency swaps 31.12.09	Debt adjusted for the effect of currency swaps 31.12.09
Telenor ASA	EMTN program	EUR	6.3	20 304	12 540	2.4	22 062	13 377
	Limit EUR 7 500	NOK [2]	-	396	(4 231)	4.2	2 189	3 835
		SEK	1.7	91	4 405	2.9	243	3 687
		HUF	4.5	-	286	7.2	-	490
		USD	0.6	-	6 982	1.1	-	3 543
		MYR	2.8	-	809	-	-	-
		JPY	-	-	-	-	438	-
Telenor ASA	Bonds	NOK	7.4	198	198	7.4	198	198
Telenor ASA	GSM licenses [1]	NOK	4.7	68	68	4.7	77	77
Total in Telenor ASA				**21 057**	**21 057**		**25 207**	**25 207**
DiGi	Borrowings from financial institutions	MYR	5.1	899	899	5.1	796	796
DiGi	Bonds	MYR	4.6	1 044	1 044	4.6	505	505
DiGi	Finance lease	MYR	9.3	102	102	-	-	-
Grameenphone	Borrowings from financial institutions	BDT	-	-	-	13.5	77	77
Grameenphone	Finance lease	BDT	15.0	417	417	15.0	419	419
Denmark	Finance lease	DKK	5.9	142	142	5.9	158	158
Denmark	UMTS and LTE licenses [1]	DKK	2.9	376	376	7.6	201	201
Sweden	Finance lease	SEK	5.2	226	226	5.0	215	215
Tameer Microfinance Bank Ltd.	Borrowings from financial institutions	USD	-	5	-	-	21	-
Tameer Microfinance Bank Ltd.	Borrowings from financial institutions	PKR	16.0	-	5	15.7	-	21
Telenor Pakistan	GSM licenses [1]	USD	4.6	505	505	5.0	558	558
DTAC	Borrowings from financial institutions	USD	-	384	-	-	571	-
DTAC	Borrowings from financial institutions	JPY	-	-	-	-	462	-
DTAC	Borrowings from financial institutions	THB	3.6	-	384	2.2	87	1 120
DTAC	Bonds	THB	4.4	391	391	5.6	867	867
EDB Business Partner	Borrowings from financial institutions	NOK	-	-	-	2.7	1 730	1 730
EDB Business Partner	Borrowings from financial institutions	SEK	-	-	-	1.5	849	849
EDB Business Partner	Finance lease	NOK	-	-	-	5.0	97	97
	Other non-current interest-bearing liabilities		-	153	153	-	139	139
Total in subsidiaries				**4 644**	**4 644**		**7 752**	**7 752**
Total non-current interest-bearing liabilities				**25 701**	**25 701**		**32 959**	**32 959**

[1] Net present value of future payments for mobile licenses is recognised as interest-bearing liabilities.

[2] Telenor ASA's debt position in NOK is a net asset position when including currency swaps. The development from 2009 is a result of increased hedges of investments in foreign currency during 2010.

Current interest-bearing liabilities

NOK in millions Company/segment	Debt instrument	Currency	Average interest% rate in 31.12.10	Debt before the effect of currency swaps 31.12.10	Debt adjusted for the effect of currency swaps 31.12.10	Average interest rate in % 31.12.09	Debt before the effect of currency swaps 31.12.09	Debt adjusted for the effect of currency swaps 31.12.09
Telenor ASA	Euro Commercial Paper program (ECP)							
	Limit EUR 1 000	EUR	-	-	-	1.0	582	582
Telenor ASA	Commercial Paper	NOK	-	-	-	2.4	1 000	1 000
Telenor ASA	EMTN program	NOK	4.0	1 435	1 931	-	-	-
	Limit EUR 7 500	JPY	-	504	-	-	-	-
		SEK	-	-	-	1.4	730	730
		EUR	2.0	482	490	-	-	-
Telenor ASA	Finance lease	NOK	4.7	13	13	4.7	12	12
Total in Telenor ASA				**2 434**	**2 434**		**2 324**	**2 324**
DiGi	Borrowings from financial institutions	MYR	-	-	-	5.2	169	169
DiGi	Commercial Paper	MYR	-	-	-	2.4	84	84
Grameenphone	Borrowings from financial institutions	USD	-	-	-	4.7	36	36
Grameenphone	Borrowings from financial institutions	NOK	-	-	-	2.5	4	4
Grameenphone	Borrowings from financial institutions	BDT	-	-	-	13.5	38	38
Grameenphone	Borrowing from NORAD	NOK	-	-	-	3.4	8	8
Denmark	Finance lease	DKK	5.9	5	5	5.9	5	5
Denmark	UMTS and LTE licenses [1]	DKK	3.1	64	64	4.0	36	36
Sweden	Finance lease	SEK	5.2	5	5	5.0	4	4
Telenor Pakistan Ltd.	GSM license [1]	USD	4.6	88	88	5.0	87	87
DTAC	Borrowings from financial institutions	USD	-	197	-	-	216	-
DTAC	Borrowings from financial institutions	JPY	-	-	-	-	341	-
DTAC	Borrowings from financial institutions	THB	4.2	-	197	1.7	87	644
DTAC	Bonds	THB	6.4	586	586	3.9	607	607
Uninor	Borrowings from financial institutions	INR	10.1	5 169	5 169	11.8	991	991
Uninor	Convertible bonds	INR	-	-	-	16.8	310	310
Telenor Satellite Broadcasting AS	Finance lease [2]	GBP	-	-	-	-	167	-
Telenor Satellite Broadcasting AS	Finance lease [2]	NOK	-	-	-	1.5	-	167
EDB Business Partner	Borrowings from financial institutions	NOK	-	-	-	2.7	140	140
EDB Business Partner	Finance lease	NOK	-	-	-	5.0	36	36
EDB Business Partner	Bonds	NOK	-	-	-	2.5	600	600
	Other current interest-bearing liabilities		-	203	203	-	93	93
Total in subsidiaries				**6 317**	**6 317**		**4 059**	**4 059**
Total current interest-bearing liabilities				**8 751**	**8 751**		**6 383**	**6 383**

[1] Net present value of future payments for mobile licenses is recognised as interest-bearing liabilities.
[2] Satellite leases (Thor II and III). Telenor ASA was guaranteeing this financing in 2009, see note 32.

Telenor ASA has funding in different currencies. As part of Telenor's Group Policy Treasury this debt is for hedging purposes swapped into certain other currencies by entering into cross currency interest rate swaps. These hedging positions are designated as net investment hedges, see note 30 for further details.

All outstanding debt issued by Telenor ASA is unsecured. The financing agreements except for the Commercial Paper, contain provisions restricting the pledge of assets to secure future borrowings without granting a similar secured status to the existing lenders (negative pledges) and also contain covenants limiting disposals of significant subsidiaries and assets.

Debt issued under Telenor ASA's EMTN programme is based on documentation that is commonly used for investment grade issuers in the Eurobond market. Telenor ASA's outstanding bonds under its existing EMTN Programme are subject to a Change of Control Clause. Such Change of Control shall be deemed to have occurred if a person or entity, other than the Kingdom of Norway directly or indirectly, own or acquire more than 50 per cent of the issued ordinary share capital of Telenor ASA, whereby such change in ownership or acquisition leads to a downgrade below investment grade rating, the holder of such bonds can require Telenor ASA to redeem the principal amount together with accrued interest. The full definition of this Change of Control clause is described in the Final Terms for each specific bond issue.

The interest-bearing liabilities in subsidiaries are generally not guaranteed by Telenor ASA and are subject to standard financial covenants, some of which limit the ability to transfer funds to Telenor ASA in the form of dividends or loans. At 31 December 2010, Uninor had NOK 5.2 billion in current interest-bearing borrowings, of which NOK 4.5 billion are with financial guarantees from Telenor ASA.

The Group entered into Cross Border QTE Leases for GSM mobile network and fixed-line network in 1999 and 2003. All Cross Border QTE Leases were terminated in 2010. The Group has defeased all amounts due by the Group under these agreements with financial institutions and U.S. Government-related securities. The leasing obligations and the defeased amounts are shown net in the statement of financial position, and are not reflected in the tables above. See notes 30 and 32.

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

/ 30 / Managing capital and financial risk management

Managing capital

The Group's priorities and policies for capital allocation are:
1. Maintain a strong financial position
2. An attractive shareholder remuneration
3. Disciplined and selective M&A

The main priority for capital allocation is to maintain a strong financial position by keeping reported net debt/EBITDA ratio below 1.6 in order to ensure access to funding through an investment grade rating. As of 31 December 2010, the reported net debt/EBITDA ratio was 0.7 (0.8 as of 31 December 2009) and Telenor ASA's long term credit rating was A3, stable outlook (Moody's) and A-, negative outlook (Standard & Poor's).

The Group's capital structure consist of debt that includes the borrowings disclosed in note 29, cash and cash equivalents and equity attributable the shareholders of Telenor ASA as presented in the consolidated statement of changes in equity and in note 25, excluding components arising from cash flow hedges.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, aquire or sell treasury shares or issue new shares.

The Board of Telenor ASA has proposed to pay a dividend of NOK 3.80 per share for the fiscal year 2010, payable in 2011. The objective is to distribute 40–60% of normalised net income, and aim for a nominal increase in dividend payout.

Telenor ASA has an agreement with the Kingdom of Norway through the Ministry of Trade and Industry to carry through share buy backs with the purpose to cancel these shares through write-down of the share capital to maintain its ownership interest. See note 25, 34 and 38 for further description.

The subsidiaries aim to have a capital structure reflecting the cost of capital, market conditions, legal and tax regulations and other relevant parameters in each individual case.

The Group is pursuing a disciplined and selective approach to M&A transactions. Single market opportunities within geographic scope, as well as in-market and regional consolidation may be considered. A separation or combination of infrastructure assets might be a part of such considerations and all opportunities will be subject to a thorough financial and strategic evaluation. The Group has initiated an arbitration process in order to protect the Groups pre-emptive rights in VimpelCom Ltd., which could lead to purchase of additional shares in VimpelCom Ltd.

Financial risk factors

Telenor ASA's treasury function is responsible for funding, foreign exchange risk, interest rate risk, credit risk and liquidity management for the parent company and for companies owned more than 90% directly or indirectly by Telenor ASA. Subsidiaries owned less than 90% normally have stand-alone financing. See however note 32 regarding Uninor.

The Group has limited activity related to interest rate and currency trading for its own account. As of 31 December 2010 and 2009, the Group did not have any outstanding open trading positions.

Liquidity risk

The Group emphasises financial flexibility. An important part of this emphasis is to minimise liquidity risk through ensuring access to a diversified set of funding sources. Telenor ASA issues debt in the domestic and international capital markets mainly in the form of Commercial Paper and bonds. Telenor uses Euro Commercial Paper, U.S. Commercial Paper, Euro Medium Term Note and the Norwegian domestic capital market to secure satisfactory financial flexibility. Telenor ASA has established committed syndicated revolving credit facilities of EUR 1.5 billion with maturity in 2012 and EUR 1.0 billion with maturity in 2013. Uninor has established 5 short term bridge facilities of INR 43.4 billion (NOK 5.7 billion), all maturing in 2011 by which INR 39.6 billion (NOK 5.2 billion) is drawn as of 31 December 2010.

When permissible by local rules and regulations, subsidiaries owned 90 percent or more are parts of Telenor ASA's cash management framework agreement. They participate in Telenor ASA's cash pool systems and place their excess liquidity with the internal bank in Group Treasury. Subsidiaries owned less than 90 percent have established their own cash management framework agreements for banking services, their own cash pool systems and place their excess liquidity externally.

Telenor ASA and each subsidiary shall have sufficient sources of liquidity to cover expected needs for liquidity during the next 12 months. Liquidity to fund significant acquisitions and investments are considered separately.

The debt portfolio of Telenor ASA and each subsidiary with external debt shall have a balanced maturity profile. The Group's debt maturities shall be spread relatively evenly over a time horizon of approximately 10 years by issuing bonds and commercial papers in order to reduce the Group's liquidity risk.

The table below shows the maturity profile of the Group's liabilities (in nominal values).

NOK in millions	Total as of 31.12.10	< 1 year	1–3 years	3–6 years	6–10 years	>10 years	Not specified
Interest-bearing liabilities							
Bank loans	6 655	5 367	891	397	-	-	-
Bonds and Commercial Paper	24 276	3 006	2 447	5 151	13 672	-	-
Lease liabilities	897	10	21	94	258	513	-
Other interest-bearing liabilities	1 471	368	395	471	218	19	-
Total interest-bearing liabilities	**33 299**	**8 751**	**3 754**	**6 113**	**14 148**	**532**	**-**
Non-interest bearing liabilities							
Trade and other payables	27 848	27 848	-	-	-	-	-
Other current non-interest-bearing liabilities	1 832	1 832	-	-	-	-	-
Derivatives financial instruments non-current liabilities	690	-	351	297	42	-	-
Other non-current non-interest-bearing liabilities	4 232	-	-	-	-	-	4 232
Total non-interest-bearing liabilities	**34 602**	**29 680**	**351**	**297**	**42**	**-**	**4 232**
Total liabilities	**67 900**	**38 431**	**4 105**	**6 410**	**14 190**	**532**	**4 232**
Future interest payments	**6 398**	**1 434**	**1 707**	**1 976**	**1 123**	**158**	**-**

NOK in millions	Total as of 31.12.09	< 1 year	1–3 years	3–6 years	6–10 years	>10 years	Not specified
Interest-bearing liabilities							
Bank loans	6 612	2 021	2 264	2 327	-	-	-
Bonds and Commercial Paper	28 842	3 603	11 242	5 682	8 315	-	-
Lease liabilities	1 101	213	92	70	208	518	-
Other interest-bearing liabilities	1 523	546	332	410	220	16	-
Total interest-bearing liabilities	**38 077**	**6 383**	**13 930**	**8 489**	**8 743**	**533**	**-**
Non-interest bearing liabilities							
Trade and other payables	27 361	27 361	-	-	-	-	-
Other current non-interest-bearing liabilities	1 892	1 892	-	-	-	-	-
Derivatives financial instruments non-current liabilities	437	-	239	196	2	-	-
Other non-current non-interest-bearing liabilities	4 233	-	-	-	-	-	4 233
Total non-interest-bearing liabilities	**33 923**	**29 253**	**239**	**196**	**2**	**-**	**4 233**
Total liabilities	**72 000**	**35 636**	**14 169**	**8 685**	**8 745**	**533**	**4 233**
Future interest payments	**6 143**	**1 442**	**2 497**	**1 576**	**628**	**-**	**-**

Interest rate risk

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

The main consideration regarding management of interest rate risk is to reduce the financial risk and minimise interest cost over time. A portion of the debt issued by the Group is fixed rate debt (94% of outstanding debt before swap as of 31 December 2010 and 70% at 31 December 2009). The Group applies interest rate derivatives to manage the interest rate risk of the debt portfolio. This typically involves interest rate swaps, while forward rate agreements and interest rate options are used to a lesser extent.

According to Telenor's Group Policy Treasury, the average duration of the debt portfolio should be between 0.5 to 2.5 years. As of 31 December 2010, the average duration was 1.4 years (1.6 years as of 31 December 2009).

Derivative instruments designated as cash flow hedging instruments

The Group's cash flow hedges were mainly related to foreign exchange and interest rate risk. The Group hedged forecasted capital expenditure outflows denominated in foreign currency by entering into currency forward contracts. Interest rate risk for certain bonds issued with floating rate have been hedged using interest rate swaps where the Group receives floating rate and pays fixed rate.

The table below shows the effective and the ineffective parts of the Group's cash flow hedges and the amount that has been recognised at other comprehensive income during the period. The ineffective part is recognised in the income statement as "net foreign currency gains (losses)".

Cash flow hedging relationships

NOK in millions	2010	2009
Cash flow hedging equity reserve at beginning of year	**(731)**	**(397)**
Changes in fair value of derivative	-	(350)
Ineffective part recognised in the income statement	-	16
Changes in fair value of derivatives recognised as other comprehensive income	**-**	**(334)**
Amount reclassified from equity to profit and loss	667	-
Other adjustments	64	-
Cash flow hedging equity reserve at the end of year	**-**	**(731)**

Fair values of financial instruments designated as hedging instruments in cash flow hedges:

NOK in millions	2010		2009	
Fair value as of 31 December	Assets	Liabilities	Assets	Liabilities
Cash flow hedge instruments	-	-	54	(182)

Derivative instruments designated as fair value hedging instruments

The Group employs two strategies that qualify for fair value hedge accounting. The first is to issue a fixed rate bond in the currency in which funding is to be raised and consequently enter into an interest rate swap receiving fixed and paying floating interest rate.

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

The table below shows the effective and the ineffective parts of the Group's fair value hedges. The ineffective part is recognised as "net change in fair value of financial instruments" under financial items in the income statement. The effective part will be offset by the change in fair value of the underlying hedged item. Effectiveness testing is performed on an accumulated basis.

Fair value hedging relationships

NOK in millions	2010	2009
Net gain/(loss) recognised in the income statement on hedged items	97	(159)
Net gain/(loss) recognised in the income statement on hedging instruments	93	297
Amount of hedge ineffectiveness	190	138
Effect of de-designating – object re-measured at amortised cost	-	(15)

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

Fair values of financial instruments designated as hedging instruments in fair value hedges:

NOK in millions	2010		2009	
Fair value as of 31 December	Assets	Liabilities	Assets	Liabilities
Fair value hedge instruments	910	-	1 016	-

Interest rate risk sensitivity analysis

Effects on changes in fair value

The Group calculates the sensitivity on the change in fair value of a defined parallel shift in the yield curve of the relevant currencies. For each simulation, the same shifts in interest rates are used for all currencies. The sensitivity analysis is run only for assets and liabilities that represent major interest-bearing positions.

Based on simulations performed, a 10 percent change in the yield curve as of 31 December 2010 would represent an increase in change in fair value of financial instruments of maximum NOK 139 million (NOK 179 million as of 31 December 2009) or a decrease in change in fair value of financial instruments of maximum NOK 137 million (NOK 177 million as of 31 December 2009), respectively. These simulations disregard the effects of hedging and the measurement of interest bearing debt at amortised cost.

The impact on profit and loss would be different due to interest-bearing debt being measured at amortised cost and the effects of hedge accounting. Based on the same simulations described above the profit and loss effect for 2010 would, by a 10 percent decrease in the yield curve, represent an decrease in change in fair value of maximum NOK 135 million or an increase in change in fair value of maximum NOK 143 million by a similar increase in the yield curve. For 2009 the profit and loss effects would have been respectively a decrease in change in fair values of maximum NOK 18 million and an increase in change in fair values of maximum NOK 18 million.

Effects on interest expenses

Interest rate movements would also affect interest expense from floating rate borrowings. The sensitivity analysis is run for floating rate liabilities, and reflects a 10 percent change in the interest rate by year end. If all interest rates for all currencies had weakened/strengthened by 10 percent for Telenor ASA and all subsidiaries, with all other variables held constant, interest expense for the Group would have been NOK 22 million higher/lower as of 31 December 2010 (NOK 131 million as of 31 December 2009).

Exchange rate risk

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

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

Exchange rate risk related to debt instruments in other currencies than the functional currencies of the foreign operations is also a part of the financial risk exposure of the Group. Cross currency swaps are occasionally applied to eliminate such exchange rate risk. Fair value hedge accounting is used for these transactions when possible.

Short-term foreign currency swaps are frequently used for liquidity management purposes. No hedging relationships are designated in relation to these derivatives.

Derivative (and non-derivative) instruments designated as hedging instruments of net investment in foreign operations

As of 31 December 2010 and 2009, material hedging positions are designated as net investment hedges. There are no ineffectivenesses in the years ending 31 December 2010 and 2009.

Net investment hedging relationships

NOK in millions	2010	2009
Effective part recognised directly to other comprehensive income	606	2 676

Hedging as described above is only carried out in currencies that have well-functioning capital markets. Interest-bearing liabilities are designated as hedging instruments.

Fair value of interest-bearing liabilities designated as hedging instruments in net investment hedges:

NOK in millions	2010	2009
Fair value as of 31 December	Liabilities	Liabilities
Net investment hedge instruments	(20 845)	(17 242)

Exchange rate risk sensitivity analysis

This analysis does not take into account correlation between currencies other than NOK. Empirical studies confirm substantial diversification effect across the currencies that the Group is exposed to.

Effects on net currency gains (losses)

Translation of subsidiaries from their functional currencies into the presentation currency of the Group will impact the Group's net income. At 31 December 2010, if all local currencies had weakened/strengthened by 10% against the presentation currency of the Group (NOK), with all other variables held constant, net income for the Group for the year would have been NOK 950 million higher/lower (NOK 120 million for 2009). This is mainly a result of foreign exchange translation of SEK, DKK and USD denominated trade payables, receivables and debt in subsidiaries.

Effects due to foreign exchange translations on other comprehensive income and equity

Translation of subsidiaries from their functional currencies into the presentation currency of the Group will impact the Group's other comprehensive income and equity. If all local currencies had weakened/strengthened by 10% against the presentation currency of the Group (NOK), the increase/decrease in the carrying amount of equity as of 31 December 2010 would have been approximately NOK 7.5 billion (NOK 7.5 billion as of 31 December 2009).

Effects due to foreign exchange translations on net income

Translation of net income from subsidiaries with functional currency other than NOK, also represents a currency exposure for the Group. If local currency had weakened/strengthened by 10% against all other currencies included in the analysis, net income for the Group would have been NOK 552 million lower/higher in 2010 (NOK 560 million in 2009).

Credit risk

Credit risk is the loss that the Group would suffer if a counterparty fails to perform its financial obligations. The Group considers its maximum exposure to credit risk to be as follows:

Maximum credit exposure

NOK in millions	2010	2009
Cash and cash equivalents	13 606	11 479
Bonds and commercial papers > 3 months (note 23)	659	515
Financial derivatives (note 23)	2 009	2 760
Trade and other current financial receivables (note 22)	13 694	14 098

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base containing a high number of customers that are also considered unrelated. Due to this, there is no further credit risk provision required in excess of the normal provision for bad and doubtful receivables. See note 22 for information on receivables in terms of age distribution and provision for bad debt.

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

Credit risk arising from financial transactions is reduced through diversification, through accepting counterparties with high credit ratings only and through defining limits on aggregated credit exposure towards each counterparty. Telenor ASA has legal netting agreements (ISDA agreements), which allows gains to be offset against losses in a bankruptcy situation with 11 banks that are counterparties in derivative transactions. As of 31 December 2010, Telenor ASA had collateral agreements with four banks in derivative transactions. Both ISDA agreements and collateral agreements are means to reduce overall credit risk. Counterparty risk in subsidiaries in emerging markets is higher due to lack of counterparties with high credit rating. This counterparty risk is monitored on a regular basis.

The Group entered into Cross Border QTE Leases for GSM Mobile network and fixed-line network in 1999 and 2003. The GSM Mobile network QTE Leases where terminated in 2009, while the fixed-line network was terminated in 2010. The Group has defeased all amounts due by us under these agreements with financial institutions and US Government related securities. The leasing obligations and the defeased amounts are shown net on the statement of financial position, and are not reflected in the tables. See notes 29 and 32. Due to termination of all the leases, the defeased amounts were zero as of 31 December 2010 (NOK 2.5 billion as of 31 December 2009).

Fair value of derivatives with positive replacement value for the Group was NOK 1.7 billion as of 31 December 2010, taking into account legal netting agreements (NOK 2.4 billion as of 31 December 2009). The Group's cash and cash equivalents do also represent a credit risk. The Group normally has deposits in countries with major operations. The credit risk on such deposits varies dependent on the credit worthiness of the individual banks and countries in which the banks are located. See also note 24 for information regarding cash inside and outside the cash pool. Credit risk exposure for Telenor ASA is monitored on a daily basis.

/ 31 / Fair values of financial instruments

Principles for estimating fair values

Based on the characteristics of the financial instruments that are recognised in the financial statements, the financial instruments are grouped into classes and categories as described in the table below. The estimated fair values of the Group's financial instruments are based on market prices and the valuation methodologies per class are described below.

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in measuring the fair value of financial instruments in the Fair value through profit and loss ("FVTPL") and the Available for sale ("AFS") categories:

Level 1: Quoted prices (unadjusted) in active markets for identical financial instruments
Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The table below includes analyses of financial instruments by their fair value hierarchy levels into which the fair value measurement is categorised.

Interest-bearing liabilities

Fair values of interest-bearing liabilities have been calculated using yield curves, which incorporates estimates of the Telenor ASA credit spread. The credit curve has been extrapolated using indicative prices on debt issuance by Telenor ASA for different maturities. The yield curves have been interpolated from cash and swap curves observed in the market for different currencies and maturities.

Trade receivables and other current and non-current financial assets

For trade receivables and other current receivables, the nominal amount, adjusted for allowance for bad debt, is assessed to be a reasonable approximation of fair value. The effect of not discounting is considered to be immaterial for this class of financial instruments.

Trade payables and other non-interest-bearing financial liabilities

For trade payables and other non-interest-bearing financial liabilities, the nominal amount is assessed to be a reasonable approximation of fair value. The effect of not discounting is considered to be immaterial for this class of financial instruments.

Equity securities

Fair values for listed shares are based on quoted prices at the end of the reporting period. Fair value of unlisted shares is calculated by using commonly used valuation techniques, or measured at cost if the investment does not have a quoted market price in an active market and the fair value cannot be reliably measured. Listed companies consolidated in the Group or accounted for using the equity method are not included in the table below.

Cash and cash equivalents

The fair value for this class of financial instruments is assessed to be equal to the nominal amount.

Derivatives

Fair value of currency swaps, foreign currency forward contracts and interest rate swaps is estimated based on calculating the net present value of future cash flows, using swap curves and exchange rates as of 31 December 2010 and 2009, respectively. The fair value of options is estimated using appropriate option pricing models.

NOK in millions Financial position item	Note	Fair value level	Category	Carrying amount	Fair value	Fair values of financial instruments 31 December 2010 per class Interest-bearing liabilities	Trade receivables and other financial assets	Trade payables and other non-interest-bearing financial liabilities	Equity securities	Cash and cash equivalents	Currency swaps and forward contracts	Interest rate-swaps and options	Equity, and other derivatives [1]
Other non-current assets	**23**			**3 048**	**3 048**								
		2	FVTPL	1 793	1 793	-	-	-	-	-	1 644	149	-
		3	AFS	489	489	-	-	-	489	-	-	-	-
			LAR	523	523	-	523	-	-	-	-	-	-
			NF [2]	243	243	-	-	-	-	-	-	-	-
Trade and other receivables	**22**			**16 451**	**16 451**								
			LAR	13 694	13 694	-	13 694	-	-	-	-	-	-
			NF [2]	2 757	2 757	-	-	-	-	-	-	-	-
Other financial current assets	**23**			**946**	**945**								
		2	FVTPL	286	286	-	-	-	71	-	209	3	3
			LAR	660	660	-	660	-	-	-	-	-	-
Cash and cash equivalents	**24**			**13 606**	**13 606**								
			LAR	13 606	13 606	-	-	-	-	13 606	-	-	-
Total – Fair value through profit and loss (FVTPL)				**2 079**	**2 079**								
Total – Available for sale (AFS)				**490**	**490**								
Total – Loans and receivables (LAR)				**28 482**	**28 482**								
Non-current interest-bearing financial liabilities	**29**			**(25 701)**	**(24 857)**								
			FLAC	(25 701)	(24 857)	(24 857)	-	-	-	-	-	-	-
Non-current non-interest-bearing financial liabilities	**28**			**(1 125)**	**(1 125)**								
		2	FVTPL	(690)	(690)	-	-	-	-	-	(688)	(2)	-
			FLAC	(435)	(435)	-	-	(435)	-	-	-	-	-
Current interest-bearing financial liabilities	**29**			**(8 751)**	**(8 718)**								
			FLAC	(8 751)	(8 718)	(8 718)	-	-	-	-	-	-	-
Trade and other payables	**28**			**(27 848)**	**(27 848)**								
			FLAC	(18 437)	(18 437)	-	-	(18 437)	-	-	-	-	-
			NF [2]	(9 411)	(9 411)	-	-	-	-	-	-	-	-
Current **non-interest-bearing liabilities**	**28**			**(879)**	**(879)**								
		2	FVTPL	(307)	(307)	-	-	-	-	-	(263)	(44)	-
			FLAC	(572)	(572)	-	-	(572)	-	-	-	-	-
						(33 575)	**14 877**	**(19 444)**	**560**	**13 606**	**902**	**106**	**3**
Total – Fair value through profit and loss (FVTPL)				**(997)**	**(997)**								
Total – Financial liabilities at amortised cost (FLAC)				**(53 896)**	**(53 019)**								

[1] Telenor ASA has provided a guarantee in relation to equity derivatives. The guarantee amounts to NOK 197 million as of 31 December 2010.

[2] The abbreviation NF in the tables above is used to represent non-financial assets and liabilities.

NOK in millions Financial position item	Note	Fair value level	Category	Carrying amount	Fair value	Fair values of financial instruments 31 December 2009 per class Interest-bearing liabilities	Trade receivables and other financial assets	Trade payables and other non-interest-bearing financial liabilities	Equity securities	Cash and cash equivalents	Currency swaps and forward contracts	Interest rate-swaps and options	Equity, and other derivatives [1]
Other non-current assets	**23**			**3 215**	**3 215**								
		2	FVTPL	2 419	2 419	-	-	-	-	-	2 403	16	-
		3	AFS	499	499	-	-	-	499	-	-	-	-
			LAR	158	158	-	158	-	-	-	-	-	-
			NF [2]	139	139	-	-	-	-	-	-	-	-
Trade and other receivables	**22**			**17 470**	**17 470**								
			LAR	14 098	14 098	-	14 098	-	-	-	-	-	-
			NF [2]	3 372	3 372	-	-	-	-	-	-	-	-
Other financial current assets	**23**			**941**	**941**								
		2	FVTPL	426	426	-	-	-	85	-	335	6	-
			LAR	515	515	-	515	-	-	-	-	-	-
Cash and cash equivalents	**24**			**11 479**	**11 479**								
			LAR	11 479	11 479	-	-	-	-	11 479	-	-	-
Total – Fair value through profit and loss (FVTPL)				**2 845**	**2 845**								
Total – Available for sale (AFS)				**499**	**499**								
Total – Loans and receivables (LAR)				**26 250**	**26 250**								
Non-current interest-bearing financial liabilities	**29**			**(32 959)**	**(32 144)**								
			FLAC	(32 959)	(32 144)	(32 144)	-	-	-	-	-	-	-
Non-current non-interest-bearing financial liabilities	**28**			**(718)**	**(718)**								
		2	FVTPL	(437)	(437)	-	-	-	-	-	(434)	(3)	-
			FLAC	(281)	(281)	-	-	(281)	-	-	-	-	-
Current interest-bearing financial liabilities	**29**			**(6 383)**	**(6 383)**								
			FLAC	(6 383)	(6 383)	(6 383)	-	-	-	-	-	-	-
Trade and other payables	**28**			**(27 361)**	**(27 361)**								
			FLAC	(17 736)	(17 736)	-	-	(17 736)	-	-	-	-	-
			NF [2]	(9 625)	(9 625)	-	-	-	-	-	-	-	-
Current non-interest-bearing liabilities	**28**			**(1 044)**	**(1 044)**								
		2	FVTPL	(147)	(147)	-	-	-	-	-	(131)	(13)	(3)
			FLAC	(897)	(897)	-	-	(897)	-	-	-	-	-
						(38 527)	**14 771**	**(18 914)**	**584**	**11 479**	**2 173**	**6**	**(3)**
Total – Fair value through profit and loss (FVTPL)				**(584)**	**(584)**								
Total – Financial liabilities at amortised cost (FLAC)				**(58 256)**	**(57 440)**								

[1] Telenor ASA has provided a guarantee in relation to equity derivatives. The guarantee amounts to NOK 241 million as of 31 December 2009.

[2] The abbreviation NF in the tables above is used to represent non-financial assets and liabilities.

/ 32 / Pledges and guarantees

NOK in millions	2010	2009
Interest-bearing liabilities secured by assets pledged	1	1 155
Finance lease liabilities secured by assets pledged	897	1 101
Total liabilities secured by assets pledged	**898**	**2 256**
Carrying amount of assets pledged as security for liabilities	2	15 170
Carrying amount of assets pledged as security for finance lease liabilities	950	1 023
Total assets pledged as security for liabilities	**952**	**16 193**

The decrease in interest-bearing liabilities secured by assets pledged and carrying amount of assets pledged as security for liabilities from 2009 to 2010 is due to agreements with pledged assets in the satellite leases (Thor II and Thor III), Grameenphone and Uninor in 2009, being terminated in 2010.

The Group's finance lease liabilities secured by assets pledged and carrying amount of assets pledged as security for finance lease liabilities as of 31 December 2010 were mainly related to Telenor Sweden, Telenor Denmark, DiGi and Grameenphone. See notes 20 and 29.

NOK in millions	2010	2009
Guarantee obligations	6 618	3 423

Purchased bank guarantees and guarantees provided where the related liabilities are included in the statement of financial position are not shown in the table.

In 2010, guarantee obligations include guarantees amounting to NOK 1.3 billion (NOK 140 million in 2009) that are secured by pledged assets with a carrying amount of NOK 10.3 billion (NOK 113 million in 2009). As of 31 December 2010, Uninor had NOK 5.2 billion in current interest-bearing borrowings, of which NOK 4.5 billion are with financial guarantees from Telenor ASA. See note 29. As of 31 December 2010, Uninor had NOK 1.2 billion in purchased bank guarantees with counterguarantee from Telenor ASA.

The Group's shares in the associated company RiksTV AS are pledged as security for the external financing of the company. See note 21.

Guarantees provided for the payment of all lease obligations in connection with entering into the Cross Border QTE Leases are not included in the preceding table. See notes 29 and 30. The guarantees are rescinded as of 31 December 2010 as the QTE leases were terminated in 2010. As of 31 December 2009, these guarantees amounted to NOK 2.9 billion (USD 510 million).

/ 33 / Contractual obligations

The Group has entered into agreements with fixed payments in respect of the following as of 31 December 2010 and as of 31 December 2009:

2010:

NOK in millions	2011	2012	2013	2014	2015	After 2015
Minimum lease payments under non-cancellable operating leases (the Group as a lessee)						
Lease of premises	2 215	1 992	1 832	1 605	884	2 469
Lease of cars, office equipment, etc	68	28	13	2	-	-
Lease of satellite- and net-capacity	249	167	110	102	95	12
Contractual purchase obligations						
Purchase of satellite- and net-capacity	389	-	-	-	-	-
IT-related agreements	748	229	54	30	1	-
Other contractual obligations	2 078	1 135	269	47	21	84
Committed investments						
Property, plant and equipment	707	-	-	-	-	-
Investment in associated companies	-	-	-	-	-	-
Total contractual obligations	**6 454**	**3 551**	**2 277**	**1 787**	**1 001**	**2 565**

2009:

NOK in millions	2010	2011	2012	2013	2014	After 2014
Minimum lease payments under non-cancellable operating leases (the Group as a lessee)						
Lease of premises	1 790	1 468	1 264	1 217	1 505	2 735
Lease of cars, office equipment, etc	77	48	14	5	4	4
Lease of satellite- and net-capacity	247	208	147	100	94	26
Contractual purchase obligations						
Purchase of satellite- and net-capacity	276	11	-	-	-	-
IT-related agreements	869	302	82	38	35	2
Other contractual obligations	1 826	1 124	912	119	41	97
Committed investments						
Property plant and equipment	1 911	-	-	-	-	-
Investment in associated companies	1 096	-	-	-	-	-
Total contractual obligations	**8 092**	**3 161**	**2 419**	**1 479**	**1 679**	**2 864**

The tables above do not include agreements under which the Group has no committed minimum purchase obligations. Obligations related to future investments as a consequence of licenses held by the Group are not included if no committed minimum purchase obligations have been entered into.

Tower leasing obligations in Uninor is included in "Minimum lease payments under non-cancellable operating leases" as of 31 December 2010 with NOK 4,461 million for the period of 2011-2015 and NOK 866 million after 2015.

DTAC's concession right

DTAC is obliged to pay an annual fee to the Communication Authority of Thailand ("CAT") in accordance with the concession agreement. The annual fee is based on the greater of a minimum annual payment and a percentage of revenues from services. The minimum annual payments are not included above. The yearly minimum payments for the period 2011–2018 fluctuate in a range from NOK 150 million to NOK 234 million (converted from THB to NOK based on the exchange rate as of 31 December 2010). For further information regarding DTAC's concession right, see note 19.

/ 34 / Related parties

As of 24 March 2010, Telenor ASA was 53.97% (including treasury shares) owned by the Kingdom of Norway, represented through the Ministry of Trade and Industry.

The Board of Telenor ASA have been given authority by the General Meeting to carry through share buy backs with the purpose to cancel these shares through write-down of share capital. The cancellation requires approval from the General Meeting. Telenor ASA has entered into an agreement with the Ministry of Trade and Industry whereby it is agreed that such buy-back and cancellation should not affect the Ministry's shareholding. As a result, the Group is required to redeem a proportionate number of shares owned by the Ministry. The same General Meeting approving the cancellation of treasury shares, will be asked to approve the redemption of the shares owned by the Ministry against payment of an amount that corresponds to an average volume of weighted price at the time of the repurchase of treasury shares in the market together with compensation for interest.

The Norwegian telecommunications market is governed by the Electronic Communications Act of 4 July 2003 and other regulations issued pursuant to this Act. Until it expired 1 September 2004, the Group 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 the Group and the Norwegian Ministry of Transport and Communications. The USO obligation entails among other things the provision of Public voice telephony which is either PSTN, ISDN or broadband technology to all households and companies, public pay phones, services for the disabled and for controlling end users expenses. In addition, the Group was in 2010 and 2009 subject to Special Service Obligations (SSO) — the defence of Norway following an agreement with the Norwegian Post and Telecommunications Authority ("NPT"), coastal radio after an agreement with the Norwegian Ministry of Justice and the Police, services concerning Svalbard, wire services for ships, providing emergency lines for the police, fire department and ambulances. The Group receives no compensation from the state for providing USO services, whereas compensation is given to the Group for providing SSO. In 2010 and 2009, the Group received NOK 70 million and NOK 67 million, respectively, under this agreement.

In 2008, the regulatory authorities in Norway awarded the spectrum resources in the 900 MHz band that will become idle after expiry of the CT1 allocation to the existing GSM licensees. The awards were given on condition that the three licensees would agree on a plan for restructuring their complete spectrum resources in the band so that also technologies like UMTS 900 might be deployed in a spectrum efficient way. In 2010, the Group received technology neutral licenses in the 900 MHz band.

The Group pays an annual fee to NPT and the Norwegian Ministry of Transport and Communications for delivering electronic communication services, including payments for frequencies and numbers. The fee was NOK 99 million and NOK 102 million in 2010 and 2009, respectively.

The Group provides mobile and fixed telephony services, leased lines, customer equipment, Internet connections, TV distributions and other services to the state and companies controlled by the state in the normal course of business and at arms-length prices. The Group also purchases services, such as postal services, in the normal course of business and at arms-length prices. Details of such transactions are not included in this note.

The Group sold transmission capacity and related services in the digital and analog terrestrial transmission network to Norsk Rikskringkasting AS of NOK 204 million in 2010 and NOK 232 million in 2009.

Transactions with associated companies

	2010		2009	
NOK in millions	Sales to	Purchases from	Sales to	Purchases from
	631	1 796	374	867

In 2010 and 2009, sales to associated companies include network access charges to Norges Televisjon AS, RiksTV AS and TV2 AS of NOK 352 million and NOK 282 million, respectively, and sale of play out services to Norges Television of NOK 49 million and NOK 53 million, respectively. Purchases from associated companies in 2010 include distribution rights from TV2 AS, TV2 Zebra AS and C More Group AB of NOK 1,081 million. In 2009 purchases from associated companies includes distribution rights from TV2 AS and TV2 Zebra AS of NOK 339 million. Sales to associated companies in 2010 include sub-leasing of sports rights to C More Group AB for NOK 139 million. Purchases from associated companies in 2010 also include purchases of IT services from EDB ErgoGroup ASA. In 2009 the Group sold media rights for the Norwegian football league to the associated company TV2 Zebra AS. A substantial part of the purchases from associated companies in 2010 and 2009 concerns sales and marketing support for distributors of the Group's products and services in Norway and Thailand.

The Group's shares in the associated company RiksTV AS are pledged as collateral for debt in the company. Furthermore, the Group has provided fulfilment guarantees of NOK 75 million in favour of the associated company Norges Television AS.

For information of receivables on associated companies – see note 22 and 23. The Group had no significant payables or debt to associated companies as of 31 December 2010 and 2009.

Grameenphone Ltd. borrowed NOK 50 million from NORAD and USD 10 million from NORFUND. As of 31 December 2010 the loans are fully settled according to plan. NORAD is part of the Ministry of Foreign Affairs and NORFUND is owned and financed by the Ministry of Foreign Affairs.

Transactions with subsidiaries have been eliminated on consolidation and do not represent related party transactions. See note 16 in the financial statements of Telenor ASA for a list of significant subsidiaries. The same applies to transactions with joint ventures that are consolidated proportionally, see note 21.

For compensation of key management personnel, see note 36.

/ 35 / Commitments and contingencies

Telenor (the Group) is involved in a number of legal proceedings in various forums. While acknowledging the uncertainties of litigation, the Group is of the opinion that based on the information currently available, these matters, except as discussed below, will be resolved without any material adverse effect individually or in the aggregate on the Group's financial position. No provisions have been made for the legal disputes discussed in this note. For legal disputes, in which the Group assess it to be probable (more likely than not) that an economic outflow will be required to settle the obligation, provisions have been made based on management's best estimate. See note 14 for tax disputes. In addition, restrictions in the Group's ownership interest are disclosed in this note. The Group expects that these matters will be resolved without any material adverse effect on the Group's financial position.

DTAC

1) Dispute between TOT, CAT and DTAC regarding Access Charge

On 17 May 2006, the National Telecommunications Commission (NTC) issued the Notification on Use and Interconnection of Telecommunications Network of 2006 (Notification) applicable to telecommunication licensees who have its own telecommunication network, requiring the licensees to interconnect with each other on request, where the interconnection provider is entitled to apply an interconnection charge that reflects its costs.

On 17 November 2006, DTAC issued a written notification informing Telephone Organization of Thailand (TOT) and CAT Telecom Public Company Limited (CAT) that DTAC would no longer apply the rates for calculating the access charge under the Access Charge Agreement entered into with TOT on the basis that the rate and the collection of access charge under the Access Charge Agreement were contrary to the law in a number of respects. DTAC also informed TOT and CAT that it would pay the interconnection charge to TOT when DTAC and TOT have entered into an interconnection charge (IC) agreement in accordance with the Notification.

On 16 November 2007, TOT lodged suit with the Civil Court, calling for DTAC and CAT to jointly and severally make payment for the unpaid access charge for the period between 17 November 2006 and 31 October 2007, totaling NOK 2.3 billion, and to pay Access Charge from 1 November 2007 until the agreements among TOT, CAT and DTAC expired. DTAC and CAT submitted their pleas in June 2008 in which they claimed that the Civil Court did not have jurisdiction in the case. The Civil Court accepted the claims from DTAC and CAT and rejected the matter with the justification that the case should be handled by the Administrative Court.

Currently, DTAC has not yet received any notice from the Administrative Court on TOT's claim for access charges payment. However, if TOT's claim is lodged, it is expected that the legal process may take several years. DTAC's management believes, based on advice from legal counsel, that the court decision (if the claim is lodged) would not have a material adverse effect on the financial position of the DTAC. The net effect (before income taxes) in ceasing to recognise the access charge under the Access Charge Agreement from 18 November 2006 to 31 December 2010 amounts to NOK 6.6 billion in reduced expenses.

DTAC is also in dispute with TOT in a matter related to the negotiation and entering into an interconnection agreement between TOT and DTAC's respective networks. DTAC requested 2 October 2006 a negotiation of such agreement between the parties, pursuant to the Notification. The matter has been through various administrative and court proceedings, which has concluded that TOT is obligated to commence negotiations with DTAC. TOT still rejects the entering into an interconnection agreement and the matter is now under consideration of the Supreme Administrative Court.

2) Dispute between DTAC and CAT regarding revenue sharing payment under concessionary agreement
On 11 January 2008, CAT submitted the dispute to the Arbitration Institute requesting DTAC to make concession revenue sharing payments for the 12th–16th concession years amounting to NOK 4.3 billion including defaulted interests. The basis for the claim is the fact that revenue share paid by DTAC to CAT is made after deduction of excise tax. DTAC's opinion is that it was entitled to do so by virtue of the resolutions made by the Thai Council of Ministers in February 2003 and a letter issued by CAT allowing such deduction.

Furthermore, on 20 October 2008, CAT filed a petition for amending the dispute requesting for additional value added tax (VAT) at the rate of 7%. As such, the total claim amounts to NOK 4.5 billion. Currently, the dispute is still in the arbitration process, as DTAC in August 2008 did not accept CAT's proposal for the chairman of the tribunal. The process of resolving these matters could take several years. DTAC's management believes, based on advice from legal counsel, that the arbitral award would not have a material adverse effect on the financial position of DTAC.

VimpelCom Ltd.
As a result of the VimpelCom Ltd. transaction, all litigations and arbitrations related to VimpelCom and Telenor East Invest AS as well as the disputes involving Telenor Mobile Communications AS in respect of Kyivstar were resolved in 2010.

On 28 January 2011, Telenor commenced an arbitration proceeding in London against Altimo Holdings & Investments Ltd., Altimo Cooperatief U.A. (collectively, "Altimo") and VimpelCom Ltd. in which Telenor claimed that it is entitled to exercise its pre-emptive rights in the context of VimpelCom's proposed acquisition of Wind Telecom S.p.A. The arbitration tribunal in that proceeding is still in the process of being formed, and at present no schedule has been set for the arbitration. Telenor anticipates that the arbitration proceeding could last for up to 12 months.

Pending the constitution of the arbitration tribunal, Telenor filed an application with the Commercial Court in London seeking an injunction that would require VimpelCom to issue Telenor's pre-emptive right shares into escrow and Telenor to pay the purchase price for such shares to the escrow agent. On 1 March 2011, the Commercial Court determined that Altimo, VimpelCom and Weather Investments II S.a.r.l., the principal shareholder of Wind, should enter into undertakings assuring the issuance of Telenor's pre-emptive right shares in the event that Telenor prevails in the arbitration proceeding. Those undertakings were provided in lieu of Telenor's requested injunction and have the same force as an order of the Commercial Court.

Uninor
In India, Uninor and many other telecom operators as well as the federal government through the Department of Telecommunications and the Telecom Regulatory Authority of India ("TRAI"), have been named as respondents in public interest petitions filed before the Supreme Court by the Centre for Public Interest Litigation (CPIL), a non-governmental organisation and Dr. Subramanian Swamy. These petitions seek cancellation of the licenses granted by the government in January 2008 to such operators an imposition or punitive damages on grounds of alleged irregularities in granting the licenses, failure to meet eligibility requirements and delays in meeting roll out obligations. The petitioners are being heard by the Supreme Court since 1 March 2011 in day-to-day proceedings.

There is a risk that the Supreme Court would set aside the 2G licenses granted in 2008 (including Uninor's), impose a penalty on the licensees or order the re-allotment (on a first-come-first-serve basis) or re-auction of spectrum to such licensees. It is also possible that the Supreme Court could instead order action specifically against those who benefitted from their involvement in alleged irregularities. However, at this time, it is impossible to predict the outcome of the proceedings. In view of the complexity of the facts involved, it is also possible that the Supreme Court could appoint a committee or direct a branch of the government to look into the case of each licensee to implement its ruling.

The Group has invested in subsidiaries where there are restrictions on the Group's ownership interest

DTAC

In Thailand the Foreign Business Act limits the direct ownership of foreign investors in public communications license-holders to 49.9% of the total issued share capital. However, the Group's total economic stake in DTAC, held through Thai Telco Holding and Telenor Asia, is 65.5% as of 31 December 2010.

/ 36 / Remuneration

Board of Directors

Remuneration to the Board of Directors (the Board) consists of a Board fee which is fixed for the year depending on role in the Board as well as compensation for other Board elected committees. The Board fee is decided by the Corporate Assembly.

The aggregate remuneration for the Board and the Corporate Assembly recognised in 2010 was NOK 2.8 million and NOK 0.6 million, respectively. In 2009 this was NOK 2.7 million and NOK 0.6 million, respectively. In addition, remuneration for the Audit Committee, Governance and Remuneration Committee, Health-, Safety-, Security- and Environment Committee and Nomination Committees was in total NOK 0.5million (NOK 0.6 million in 2009). The members of the Board are only entitled to a fixed compensation per meeting they attend and have no agreements which entitles them to extraordinary remuneration in the event of termination or change of office or agreement concerning bonus, profit sharing, options or similar. The number of shares owned by the members of the Board of Directors, Deputy Board Members and the Corporate Assembly as of 31 December 2010 and 2009 is shown below. Shares owned by the Board of Directors and Deputy Board Members include related parties. None of these members have any share options.

NOK in thousands, except number of shares Board	Number of shares as of 31 December 2010	Board Fee 2010	Fee for Board elected committee's 2010	Number of shares as of 31 December 2009	Board Fee 2009	Fee for Board elected committee's 2009
Harald Norvik	16 520	451	31	16 520	420	35
Bjørg Ven (until 11.05.2009)	-	-	-	10 000	140	50
John Giverholt	3 000	292	62	-	245	70
Kjersti Kleven	-	225	21	-	210	45
Sanjiv Ahuja (from 11.05.2009)	-	225	-	-	140	-
Liselott Kilaas	-	225	20	-	210	20
Paul Bergqvist (until 11.05.2009)	-	-	-	1000	105	40
Olav Volldal	-	225	21	-	210	45
Barbara Milian Thoralfsson (from 11.05.2009)	10 000	225	62	10 000	140	10
Burckhard Bergmann	-	225	26	-	210	30
Harald Stavn	4 970	225	62	4 970	210	60
May Krosby (until 02.06.2009)	-	-	-	-	105	20
Bjørn Andre Anderssen	1 501	225	31	1 324	210	30
Brit Østby Fredriksen (from 20.01.2010)	2 140	225	16	-	-	-
Frøydis Orderud (deputy board member from 04.09.2009 to 20.01.2010)	1 621	-	-	1 621	70	5
Per Gunnar Salomonsen (deputy board member)	2 700	8	-	2 700	105	5
Wenche Aanestad (deputy board member)	4 102	8	-	3 905	1	-

None of the members of the Board received compensation from any other Group companies, except for the employee representatives. Their remuneration as employees is not included above. None of the members of the Board of Directors have loans in the company.

Deputy Board Members	Number of shares per 31 December 2010	Number of shares per 31 December 2009
Wenche Aanestad	4 102	3 905
Per Gunnar Salomonsen	2 700	2 700
Arild Jacobsen (from 20.01.2010)	-	-
Ronald Steen (from 20.01.2010)	-	-
Irene Vold	2 816	2 816
Frøydis Orderud (deputy board member from 04.09.2009 until 20.01.2010)	1 621	1 621
Kaare-Ingar Sletta	627	627
Helge Enger (until 20.01.2010)	6 388	6 199

Corporate Assembly	Number of shares per 31 December 2010	Number of shares per 31 Desember 2009
Roger Rønning	977	784
Stein Erik Olsen	751	751
Magnhild Øvsthus Hanssen	1 442	1 236
Anne Kristin Endrerud (observer)	275	275
Mai Britt Thune (deputy member)	2 221	-
Morten Fallstein (deputy member)	680	-
Sigurd Hansen (deputy member)	1 610	-
Claes Lyth Waisø (deputy member)	213	-

Statement on the Group CEO and Executive Management Remuneration

The Statement on the Group CEO and Executive Management Remuneration is established according to the Norwegian act on public limited liability companies (allmennaksjeloven) and the accounting act (regnskapsloven), the Government's policy on the remuneration of leading personnel issued by the Norwegian Ministry of Trade and Industry in December 2006, as well as The Norwegian Code of Practice for Corporate Governance.

1. Remuneration Policy

Telenor's remuneration policy is to reward desired performance and to influence and reinforce Telenor's culture throughout the Group. Telenor seeks to offer a total remuneration package that is attractive and competitive, without taking the lead in a total remuneration context.

2. Decision-making

The Board of Directors has appointed a separate Governance and Remuneration Committee constituted by the Chairman of the Board and two of the shareholder elected Board members, as well as one employee representative. The Group CEO shall normally attend the Committee meetings. Other representatives of the Management will attend upon notice. The Committee may dismiss their attendance when appropriate, and likewise call for attendance from other relevant sources. The secretary of the Board of Directors acts as secretary of the Committee unless otherwise agreed from time to time.

The Committee has no independent decision-making authority, except where expressly granted by the Board of Directors. The Governance and Remuneration Committee acts as advisor for the Board of Directors and the Group CEO and is mainly responsible for the following remuneration issues:

- Evaluate annually the Group CEO's total remuneration and present recommendations to the Board of Directors for decision.
- Consider and sign off, on behalf of the Board of Directors, remuneration and related adjustments for the executives reporting to the Group CEO.
- Be informed on remuneration developments and market situation for executives and present remuneration principles applicable for Telenor executives to the Board of Directors for approval.
- Consider Group overall/general remuneration policy and programs, including bonus programs, share-based schemes etc., and present recommendations to the Board of Directors for decision.
- Oversee, and prepare the Board's handling of, principal matters relating to pension schemes and other retirement issues.
- Review the Management's proposal for the declaration regarding the determination of salary and other remuneration to senior employees pursuant to section 6-16a in the Act relating to Public Limited Companies.

3. Main Remuneration Principles coming fiscal year

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

Considerations on the overall remuneration level and composition of the package reflect the national and international framework, as well as business environment the company operates within. The total remuneration package should support both long and short term business focus and behaviour as well as alignment of interests between the employees and the company.

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

The total remuneration package for the Group CEO and Executive Management consists of the following main elements: Base Salary (main element), Annual Bonus, Long Term Incentive (LTI), Employee Share Programme, Pension- and Insurance arrangements, Severance Pay, and other general Benefits.

The Base Salary is mainly determined on the basis of the role, relevant market and performance. Performance relates to sustainable performance, i.e. delivery according to our business ambitions, demonstrated leadership and "The Telenor Way" of doing business, as well as building and developing organisational capabilities. The Base Salary is reviewed annually.

The Annual Bonus is based on achievement of company and individual targets, with ambitious performance levels set up front. The payment for achievement of the target performance level is 37.5% of the annual bonus basis (annual Base Salary including the fixed LTI award) for the Group CEO and Executive Management. Maximum potential for exceeding performance is 50% of annual bonus basis. The bonus payments are subject to vacation pay, but not included in the pensionable earnings. The Group CEO and Executive Management are subject to a minimum shareholding requirement corresponding to the value of one annual Base Salary. If the executives do not hold shares in Telenor ASA at the minimum shareholding level when the Annual Bonus is paid out, up to 20% of the Bonus payment must be invested in shares in Telenor ASA.

The LTI programme is a fixed monetary compensation of 30% and 25% of the annual Base Salary for the Group CEO and Executive Management, respectively. If the executives are on an international assignment, the LTI award is based on the net salary and the compensation is reduced to 12.5%. The participant is required to invest the net after tax amount into Telenor shares, bought in the market and with obligation to hold for a lock-in period of four years.

The participant in the LTI programme is entitled to an LTI bonus after the first two years of the Programme period. This opportunity applies at the end of 2012, given that the gross return on the Telenor share has developed better relative to the STOXX® Europe 600 Telecommunications index (SXKGR) over the two year period 2011–2012, i.e. the average daily closing price of the share for December 2010 compared to the corresponding period in 2012. The LTI bonus implies that:

- If the Telenor share performs less than the index, no LTI bonus is awarded.
- If the Telenor share performs better than the index, the LTI bonus is equal to the current value of the initial LTI shares.
- If the Telenor share performs minimum 15 percentage points better than the index, the LTI bonus is three times the current value of the initial LTI shares.

If the executives are on an international assignment, any LTI Bonus is net and hence, following the same methodology as the initial LTI award, reduced to half of the current value.

However, the LTI bonus cannot exceed the annual Base Salary at the end of the performance period, 31 December, 2012. The participant is obliged to invest the whole net LTI bonus, if any, in Telenor shares with further obligation to hold during the defined lock-in period of the Programme. The total annual variable pay is capped at 50% of the annual fixed compensation, in line with the Government's policy on the remuneration of leading personnel.

Telenor operates a general Employee Share Programme for employees, which is also applicable for executives, offering employees the opportunity to purchase Telenor-shares for 1, 2, 3, or 4 percent of the annual gross Base Salary with a discount of maximum NOK 1,500. If the Telenor ASA share performs better than the STOXX® Europe 600 Telecommunications index (SXKGR) over a 2 year period, the employees will be granted a share programme bonus equal to the conditions as for the LTI bonus, except for the lock-in condition, given that the individual is still employed in the Telenor Group.

Telenor applies a defined contribution pension arrangement for individuals hired externally as of 2006. According to this arrangement, the retirement age for Group Executive Management members is 65. The pension is based on the balance of accrued company contribution plus annual return on the accrual. The annual accrual is 4% of the annual Base Salary up to 6 G (G = base amount of Norwegian Social Security), 8% from 6–12 G and 30% of Base Salary above 12 G. Two members of the Group Executive Management are currently covered by this arrangement. In addition, both are entitled to an annual accrual of 10% of Base Salary for service in the Group Executive Management. This accrual is limited to ten years of service and is meant to ensure the pension entitlements up to the general retirement age of 67.

The Group CEO and members of the Group Executive Management, except two executives, are covered by the previously applied defined benefit arrangement. The Group CEO is entitled to retire at age 60 and the other Executives retire at age 62 or 65 based on individual agreements. The pension entitlement is 60% of the annual Base Salary the first ten years after the retirement and thereafter 58%. The Group CEO has a defined pension-qualifying income equal to NOK 4.84 million as of 1 January 2011. The pension-qualifying income is adjusted for CPI-ATE annually.

The Group CEO and Executive Management are covered by the general insurance arrangements applicable within Telenor ASA.

The Group CEO and Executive Management are entitled to Severance Pay in case of notice based on Company circumstances. The Group CEO has Severance Pay of 24 months Base Salary, while the rest of the Group Executive Management has 6 months Base Salary calculated as from the expiry of the notice period.

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

4. Remuneration Principles and implementation previous fiscal year

The remuneration principles applied in 2010 for the Group CEO and Executive Management was basically the same as explained above for 2011.

The annual review of the Base Salary for the Group CEO and Executive Management is effective as of 1 January. Last year's review was conducted during first quarter.

The executive pension arrangements were reviewed in 2010. It was decided to ensure reasonable disability coverage and early retirement coverage for Group Executive Management members under the defined contribution plan.

The defined benefit plan was adjusted to take away any unintended differences between participating Group Executive Management members and to align with market conditions. The review resulted in two changes. Firstly, the pension entitlement was reduced from 66% to 60% for the first ten years after retirement and 58% thereafter. Secondly, the individually defined cap on pensionable income was removed, now calculating pensionable income of the full annual base salary, except for the Group CEO who has an individual cap equal to NOK 4.8 million.

Actual remuneration to the Group CEO and Executive Management

During 2010 the Group Executive Management has consisted of Jon Fredrik Baksaas (CEO), Richard O. Aa (from 1 March 2010), Jan Edvard Thygesen, Morten Karlsen Sørby, Sigve Brekke, Kristin Skogen Lund (from 1 March 2010), Ingvald Fergestad (from 27 August 2010), Bjørn Magnus Kopperud (left 27 August 2010), Ragnar H. Korsæth (left 1 March 2010) and Hilde Tonne (left 1 August 2010). Aggregate remuneration including pension cost for the Group Executive Management was NOK 46.1 million in 2010 and NOK 48.7 million in 2009. The pension benefit earned included in these figures were NOK 9.3 million in 2010 and NOK 7.2 million in 2009. The remuneration includes the Long Term Incentive granted in 2010 and 2009. See description in the Statement above and note 37. For details see tables below.
None of the members of the Group Executive Management have loans in the company.

Remuneration to Group Executive Management 2010

NOK in thousands Group Executive Management 2010	Base Salary	Long term incentive	Bonus paid out 2010	Other benefits [1]	Total salary and other taxable income [5]	Pension benefit earned [2]	Total benefits earned in 2010
Jon Fredrik Baksaas [5] [a]	4 800	1 434	1 531	496	8 261	2 930	11 191
Richard O. Aa (from 1 March 2010)	2 167	647	–	154	2 968	496	3 464
Sigve Brekke [3]	2 485	644	1 031	2 952	7 112	1 010	8 122
Morten Karlsen Sørby	2 950	734	702	544	4 930	1 559	6 489
Jan Edvard Thygesen [5] [b]	2 850	709	1 021	420	5 000	1 225	6 225
Kristin S. Lund (from 1 March 2010)	2 083	622	–	163	2 868	476	3 344
Ingvald Fergestad (from 27 August 2010)	507	303	–	84	894	365	1 259
Ragnar H. Korsæth (until 1 March 2010) [5] [4] [c]	333	–	472	50	855	68	923
Bjørn Magnus Kopperud (until 27 August 2010) [4]	1 433	–	480	218	2 131	783	2 914
Hilde M. Tonne (until 1 August 2010) [4]	1 108	–	380	186	1 674	349	2 023

The executive pension arrangements were reviewed in 2010. It was decided to ensure reasonable disability coverage and early retirement coverage for Group Executive Management members under the defined contribution plan.

The defined benefit plan was adjusted to take away any unintended differences between participating Group Executive Management members and to align with market conditions. The review resulted in two changes. Firstly, the pension entitlement was reduced from 66% to 60% for the first ten years after retirement and 58% thereafter. Secondly, the individually defined cap on pensionable income was removed, now calculating pensionable income of the full annual base salary, except for the Group CEO who has an individual cap equal to NOK 4.8 million.

Changed pension agreements gave rise to a one-time expense to Jon Fredrik Baksaas of NOK 12,769 thousand, Morten Karlsen Sørby of NOK 4,911 thousand, Jan Edvard Thygesen of NOK 8,649 thousand, Ingvald Fergestad of NOK 69 thousand and Bjørn Magnus Kopperud of NOK 2,677 thousand.

Remuneration to Group Executive Management 2009

NOK in thousands Group Executive Management 2009	Base Salary	Long term incentive	Bonus paid out 2009	Other benefits [1]	Total salary and other taxable income [5]	Pension benefit earned [2]	Total
Jon Fredrik Baksaas [5) a)]	4 800	1 958	1 491	422	8 671 [a)]	1 832	10 503
Trond Ø. Westlie	2 920	-	1 159	1 318	5 397	796	6 193
Sigve Brekke [3) 4)]	2 375	1 493	1 027	2 210	7 105	965	8 070
Morten Karlsen Sørby	2 900	952	671	610	5 133	1 026	6 159
Jan Edvard Thygesen [5) b)]	2 650	870	1 216	320	5 056 [b)]	708	5 764
Ragnar H. Korsæth [5) c)]	1 800	591	655	310	3 356 [c)]	477	3 833
Bjørn Magnus Kopperud [5) d)]	2 050	673	620	282	3 625 [d)]	862	4 487
Hilde M. Tonne	1 800	591	539	221	3 151	526	3 677

All figures are exclusive social security tax.

[1)] Include items such as vacation allowance, insurance, company car or car allowance, electronic communication, newspapers and other benefits. The amounts for 2009 are changed due to inclusion of vacation allowance.
[2)] The calculations of pension benefits earned are based on the same actuarial and other assumptions as used in the pension benefit calculations in note 28.
[3)] Sigve Brekke was entitled to a guaranteed net annual salary of NOK 2,375,000 in 2009 and NOK 2,700,000 in 2010 as part of his international assignment. The bonus and the LTI are based on the guaranteed net amount.
[4)] The compensation is based on their respective period in the Group Executive Management.
[5)] For number of options granted and outstanding as well as their terms, see below and note 37.
[a)] a) Jon Fredrik Baksaas exercised share options granted in 2003 that expired after 7 years in 2010, which were reported as additional taxable income of NOK 10,112,000 (in 2009, NOK 1,471,800 was reported as additional taxable income as a consequence of exercised share options).
[b)] Jan Edvard Thygesen exercised share options granted in 2003 that expired after 7 years in 2010, which were reported as additional taxable income of NOK 2,528,000 (in 2009, NOK 1,226,500 was reported as additional taxable income as a consequence of exercised share options).
[c)] Ragnar Korsæth exercised share options granted in 2003 that expired after 7 years in 2010, which were reported as additional taxable income of NOK 987,266 (in 2009, NOK 490,600 was reported as additional taxable income as a consequence of exercised share options).
[d)] Bjørn Magnus Kopperud exercised share options in 2009 that was reported as additional taxable income of NOK 2,453,000.
[6)] In 2010 selected members of the Group Executive Management entered into new pension agreements which lead to a one-time effect in the financial statement. This is presented after total earned in 2010 in the table. These figures are the previous year's effect related to the changed pension agreements. The change is further described in the "Statement on the Group CEO and Executive Management Remuneration".

Individual terms

Name	Agreed period of notice, months base salary	Severance pay months base salary	Pension benefits
Jon Fredrik Baksaas	6 months	24 months. In case of new position the severance pay is reduced by 75% of income in new position	60% Defined Benefit of a defined pension-qualifying income of NOK 4,800,000 (per 31.12.2010) until the age of 70, thereafter 58%, and 30% Defined Contribution above the defined pension-qualifying income. The pension-qualifying income are adjusted with CPI-ATE (consumer price index adjusted for changes in indirect taxes and excluding energy products) 1 January every year. Retirement age 60.
Richard Olav Aa	6 months	6 months	Defined Contribution, 4% of 1–6 G, 8% of 6–12 G and 30% of Base Salary above 12 G. In addition, annual contribution of 10% of Base Salary for early retirement scheme. Retirement age 65.
Kristin Skogen Lund	6 months	6 months	Defined Contribution, 4% of 1–6 G, 8% of 6–12 G and 30% of Base Salary above 12 G. In addition, annual contribution of 10% of Base Salary for early retirement scheme. Retirement age 65.
Sigve Brekke	6 months	6 months	Defined Contribution plan with 11% of Base Salary. Defined Contribution plan with 30% of Base Salary above 12G. In addition, annual contribution of 10% of Base Salary for early retirement scheme. Retirement age 65.
Jan Edvard Thygesen	6 months	6 months	60% Defined Benefit of Base Salary until the age of 72, thereafter 58%. Retirement age 62.
Morten Karlsen Sørby	6 months	6 months	60% Defined Benefit of Base Salary until the age of 72, thereafter 58%. Retirement age 62.
Ingvald Fergestad	6 months	6 months	60% Defined Benefit of Base Salary until the age of 72, thereafter 58%. Retirement age 62.

Options and shares 2010

	Options held as of 1 January 2010	Granted options	Expired options	Exercised options	Average exercise price on exercised options	Options held as of 31 December 2010	Average exercise price outstanding options [1]	Average remaining lifetime	Acquired shares with 3 years lock in period from the fixed LTI	Available shares held as of 31 December 2010
Jon Fredrik Baksaas	300 000	–	–	200 000	26.44	100 000	74.90	2.52	7 068	148 772
Richard Olav Aa	–	–	–	–	–	–	–	–	3 468	3 468
Kristin Skogen Lund	–	–	–	–	–	–	–	–	3 468	3 468
Sigve Brekke	40 000	–	–	–	–	40 000	74.90	2.52	3 601	46 461
Jan Edvard Thygesen	105 000	–	–	50 000	26.44	55 000	74.90	2.52	3 953	102 766
Morten Karlsen Sørby	55 000	–	–	–	–	55 000	74.90	2.52	4 092	39 834
Ingvald Fergestad	–	–	–	–	–	–	–	–	1 687	7 618

Options and shares 2009

	Options held as of 1 January 2009	Granted options	Expired options	Exercised options	Average exercise price on exercised options	Options held as of 31 December 2009	Average exercise price outstanding options [1]	Average remaining lifetime	Acquired shares with 3 years lock in period from the fixed LTI	Available shares held as of 31 December 2009
Jon Fredrik Baksaas	330 000	–	–	30 000	26.44	300 000	42.59	1.11	11 954	119 110
Trond Ø. Westlie	55 000	–	–	–	–	55 000	74.90	3.52	–	28 530
Morten Karlsen Sørby	55 000	–	–	–	–	55 000	74.90	3.52	6 830	32 175
Jan Edvard Thygesen	205 000	–	75 000	25 000	26.44	105 000	51.82	1.91	5 978	97 381
Sigve Brekke	40 000	–	–	–	–	40 000	74.90	3.52	10 715	21 577
Ragnar H. Korsæth	83 333	–	13 333	10 000	26.44	60 000	58.75	2.40	3 979	22 328
Bjørn Magnus Kopperud	90 000	–	–	50 000	26.44	40 000	74.90	3.52	4 828	34 542
Hilde M. Tonne	–	–	–	–	–	–	–	–	4 239	12 246

[1] Based on the latest possible exercise price for 2002 options. For 2006 options, assumes the cap is not reached (as described in note 37).

Loans to employees

Total loans to employees were NOK 4 million as of 31 December 2010 and NOK 27 million as of 31 December 2009. The loans in 2009 were mainly related to loan for consumer goods in IS Partner AS (EDB Business Partner) which was disposed of in 2010.

Fees to the auditors

The table below summarises audit fees for 2010 and 2009 and fees for audit related services, tax services and other services incurred by the Group during 2010 and 2009. Fees include both Norwegian and foreign subsidiaries.

	Audit fees		Fees for further assurance services		Fees for tax services		Other fees	
NOK in millions, excluding VAT	2010	2009	2010	2009	2010	2009	2010	2009
Telenor ASA	4.7	5.5	0.3	0.2	1.1	3.2	0.1	2.1
Other Group companies	26.2	34.3	3.8	4.8	4.6	2.9	2.3	3.5

Fees for audit services include fees associated with the required statutory and financial audits. Further assurance services principally include other attestation services related to information system, regulatory reporting audits and agreed upon procedures. Fees for tax services include review of tax compliance and tax advice, mainly outside Norway. Other fees relate to due diligence and consultations in connection with acquisitions and disposals and internal control review.

/ 37 / Share-based payments

The Group had option programmes until 2007 for managers and key personnel. The programme was terminated in 2007, but the individual outstanding option agreements are still effective. In 2007, the Group introduced a Long Term Incentive for managers and key personnel based on fixed monetary compensation which shall be used to purchase shares in Telenor ASA. In addition, the Group has an Employee Share Programme for all employees in all European subsidiaries.

Employee Share Programme

Every year since Telenor ASA was listed on Oslo Stock Exchange in 2000, all employees in selected subsidiaries have been offered to purchase shares with a discount and potential for bonus shares. In 2010, the programme included all employees in the European subsidiaries.

The programme offers employees to purchase shares in Telenor ASA for 1, 2, 3, or 4 per cent of the annual gross base salary with a discount of 20 per cent, maximum NOK 1,500. If the Telenor ASA share performs better than the Dow Jones Stoxx 600 Telecommunications (SXKP) index over the next 2 years, the employees will be granted bonus shares matching the number of purchased shares still held by the end of the performance period and assuming the individual is still employed. The bonus shares expected to be granted at the end of the performance period are expensed over the vesting period (see also note 8).

Participation in the programme launched in 2010 and 2009 was approximately 25%.

Long Term Incentive Programme

The current Long Term Incentive (LTI) programme is a fixed monetary compensation of 15 to 30 percent of the annual Base Salary, depending on role. The net amount shall be used to purchase shares in Telenor ASA with a lock-in period of three and four years for the incentives in 2009 and 2010, respectively.

For the 2010 programme the lock in period ends 31 December 2013, and for the 2009 programme it ends 1 July 2012. For the 2008 programme, the lock in period ends 1 July 2011. Approximately 110 employees in 2010, 2009 and 2008 holding national and international managerial positions participated in the programmes. The shares were purchased to NOK 93.73 in 2010, from NOK 55.42 to NOK 79.95 in 2009 and to NOK 78.94 in 2008. In total 166,134 shares were purchased in 2010, 334,745 in 2009 and 203,706 shares in 2008 in connection with these programmes. The total amount received by the employees under the LTI programmes is recognised as an asset in the statement of financial position and will be expensed over the vesting period (see also note 8).

The participants in the LTI programme introduced in 2010 are entitled to a LTI Bonus after the first 2 years of the Programme period if gross return on the Telenor ASA share has developed better relative to the STOXX® Europe 600 Telecommunications index (SXKGR) over the two year period 2011–2012, and the participant is still employed by Telenor 31 December 2012. Any LTI Bonus is calculated based on the value of the shares purchased for the initial LTI element. If gross return on the Telenor ASA share is better than the index, the LTI Bonus is equal to the current value of the initial LTI shares. If gross return on the Telenor ASA share is minimum 15 percentage points better than the index, the LTI Bonus is three times the current value of the initial LTI shares.

The LTI Bonus cannot exceed the level of the annual Base Salary at the end of the performance period. The participant is obliged to invest the whole net after tax LTI Bonus, if any, in shares in Telenor ASA with further obligation to hold during the defined lock-in period of the Programme. The total annual variable pay is capped at 50% of the annual fixed compensation, in line with the Government's policy on the remuneration of leading personnel.

The LTI Bonus is considered partly an equity instrument and partly a liability. The fair value is calculated by using a Monte Carlo Model. The vesting period is the defined lock-in period. As of 31 December 2010 the amount of LTI Bonus awarded is insignificant.

Share Option Programme in Telenor ASA

In 2006, 2.66 million options were granted to around 130 managers and key personnel. All these options vested after 3 years and have a total life time of 7 years. The exercise price corresponds to the average closing price at Oslo Stock Exchange ten trading days prior to the grant date, NOK 74.90. In July 2010 a new exercise price was determined at NOK 44.94 below the closing price at the stock exchange at 22 July, 2010, however, not less than NOK 74.90. The new exercise was, based on this clause, set to be NOK 74.90 for the remaining lifetime of the options.

In 2003, 110 managers and key personnel were granted options. One third of the options vested each of the three years subsequent to the date of grant. The latest possible exercise date was seven years subsequent to the grant date, February 2010.

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

	Share options	Average exercise price at the end of option life (NOK) [1]
Balance as of 31 December 2008	**3 008 299**	**61.37**
Options granted in 2009	-	-
Options forfeited in 2009	85 000	74.90
Options expired in 2009	268 333	43.67
Options exercised in 2009	290 110	26.44
Balance as of 31 December 2009	**2 364 856**	**67.10**
Options granted in 2010	-	-
Options forfeited in 2010	-	-
Options expired in 2010	-	-
Options exercised in 2010	787 856	51.84
Balance as of 31 December 2010	**1 577 000**	**74.90**

[1] The share option programmes of 2003 and 2006, the exercise prices are fixed through the options' term.

For share options exercised during 2010, the weighted average share price at the date of exercise was NOK 85.04 (NOK 75.50 in 2009). In February 2010, 268,189 exercised options were settled in cash.

The table below details the Group's options outstanding by related option exercise price as of 31 December 2010 and 2009. All options may be exercised prior to the end of the lifetime of the options.

Program	Weighted average exercise price (NOK)	Options outstanding as of 31 December 2010	Options exercisable as of 31 December 2010	Weighted average remaining life as of 31 December 2010
2003	26.44	-	-	-
2006	74.90	1 577 000	1 577 000	2.52

Program	Weighted average exercise price (NOK)	Options outstanding as of 31 December 2009	Options exercisable as of 31 December 2009	Weighted average remaining life as of 31 December 2009
2003	26.44	374 856	374 856	0.14
2006	74.90	1 955 000	1 955 000	3.52

/ 38 / Number of shares, ownership etc.

As of 31 December 2010, Telenor ASA had a share capital of NOK 9,947,333,076 divided into 1,657,888,846 ordinary shares with a nominal value of NOK 6 each. The share capital and number of registered shares were unchanged during the year. All ordinary shares have equal voting rights and the right to receive dividends. As of 31 December 2010, the company owned 26,117,284 treasury shares, compared to 1,859,890 treasury shares as of 31 December 2009.

At the Annual General Meeting (AGM) in May 2009, authority was given to the Board of Directors to acquire up to 4,000,000 treasury shares, corresponding to 0.24% of the company's share capital, for fulfilment of the Group's option programmes for key employees of 2006 and the Group's general share programme for employees. No shares were acquired under this authorisation, which was valid until the AGM in May 2010. In 2009, the Board of Directors did not ask for a buyback authorisation for capital structure purposes.

At the AGM in May 2010, authority was given to the Board of Directors to acquire up to 83,000,000 treasury shares, corresponding to approximately 5% of the share capital, as means of payments in connections with acquisitions or to optimise the company's capital structure. Further, authority was given to acquire up to 3,000,000 treasury shares, corresponding to 0.18% of the company's share capital. Up to 2,000,000 shares may be used in connection with fulfilment of the Group's option programmes for 2006 and the LTI programme for senior management. In addition, 1,000,000 shares may be used in connection with the Group's general share programme for employees. As of 31 December 2010, the Group had acquired 22,877,098 treasury shares under the capital structure authorisation and 1,899,963 shares under the latter. 519,667 treasury shares were in 2010 utilised for stock option redemptions, resulting in a balance as of year-end 2010 of 26,117,284 treasury shares. The authorisations given in May 2010 are valid until the AGM to be held in 2011.

In April 2010, the Group entered into an agreement with its largest shareholder, the Kingdom of Norway, represented through the Ministry of Trade and Industry. The agreement implies that the Kingdom of Norway is committed, through the Ministry of Trade and Industry's participation and voting in Telenor's Annual General Meeting, to contribute to the cancellation of a proportionate number of its shares so that the Kingdom of Norway's ownership interest in Telenor would remain unaffected if the Group repurchased shares for the purpose of cancellation. The agreement is valid until the AGM in 2011. From the AGM in May 2010 up to year-end 2010, the Group purchased 22,877,098 shares for the purpose of cancellation. The shares, corresponding to approximately 1.4% of the company's share capital, were acquired in the open market at average price NOK 94.26 or approximately NOK 2.2 billion in total. Based on the number of treasury shares held for cancellation at year-end 2010, 26,818,135 of the Ministry of Trade and Industry's shares in Telenor ASA will be redeemed through a share capital reduction, corresponding to approximately 1.6% of the company's share capital, for a total consideration of approximately NOK 2.5 billion plus interest.

As of 31 December 2010, Telenor ASA had 49,750 registered shareholders, compared with 53,920 as of 31 December 2009.

Changes in treasury shares

	2010
Treasury shares as of 1 January 2010	**1 859 890**
Purchase of treasury shares	24 777 061
Redemption of options in treasury shares	(519 667)
Cancellation of share capital	-
Treasury shares as of 31 December 2010	**26 117 284**

The 20 largest shareholders as of 31 December 2010 from the shareholder register [1)]

	Name of shareholders	Number of shares	%
1	Ministry of Trade and Industry, Kingdom of Norway	894 683 140	53.97
2	Folketrygdfondet	78 130 301	4.71
3	JPMorgan Chase Bank (nominee)	33 152 888	2.00
4	State Street Bank & Trust Co (nominee)	26 901 640	1.62
5	Telenor Treasury shares	26 117 284	1.58
6	Clearstream Banking S.A (nominee)	24 746 113	1.49
7	Bank of New York Mellon (nominee)	24 696 263	1.49
8	State Street Bank and Trust Co (nominee)	21 476 261	1.30
9	State Street Bank and Trust Co (nominee)	12 648 684	0.76
10	State Street Bank and Trust Co (nominee)	11 872 413	0.72
11	Vital Forsikring	11 819 045	0.71
12	JPMorgan Chase Bank (nominee)	11 802 200	0.71
13	Skandinaviska Enskilda Banken (nominee)	10 377 377	0.63
14	RBC Dexia Investor Services Trust (nominee)	9 562 968	0.58
15	State Street Bank and Trust Co (nominee)	8 993 441	0.54
16	JPMorgan Chase Bank (nominee)	8 954 991	0.54
17	Bank of New York Mellon (nominee)	8 865 610	0.53
18	DnB NOR Bank ASA	7 340 402	0.44
19	JPMorgan Chase Bank (nominee)	7 277 533	0.44
20	RBC Dexia Investor Services Trust (nominee)	7 147 788	0.43
	Total held by 20 largest shareholders	**1 246 566 342**	**75.19**
	Total all shares in Telenor ASA	**1 657 888 846**	**100.00**

1) Source: VPS share register.

The 20 largest shareholders as of 31 December 2010, beneficial ownership [2)]

	Name of shareholders	Number of shares	%
1	Ministry of Trade and Industry, Kingdom of Norway	894 683 140	53.97
2	Folketrygdfondet	78 130 301	4.71
3	Franklin Templeton (Institutional Group)	62 526 024	3.77
4	DnB NOR (Institutional Group)	38 309 697	2.31
5	Fidelity (Institutional Group)	29 077 644	1.75
6	UBS (Institutional Group)	28 569 855	1.72
7	Blackrock (Institutional Group)	26 189 912	1.58
8	Telenor Treasury shares	26 117 284	1.58
9	SAFE Investments Company	17 559 663	1.06
10	State Street Global Advisors (Institutional Group)	16 312 376	0.98
11	Storebrand (Institutional Group)	14 975 577	0.90
12	KLP (Institutional Group)	10 371 381	0.63
13	Handelsbanken Asset Management	8 030 249	0.48
14	Arrowstreet Capital (Institutional Group)	7 409 653	0.45
15	Nordea Investments (Institutional Group)	6 662 136	0.40
16	Vanguard Investments (Institutional Group)	6 656 365	0.40
17	Robeco Institutional Asset Management	6 350 841	0.38
18	Legal & General Investment Management	6 176 383	0.37
19	Philadelphia International Advisors	5 646 487	0.34
20	Orkla (Institutional Group)	4 983 995	0.30
	Total held by 20 largest shareholders	**1 294 738 963**	**78.10**
	Total all shares in Telenor ASA	**1 657 888 846**	**100.00**

2 The data is provided by Thomson Reuters and is obtained through an analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians on the Telenor VPS share register. Every reasonable effort has been made to verify the data, however neither Telenor nor Thomson Reuters can guarantee the accuracy of the analysis.

/ 39 / Events after the reporting period

VimpelCom Ltd.

On 16 January 2011, the Board of VimpelCom Ltd. approved VimpelCom's acquisition of Wind Telecom S.p.A. This acquisition will be partly financed with the issuance of up to 325,639,827 new VimpelCom common shares and an additional 305,000,000 new VimpelCom preferred shares to the owners of Wind Telecom. On 17 March 2011, the Special General Meeting of shareholders of VimpelCom Ltd. approved the creation and issuance of new shares in connection with the Wind Telecom transaction. If the acquisition is completed as presently proposed, the Group's post-acquisition ownership interest in VimpelCom will be diluted to 31.7% economic and 25.01% voting.

On 28 January 2011, the Group has petitioned the Commercial Court in London, England for interim injunctive relief in support of the Group's arbitration action against VimpelCom Ltd., Altimo Holdings & Investments Ltd. and Altimo Cooperatief U.A. The Group commenced its arbitration in order to protect its pre-emptive rights in the context of VimpelCom's proposed acquisition of Wind Telecom S.p.A. The issue is further described in note 35.

Uninor

In India, Uninor and many other telecom operators as well as the federal government through the Department of Telecommunications and the Telecom Regulatory Authority of India have been named as respondents in public interest petitions filed before the Supreme Court. These petitions seek cancellation of the licenses granted by the government in January 2008 to such operators, an imposition or punitive damages on grounds of alleged irregularities in granting the licences, failure to meet eligibility requirements and delays in meeting roll out obligations. The petitions are being heard by the Supreme Court since 1 March 2011 in day-to-day proceedings. See note 35 for further description.

Income Statement

Telenor ASA 1 January–31 December

NOK in millions	Note	2010	2009
Revenues	1	593	748
Operating expenses			
Salaries and personnel costs	2, 3	(757)	(765)
Other operating expenses	4	(916)	(1 059)
Depreciation, amortisation and impairment losses	8, 9	(93)	(80)
Total operating expenses		(1 766)	(1 904)
Operating profit (loss)		(1 173)	(1 156)
Financial income and expenses			
Financial income	6	8 150	7 279
Financial expenses	6	(1 949)	(2 494)
Net currency gains (losses)	6	1 129	2 594
Net gains (losses and impairment) of financial assets	6	55	(1 608)
Net financial income (expenses)	6	7 385	5 771
Profit before taxes		6 212	4 615
Income taxes	7	(2 539)	(1 299)
Net income		3 673	3 316

Statement of Comprehensive Income

Telenor ASA 1 January–31 December

NOK in millions	**2010**	2009
Net income	**3 673**	3 316
Other comprehensive income (loss)		
Net gain on cash flow hedges	(20)	(436)
Income taxes	6	122
Amount reclassified from equity to profit and loss	599	-
Income taxes	(168)	-
Other comprehensive income (loss), net after taxes	**417**	(314)
Total comprehensive income	**4 090**	3 002

Statement of Financial Position

Telenor ASA as of 31 December

NOK in millions	Note	**2010**	2009
ASSETS			
Non-current assets			
Deferred tax assets	7	**2 132**	1 687
Goodwill	8	**20**	20
Intangible assets	8	**424**	471
Property, plant and equipment	9	**14**	19
Shares in subsidiaries	16	**40 632**	40 632
Non-current interest-bearing receivables on Group companies	10, 12	**95 717**	65 722
Other non-current financial assets	10, 12	**1 319**	1 955
Total non-current assets		**140 258**	110 506
Current assets			
Trade receivables on Group companies		**181**	254
Trade receivables external		**6**	7
Other current financial assets	10, 12	**1 846**	1 122
Liquid assets and short-term placements	12	**4 031**	5 586
Total current assets		**6 064**	6 969
Total assets		**146 322**	117 475
EQUITY AND LIABILITIES			
Equity	11	**34 218**	36 555
Pension obligations	3	**335**	305
Other commitments		**13**	-
Non-current interest-bearing liabilities within the Group	12	**-**	18
Non-current interest-bearing external liabilities	12	**21 057**	25 207
Non-current non-interest-bearing liabilities within the Group	12	**236**	271
Non-current non-interest-bearing external liabilities	12	**562**	316
Total non-current liabilities	12	**21 855**	25 812
Current interest-bearing liabilities within the Group	12	**78 444**	44 937
Current interest-bearing external liabilities	12	**2 434**	2 324
Drawings from group accounts	12	**5 403**	4 558
Current non-interest-bearing liabilities within the Group	12, 13	**142**	141
Current non-interest-bearing external liabilities	12, 13	**3 478**	2 843
Total current liabilities		**89 901**	54 803
Total equity and liabilities		**146 322**	117 475

Fornebu, 24 March 2011

Harald Norvik
Chairman

John Giverholt
Vice-Chairman

Sanjiv Ahuja
Board member

Kjersti Kleven
Board member

Olav Volldal
Board member

Liselott Kilaas
Board member

Dr. Burckhard Bergmann
Board member

Barbara Milian Thoralfsson
Board member

Harald Stavn
Board member

Brit Østby Fredriksen
Board member

Bjørn André Anderssen
Board member

Jon Fredrik Baksaas
President & CEO

Statement of Cash Flows

Telenor ASA 1 January–31 December

NOK in millions	Note	**2010**	2009
Profit before taxes		6 212	4 615
Income taxes paid		(2 493)	14
Net (gains) losses, impairment and change in fair value of financial assets and liabilities		258	1 452
Depreciation, amortisation and impairment losses		93	80
Net currency (gains) losses not relating to operating activities		(1 121)	(2 592)
Net changes in interest accruals against Group companies		(2 603)	(2 523)
Net changes in other accruals		649	83
Net cash flow from operating activities		**995**	1 129
Proceeds from sale of property, plant and equipment and intangible assets		-	2
Purchases of property, plant and equipment and intangible assets		(101)	(61)
Purchases of subsidiaries		-	(400)
Proceeds from sale of other investments		32	-
Purchases of other investments		(5)	(97)
Net cash flow from investing activities		**(74)**	(556)
Proceeds from borrowings		10 254	8 976
Repayments of borrowings		(13 042)	(17 702)
Net change in Group internal drawing rights		5 894	9 747
Payments of buy back of shares		(2 156)	-
Dividends paid to equity holders of Telenor ASA		(4 141)	-
Net cash flow from financing activities		**(3 191)**	1 021
Effect on cash and cash equivalents of changes in foreign exchange rates		(130)	62
Net change in cash and cash equivalents		**(2 400)**	1 656
Cash and cash equivalents as of 1 January	12	1 028	(628)
Cash and cash equivalents as of 31 December	12	**(1 372)**	1 028

Statement of Changes in Shareholders' Equity

Telenor ASA – for the years ended 31 December 2009 and 2010

NOK in millions (except for number of shares)	Number of shares	Share capital	Treasury shares	Other paid in capital	Other reserves	Retained earnings	Total equity
Equity as of 1 January 2009	**1 657 888 846**	**9 947**	**–**	**69**	**12 147**	**11 441**	**33 604**
Total comprehensive income	–	–	–	–	(314)	3 316	3 002
Share based payment	–	–	–	–	24	–	24
Share buy back	–	–	(13)	–	(70)	–	(83)
Sale of shares, share issue and exercise of share options	–	–	2	–	6	–	8
Equity as of 31 December 2009	**1 657 888 846**	**9 947**	**(11)**	**69**	**11 793**	**14 757**	**36 555**
Total comprehensive income	–	–	–	–	417	3 673	4 090
Dividend	–	–	–	–	–	(4 141)	(4 141)
Share based payment	–	–	–	–	21	–	21
Share buy back	–	–	(149)	–	(2 178)	–	(2 327)
Sale of shares, share issue and exercise of share options	–	–	3	–	17	–	20
Equity as of 31 December 2010	**1 657 888 846**	**9 947**	**(157)**	**69**	**10 070**	**14 289**	**34 218**

Notes to the Financial Statements

Telenor ASA

/ 00 / Contents notes

/ 01 / General information and summary of significant accounting principles

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

The financial statements have been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act § 3-9 and regulations regarding simplified application of IFRS issued by the Ministry of Finance on 21 January 2008.

Telenor ASA's accounting principles are consistent to the accounting principles for the Group, as described in note 2 of the consolidated financial statements. 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.

Telenor ASA uses the indirect method for the statement of cash flows. Net change in Group internal drawing rights are loans to, and placements from Group companies. These loans and placements have high turnover and are presented net. The repurchase of shares bought for the purpose of distributing them to the employees as bonus shares etc. is classified under operating activities.

Revenues are mainly sale of Group services (Business Service Cost) to other Group companies, sale of research and development services and sale of other consultancy services. Purchases from other Group companies consist mainly 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 the Group, and provides loan to, and receives deposits from Group companies. See note 29 to the consolidated financial statements.

Shares in subsidiaries and receivables from and loans provided to subsidiaries are evaluated at the lower of cost and fair value. Any adjustments in values are classified as financial income and expenses in the income statement. Derivative financial instruments held against subsidiaries are carried at fair value.

/ 02 / Salaries and personnel costs

The Group's Chief Executive Officer and the Board of Directors have the same positions in Telenor ASA. Please refer to note 36 of the consolidated financial statements for further information about compensation to the Board of Directors, management and auditor. For information about share-based payments, see note 37 to the consolidated financial statements.

NOK in millions	2010	2009
Salaries and holiday pay	(512)	(510)
Social security tax [1]	(75)	(80)
Pension cost including social security tax (Note 3)	(113)	(107)
Share based payments	(19)	(16)
Other personnel costs	(38)	(52)
Total salaries and personnel costs	**(757)**	**(765)**
Number of employees, average	534	593

[1] Includes accrued social security taxes on outstanding options to management. Also included social security taxes of benefit taxation for exercised stock options.

/ 03 / Pension costs, benefit obligations and plan assets

Telenor ASA is obliged to follow the Act on Mandatory Company Pensions, cf. the Accounting Act § 7-30 a.

NOK in millions	2010	2009
Change in projected benefit obligation		
Projected benefit obligation as of 1 January	848	851
Service cost	55	74
Interest cost	41	34
Past service cost	33	-
Actuarial (gains) and losses	51	(72)
Acquisition/sale/transfer of business	(6)	(12)
Benefits paid/paid-up policies	(39)	(27)
Benefit obligations as of 31 December	**983**	**848**
Change in plan assets		
Fair value of plan assets as of 1 January	552	440
Actual return on plan assets	7	85
Acquisition/sale/transfer of business	(3)	(6)
Pension contribution [1]	41	44
Benefits paid/paid-up policies	(15)	(11)
Fair value of plan assets as of 31 December	**582**	**552**
Funded status as of 31 December	**401**	**297**
Unrecognised net actuarial gains (losses)	(66)	8
Total provision for pensions including social security tax as of 31 December	**335**	**305**
Total provision for pensions as of 1 January	**305**	**280**
Transfer of business	(3)	(6)
Net periodic benefit costs	98	92
Pension contribution [1]	(41)	(44)
Benefits paid/paid-up policies	(18)	(10)
Social security tax on pension contribution and benefits paid	(6)	(6)
Total provision for pensions as of 31 December including social security tax	**335**	**305**

[1] Telenor ASA expects to contribute approximately NOK 48 million to the Telenor Pension Fund in 2011.

305 employees were covered by the defined benefit plan of the Telenor Pension Fund. The Telenor Pension Fund paid out pensions to 372 persons. For information of assumptions used and description of pension plans, please see note 27 to the consolidated financial statements.

NOK in millions	2010	2009
Components of net periodic benefit cost		
Service cost	(55)	(74)
Interest cost	(41)	(35)
Expected return on plan assets	35	25
Amortisation of actuarial gains and losses	(5)	(8)
Past service cost	(33)	-
Net periodic benefit costs	**(99)**	**(92)**
Contribution plan costs	(14)	(15)
Total pension costs recognised in the income statement	**(113)**	**(107)**

Social security tax is calculated based on net obligation multiplied by the average rate for social security taxes for Telenor ASA. Unrecognised actuarial losses are inclusive of social security tax.

Past service cost relates to changed pension agreements for some executive employees, see note 36 in the consolidated financial statements for further information.

/ 04 / Other operating expenses

NOK in millions	2010	2009
Cost of premises, vehicles, office equipment etc.	(110)	(83)
Operation and maintenance	(46)	(87)
Travel and travel allowances	(60)	(83)
Postage, freight, distribution and telecommunications	(25)	(33)
Marketing, representation and sales commission	(96)	(94)
Consultancy fees and costs for external personnel	(466)	(582)
Workforce reductions	(44)	(2)
Bad debt	1	(1)
Other operating expenses	(70)	(94)
Total other operating expenses	**(916)**	**(1 059)**

Consultancy fees are primarily related to the hiring of temporary personnel, the safeguarding of interests and to the assessment of new market opportunities. In addition, audit fees and other fees to the auditor are included, see note 36 to the consolidated financial statements.

Telenor ASA has insignificant losses on accounts receivables. Realised losses are primarily on loans provided by Group Treasury which undertakes a large portion of the financing of subsidiaries, see note 6. Losses on loans have been classified as "Net financial income (expenses)" where they have been included in "Net gains (losses and impairment) of financial assets".

/ 05 / Research and development costs

Research and development expenses in Telenor ASA were NOK 189 million in 2010 and NOK 236 million in 2009. Research and development activities relate to new technologies and new usages of the existing network.

/ 06 / Financial income and expenses

NOK in millions	2010	2009
Interest income	11	94
Interest income from Group companies	3 324	3 259
Increase in fair value of financial instruments held for trading	190	203
Group contribution from subsidiaries	4 620	3 705
Other financial income	5	18
Total financial income	**8 150**	**7 279**
Interest expenses to Group companies	(705)	(655)
Interest expenses external on financial liabilities measured at amortised cost	(702)	(1 428)
Gains (losses) on guarantees for subsidiaries	40	(370)
Decrease in fair value of financial instruments held for trading	(528)	(2)
Other financial expenses	(54)	(39)
Total financial expenses	**(1 949)**	**(2 494)**
Net foreign currency gains (losses)	**1 129**	**2 594**
Gains (losses) on loans to Group companies	55	(1 356)
Impairment losses on loans to Group companies and associated companies	-	(252)
Net gains (losses and impairment) on financial assets	**55**	**(1 608)**
Net financial income (expenses)	**7 385**	**5 771**

Group contribution received from Group companies during the relevant years is recognised as financial income in the year it is approved by the General Meeting in the relevant company and Telenor ASA obtains the right to the Group contribution. Group contribution to be received and recorded as financial income in 2011 based on the Group companies' 2010 financial statements is estimated to be approximately NOK 5.4 billion.

Change in value of financial instruments held for trading is related to derivatives used as hedges for interest-bearing liabilities that do not meet the requirements for hedge accounting under IAS 39.

In 2009, a decision was made to attempt to dispose Cinclus Technology AS and the business was classified as a business held for sale in the consolidated financial statements. After finding a buyer failed, an agreement with a customer was entered to transfer the operational contract with that customer to a new operator. This agreement together with an agreement on finalisation of the delivery of equipment, resulted in a provision of NOK 325 million (mainly paid in 2010) under guarantees made by Telenor ASA. This provision was included in the line for losses on guaranties for subsidiaries. In addition, NOK 420 million was accrued for in 2009 as a loss on the remaining loans issued by Telenor ASA.

In January 2010, Telenor ASA acquired shares, loans and obligations related to Cinclus Technology AS from the non-controlling shareholder. Telenor ASA received NOK 164 million as payment for releasing the partner from the guarantees, while the shares and loans were taken over for NOK 1. After the acquisition, one of the guarantees was settled with a payment of NOK 451 million, while the other guarantee lapsed causing a NOK 36 million reversal.

The shareholding in Cinclus was sold to Telenor Communication II AS. Telenor ASA has a recourse claim towards Cinclus Technology AS relating to the NOK 451 million payment for the guarantee, but this has been fully impaired due to the company's lack of ability to pay. The provision for loan losses was reversed by NOK 55 million in 2010.

The subsidiary AeroMobile Ltd., owned by a subsidiary of Telenor Communication II AS, was put under public administration in England at the end of December 2009. As a result, Telenor ASA was claimed for NOK 66 million, which was Telenor ASA's share of a guarantee to external lenders. Telenor ASA has reported this amount as a claim to the administrator of AeroMobile Ltd., but has written down the claim by NOK 45 million. In addition, a provision of 252 million for loans to Aero Mobile Holding AS was made in 2009. The company is owned by Telenor Communication II AS, and was the direct owner of the shares of Aero Mobile Ltd.

In connection with the liquidation of Telenor Greece AS in 2009, Telenor ASA has realised a loss on a loan with NOK 936 million. The company was owned by Telenor ASA through the subsidiary Telenor Mobile Holding AS.

/ 07 / Income taxes

NOK in millions	2010	2009
Profit before taxes	**6 212**	**4 615**
Current taxes	(2 346)	(1 703)
Current withholding tax	(10)	-
Current withholding tax applied to income deduction	-	(12)
Adjustment in previous years' current income tax	(790)	8
Change in deferred taxes	607	409
Total income tax expense	**(2 539)**	**(1 299)**
Tax basis:		
Profit before taxes	6 212	4 615
Non-taxable income	(18)	(13)
Non-deductible expenses	55	24
Group contribution previous year	(4 620)	(3 706)
Changes in temporary differences	1 358	2 992
Basis for withholding tax, including temporary differences	29	29
Utilisation of Norwegian tax credits	(38)	-
Group contribution this year	5 400	4 620
Utilisation of tax losses from previous years	-	(2 496)
Received from the government's emergency package, reducing the tax loss from previous years	-	20
Tax basis of the year	**8 378**	**6 085**
Current taxes according to statutory tax rate (28%)	**2 346**	**(1 703)**
Effective tax rate		
Expected income taxes according to statutory tax rate (28%)	(1 739)	(1 292)
Other non-taxable income	5	4
Non-deductible expenses	(15)	(7)
Withholding tax paid during the year used for income deduction	-	(12)
Adjustment in previous years' current income tax	(790)	8
Income tax expense	**(2 539)**	**(1 299)**
Effective tax rate in %	**40.88%**	**28.2%**

NOK in millions	2010	2009	Changes
Temporary differences as of 31 December			
Non-current assets	80	66	14
Interest element in connection with fair value hedges of liabilities	(1 276)	(1 373)	97
Other non-current receivables from subsidiaries	(957)	(717)	(240)
Other derivatives [1]	172	1 994	(1 822)
Currency revaluation reserves	279	-	279
Other accruals for liabilities	(80)	(394)	314
Pension liabilities	(335)	(305)	(30)
Group contribution	(5 400)	(4 620)	(780)
Unutilised tax credits carried forward	(29)	(29)	-
Total before cash flow hedge	**(7 546)**	**(5 379)**	**(2 167)**
Cash flow hedge	(69)	(647)	578
Total	**(7 615)**	**(6 027)**	**(1 588)**
Net deferred tax assets (28%)	**2 132**	**1 687**	**445**
Recorded to other comprehensive income [2]			162
Change in deferred taxes			**607**

[1] The other derivatives used to hedge liabilities and cash flows and changes in value are recognised in the income statement.

[2] Deferred taxes recognised in other income items in total income is primarily related to tax on the value change in derivatives that are designated as hedging instruments in cash flow hedges. Other comprehensive income elements are presented gross in the comprehensive income with the related tax effect on a separate line.

Telenor ASA claimed a tax deduction in 2009 for losses on loans in connection with the liquidation of its subsidiary Telenor Greece AS as realised losses in business. Provision for losses on guarantees and loans related to Cinclus Technology AS and AeroMobile Ltd. in 2009 is treated for tax purposes as unrealised loss (temporary differences), see note 6. Part of the provisions has been reversed in 2010, which has reduced the unrealised loss for tax purposes.

In 2010, the Norwegian tax authorities reassessed taxable income in Telenor ASA for the fiscal years 2006 and 2007, regarding the gain on a Total Return Swap Agreement with OJSC VimpelCom shares as the underlying object. The reassessment has increased the tax expense and payable tax by NOK 815 million. Telenor ASA has appealed the reassessment.

/ 08 / Goodwill and intangible assets

2010

NOK in millions	Accumulated cost 01.01.10	Net additions	Net disposals	Amortisations and impairment losses	Accumulated amortisations and impairment losses	Carrying amount 31.12.10
Goodwill	20	-	-	-	-	20
Licenses and legal rights (12–15 years)	535	3	-	(37)	(256)	282
Software purchased (5 years)	359	23	-	(50)	(263)	118
Work in progress	9	15	-	-	-	24
Total goodwill and intangible assets	**923**	**41**	**-**	**(87)**	**(519)**	**444**

2009

NOK in millions	Accumulated cost 01.01.09	Net additions	Net disposals	Amortisations and impairment losses	Accumulated amortisations and impairment losses	Carrying amount 31.12.09
Goodwill	20	-	-	-	-	20
Licenses and legal rights (12–15 years)	532	3	-	(30)	(219)	316
Software purchased (5 years)	290	130	(61)	(44)	(212)	146
Work in progress	81	-	(72)	-	-	9
Total goodwill and intangible assets	**923**	**133**	**(133)**	**(74)**	**(431)**	**491**

Of the increase in software purchased in 2009, 82 million is related to the development of a common communications system for the Group.

/ 09 / Property, plant and equipment

2010

NOK in millions	Accumulated cost 01.01.10	Net additions	Net disposals	Depreciation and impairment losses	Accumulated depreciation and impairment losses	Carrying amount 31.12.10
IT-equipment (3–5 years)	42	-	(2)	(4)	(34)	7
Other equipment	24	2	-	(2)	(19)	7
Total	**66**	**2**	**(2)**	**(6)**	**(53)**	**14**

2009

NOK in millions	Accumulated 01.01.09	Net additions	Net disposals	Depreciation and impairment losses	Accumulated depreciation and impairment losses	Carrying amount 31.12.09
IT-equipment (3–5 years)	31	11	-	(4)	(30)	12
Other equipment	25	-	(1)	(2)	(17)	7
Total	**56**	**11**	**(1)**	**(6)**	**(47)**	**19**

/ 10 / Other financial assets

NOK in millions	2010	2009
Capital contribution in Telenor Pension Fund [1]	120	120
Other financial assets held with external	1 199	1 835
Other financial assets held with Group companies	-	-
Total other non-current financial assets	**1 319**	**1 955**
Short-term interest-bearing receivables held with external	5	44
Short-term interest-bearing receivables held with Group companies	991	-
Receivables on Group companies	428	640
Other current financial assets held with external	394	396
Other current financial assets held with Group companies	28	42
Total other current financial assets	**1 846**	**1 122**

[1] The amount capitalised in the statement of financial position is the cost price, which equals fair value. Telenor ASA's ownership in the Pension Fund is 40% of the core capital. Telenor Eiendom Holding AS owns the remaining 60%.

/ 11 / Equity and dividends

Allocation of equity and dispositions over the last 2 years is shown in a separate table. Nominal value per share is NOK 6. As of 31 December 2010, Telenor ASA had 26,117,284 treasury shares. The fund for unrealised profit is NOK 77 million of other equity as of 31 December 2010.

Dividends	2010	2009
Dividends per share in NOK – paid	2.50	-
Dividends per share in NOK – proposed by the Board of Directors	3.80	2.50

Total dividends for 2009 of NOK 4,141 million were paid in May 2010. The Board of Directors proposes payment of dividends of NOK 6,201 million to shareholders for 2010.

Equity available for distribution as dividends from Telenor ASA was NOK 15,773 million as of 31 December 2010. Telenor ASA has an agreement with the Kingdom of Norway through the Ministry of Trade and Industry to carry through share buy backs with the purpose to cancel these shares through write-down of the share capital to maintain its ownership interest. The proposed cancellation is subject to approval by shareholders in the Annual General Meeting on 19 May 2011 and if approved, the estimated effect on equity available for distribution is NOK 2.4 billion.

/ 12 / Financial instruments and risk management

Risk management

Telenor ASA's treasury function is responsible for financial risk management including liquidity management, interest rate risk, managing foreign exchange risk, credit risk and capital management. The activities in the treasury function are performed within a framework of policies and procedures. The management and the board in Telenor ASA receive on regular basis information regarding the financial area of the company.

Short-term and long-term financial flexibility is in focus, and Telenor ASA issues debts in Norwegian and foreign capital market mainly through certificates and bonds. In addition, Telenor ASA has established committed syndicated revolving credit facilities of EUR 1.5 billion with maturity in 2012, and of EUR 1.0 billion with maturity in 2013.

Financing of the Group's investing activities and the Group's cash flows implies that Telenor ASA is exposed to interest rate risk related to interest income and interest costs taken to income statement, as a result of changes in interest rates in the market. The changes in the market rates also influences fair value of assets and liabilities.

Telenor ASA is exposed to currency risk related to changes in value of NOK compared to other currencies, as a result of debt held in other currencies than NOK. Currency risk also influences the value of Telenor ASA's net investment hedges in foreign countries which will fluctuate accordingly the changes in the NOK rate.

The company has credit risk related to receivables and financial instruments with positive value against external parties and other companies in the Group.

Telenor ASA uses derivatives as forward currency contracts, future interest rate swaps and to some extent interest rate options to manage the risk exposure related to changes in currency and interest rates. All derivative contracts are measured at fair value with changes through profit and loss. This also applies to derivative contracts kept against the group accounts. If hedge accounting is applicable, the changes in fair value of derivatives is recognised as other comprehensive income.

See also note 2 'Summary of significant accounting policies' and note 30 'Managing capital and financial risk management' in the consolidated financial statements where financial risks and accounting for financial instruments are explained in detail.

Fair value of financial instruments

Principles for estimating fair values

Based on the characteristics of the financial instruments that are recognised in the financial statement, these are grouped into the classes and categories described in the table below. The estimated fair values of the Group's financial instruments are based on market prices and the valuation methodologies per class are described below.

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in measuring the fair value of financial instruments in the Fair value through profit and loss ("FVTPL") and Available for sale ("AFS") categories:

Level 1: Quoted prices (unadjusted) in active markets for identical financial instruments
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The table below includes analyses of financial instruments by their fair value hierarchy levels into which the fair value measurement is categorised.

Interest-bearing liabilities

Fair values of interest-bearing liabilities have been calculated using yield curves, which incorporates estimates of the Telenor ASA credit spread. The credit curve has been extrapolated using indicative prices on debt issuance by Telenor ASA for different maturities. The yield curves have been interpolated from cash and swap curves observed in the market for different currencies and maturities.

Trade receivables and other current and non-current financial assets

For trade receivables and other current receivables, the nominal amount is assessed to be a reasonable approximation of fair value. The effect of not discounting is considered to be immaterial for this class of financial instruments.

Trade payables and other non-interest bearing financial liabilities

For trade payables and other non-interest bearing financial liabilities, the nominal amount is assessed to be a reasonable approximation of fair value. The effect of not discounting is considered to be immaterial for this class of financial instruments.

Equity securities

Fair values for listed shares are based on quoted prices at the end of the reporting period. Fair value of unlisted shares is calculated using commonly used valuation techniques, or measured at cost if the investment does not have a quoted market price in an active market and the fair value cannot be reliably measured.

Cash and cash equivalents

The fair value for this class of financial instruments is assessed to be equal to the nominal amount.

Derivatives

Fair value of currency swaps, foreign currency forward contracts and interest rate swaps is estimated based on calculating the net present value of future cash flows, using swap curves and exchange rates as of 31 December 2010 and 2009, respectively. The fair value of options is estimated using appropriate option pricing models.

NOK in millions Financial position item	Note	Fair value level	Category	Carrying amount	Fair value	Fair values of financial instruments 31 December 2010 per class Interest-bearing liabilities	Trade receivables and other financial assets	Trade payables and other non-interest-bearing financial liabilities	Equity securities	Cash and cash equivalents	Currency swaps and forward contracts	Interest rate-swaps and options
Non-current interest-bearing receivables on Group companies [1]				**95 717**	**95 717**							
			LAR	95 717	95 717	-	95 717	-	-	-	-	-
Other non-current financial assets	**10**			**1 319**	**1 319**							
External counterparties		2	FVTPL	268	268	-	-	-	-	-	119	149
Telenor Group counterparties		3	AFS	120	120	-	-	-	120	-	-	-
External counterparties			LAR	931	931	-	931	-	-	-	-	-
Trade receivables on group companies				**181**	**181**							
			LAR	181	181	-	181	-	-	-	-	-
Trade receivables external				**6**	**6**							
			LAR	6	6	-	6	-	-	-	-	-
Other current financial assets	**10**			**1 846**	**1 846**							
External counterparties		2	FVTPL	213	213	-	-	-	-	-	210	3
Telenor Group counterparties		2	FVTPL	28	28	-	-	-	-	-	28	-
External counterparties			LAR	183	183	-	183	-	-	-	-	-
Telenor Group counterparties			LAR	1 419	1 419	-	1 419	-	-	-	-	-
External counterparties			NF [4]	3	3	-	-	-	-	-	-	-
Liquid assets and short-term placements [2]				**4 031**	**4 031**							
			LAR	4 031	4 031	-	-	-	-	4 031	-	-
Total – Fair value through profit and loss (FVTPL)				**509**	**509**							
Total – Available for sale (AFS)				**120**	**120**							
Total – Loans and receivables (LAR)				**102 468**	**102 468**							
Non-current interest-bearing external liabilities [3]				**(21 057)**	**(20 246)**							
			FLAC	(21 057)	(20 246)	(20 246)	-	-	-	-	-	-
Non-current non-interest-bearing liabilities within the Group				**(236)**	**(236)**							
		2	FVTPL	(184)	(184)	-	-	-	-	-	(184)	-
			FLAC	(52)	(52)	-	-	(52)	-	-	-	-
Non-current non-interest-bearing external liabilities				**(562)**	**(562)**							
		2	FVTPL	(559)	(559)	-	-	-	-	-	(557)	(2)
			FLAC	(3)	(3)	-	-	(3)	-	-	-	-
Current interest-bearingliabilities within the Group [1]				**(78 444)**	**(78 444)**							
			FLAC	(78 444)	(78 444)	(78 444)	-	-	-	-	-	-
Current interest-bearing external liabilities [3]				**(2 434)**	**(2 433)**							
			FLAC	(2 434)	(2 433)	(2 433)	-	-	-	-	-	-
Drawings from group accounts [2]				**(5 403)**	**(5 403)**							
			FLAC	(5 403)	(5 403)	(5 403)	-	-	-	-	-	-
Current non-interest-bearing liabilities within the Group	**13**			**(142)**	**(142)**							
		2	FVTPL	(37)	(37)	-	-	-	-	-	(37)	-
			FLAC	(105)	(105)	-	-	(105)	-	-	-	-
Current non-interest-bearing external liabilities	**13**			**(3 478)**	**(3 478)**							
		2	FVTPL	(235)	(235)	-	-	-	-	-	(191)	(44)
			FLAC	(787)	(787)	-	-	(787)	-	-	-	-
			NF [4]	(2 456)	(2 456)	-	-		-	-	-	-
						(106 526)	**98 437**	**(947)**	**120**	**4 031**	**(612)**	**106**
Total – Fair value through profit and loss (FVTPL)				**(1 015)**	**(1 015)**							
Total – Financial liabilities at amortised cost (FLAC)				**(108 285)**	**(107 473)**							

[1] Non-current interest-bearing receivables on group companies consist entirely of loans from Telenor ASA's internal bank (Group Treasury) to subsidiaries. Current interest-bearing liabilities within the Group consist entirely of deposit in the internal bank of Telenor ASA from subsidiaries.

[2] The Group has established cash pool systems with three banks. Under these agreements, Telenor ASA is the Group account holder and the other companies in the Group are sub-account holders or participants. The banks can set off balances in their favour against deposits, so that the net position represents the net balance between the bank and the Group account holder. Liquid assets and short-term placements consist of cash outside the cash pool and short term placements in the money-market with less than 3 months to maturity.

[3] For specification regarding external interest-bearing liabilities in Telenor ASA see Note 29 in the consolidated financial statements.

[4] The abbreviation NF in the table above is short for non-financial assets and liabilities.

NOK in millions						Fair values of financial instruments 31 December 2009 per class						
Financial position item	Note	Fair value level	Category	Carrying amount	Fair value	Interest-bearing liabilities	Trade receivables and other financial assets	Trade payables and other non-interest-bearing financial liabilities	Equity securities	Cash and cash equi-valents	Currency swaps and forward contracts	Interest rate-swaps and options
Non-current interest-bearing receivables on Group companies [1]				**65 722**	**65 722**							
			LAR	65 722	65 722	-	65 722	-	-	-	-	-
Other non-current financial assets	10			**1 955**	**1 955**							
External counterparties		2	FVTPL	1 811	1 811	-	-	-	-	-	1 797	14
Telenor Group counterparties		3	AFS	120	120	-	-	-	120	-	-	-
External counterparties			LAR	24	24	-	24	-	-	-	-	-
Trade receivables on group companies				**254**	**254**							
			LAR	254	254	-	254	-	-	-	-	-
Trade receivables external				**7**	**7**							
			LAR	7	7	-	7	-	-	-	-	-
Other current financial assets	10			**1 122**	**1 122**							
External counterparties		2	FVTPL	317	317	-	-	-	-	-	311	6
Telenor Group counterparties		2	FVTPL	42	42	-	-	-	-	-	42	-
External counterparties			LAR	119	119	-	119	-	-	-	-	-
Telenor Group counterparties			LAR	640	640	-	640	-	-	-	-	-
External counterparties			NF [4]	4	4	-	-	-	-	-	-	-
Liquid assets and short-term placements [2]				**5 586**	**5 586**							
			LAR	5 586	5 586	-	-	-	-	5 586	-	-
Total – Fair value through profit and loss (FVTPL)				**2 170**	**2 170**							
Total – Available for sale (AFS)				**120**	**120**							
Total – Loans and receivables (LAR)				**72 352**	**72 352**							
Non-current interest-bearing liabilities within the Group				**(18)**	**(18)**							
		2	FVTPL	(18)	(18)	-	-	-	-	-	(18)	-
Non-current interest-bearing external liabilities [3]				**(25 207)**	**(24 442)**							
			FLAC	(25 207)	(24 442)	(24 442)	-	-	-	-	-	-
Non-current non-interest-bearing liabilities within the Group				**(271)**	**(271)**							
			FLAC	(70)	(70)	-	-	(70)	-	-	-	-
		2	FVTPL	(201)	(201)	-	-	-	-	-	(201)	-
Non-current non-interest-bearing external liabilities				**(316)**	**(316)**							
			FLAC	(6)	(6)	-	-	(6)	-	-	-	-
		2	FVTPL	(310)	(310)	-	-	-	-	-	(310)	-
Current interest-bearing liabilities within the Group [1]				**(44 937)**	**(44 937)**							
			FLAC	(44 937)	(44 937)	(44 937)	-	-	-	-	-	-
Current interest-bearing external liabilities [3]				**(2 324)**	**(2 324)**							
			FLAC	(2 324)	(2 324)	(2 324)	-	-	-	-	-	-
Drawings from group accounts [2]				**(4 558)**	**(4 558)**							
			FLAC	(4 558)	(4 558)	(4 558)	-	-	-	-	-	-
Current non-interest-bearing liabilities within the Group	13			**(141)**	**(141)**							
			FLAC	(125)	(125)	-	-	(125)	-	-	-	-
		2	FVTPL	(16)	(16)	-	-	-	-	-	(16)	-
Current non-interest-bearing external liabilities	13			**(2 843)**	**(2 843)**							
			FLAC	(956)	(956)	-	-	(956)	-	-	-	-
		2	FVTPL	(73)	(73)	-	-	-	-	-	(73)	-
			NF [4]	(1 814)	(1 814)	-	-	-	-	-	-	-
						(76 261)	**66 766**	**(1 157)**	**120**	**5 586**	**1 532**	**20**
Total – Fair value through profit and loss (FVTPL)				**(618)**	**(618)**							
Total – Financial liabilities at amortised cost (FLAC)				**(78 183)**	**(77 418)**							

[1] Non-current interest-bearing receivables on group companies consist entirely of loans from Telenor ASA's internal bank (Group Treasury) to subsidiaries. Current interest-bearing liabilities within the Group consist entirely of deposit in the internal bank of Telenor ASA from subsidiaries.

[2] The Group has established cash pool systems with two banks. Under these agreements, Telenor ASA is the Group account holder and the other companies in the Group are sub-account holders or participants. The banks can set off balances in their favour against deposits, so that the net position represents the net balance between the bank and the Group account holder. Liquid assets and short-term placements consist of cash outside the cash pool and short term placements in the money-market with less than 3 months to maturity.

[3] For specification regarding external interest-bearing liabilities in Telenor ASA see Note 29 in the consolidated financial statements.

[4] The abbreviation NF in the table above is short for non-financial assets and liabilities.

The table below shows the maturity profile for Telenor ASA's liabilities in nominal values:

NOK in millions	Total as of 31.12.10	< 1 year	1–3 years	3–6 years	6–10 years	Not specified
Interest-bearing liabilities						
Bonds and Commercial Paper	22 256	2 421	2 257	3 906	13 672	-
Other interest-bearing liabilities	81	13	20	37	11	-
Total interest-bearing liabilities external	**22 337**	**2 434**	**2 277**	**3 944**	**13 682**	**-**
Other Interest-bearing liabilities Group	78 444	78 444	-	-	-	-
Drawing on Group cash pools	5 403	-	-	-	-	5 403
Total interest-bearing liabilities Group	**83 847**	**78 444**	**-**	**-**	**-**	**5 403**
Non-interest bearing liabilities						
Trade and other payables external	10	10	-	-	-	-
Trade and other payables Group	67	67	-	-	-	-
Other current non-interest-bearing liabilities	3 543	3 543	-	-	-	-
Derivatives financial instruments non-current liabilities	559	-	42	166	351	-
Other non-current non-interest-bearing liabilities	239	-	-	-	-	239
Total non-interest-bearing liabilities	**4 418**	**3 620**	**42**	**166**	**351**	**239**
Total	**110 602**	**84 498**	**2 319**	**4 110**	**14 033**	**5 642**
Future interest payments	**5 284**	**734**	**1 367**	**1 901**	**1 282**	**-**

NOK in millions	Total as of 31.12.09	< 1 year	1–3 years	3–6 years	6–10 years	Not specified
Interest-bearing liabilities						
Bonds and Commercial Paper	26 177	2 311	10 553	4 998	8 315	-
Other interest-bearing liabilities	89	13	18	34	24	-
Total interest-bearing liabilities external	**26 266**	**2 324**	**10 571**	**5 032**	**8 339**	**-**
Other Interest-bearing liabilities Group	44 955	44 937	18	-	-	-
Drawing on Group cash pools	4 558	-	-	-	-	4 558
Total interest-bearing liabilities Group	**49 513**	**44 937**	**18**	**-**	**-**	**4 558**
Non-interest bearing liabilities						
Trade and other payables external	24	24	-	-	-	-
Trade and other payables Group	62	62	-	-	-	-
Other current non-interest-bearing liabilities	2 898	2 898	-	-	-	-
Derivatives financial instruments non-current liabilities	310	-	239	69	2	-
Other non-current non-interest-bearing liabilities	277	-	-	-	-	277
Total non-interest-bearing liabilities	**3 571**	**2 984**	**239**	**69**	**2**	**277**
Total	**79 350**	**50 245**	**10 828**	**5 101**	**8 341**	**4 835**
Future interest payments	**4 510**	**761**	**1 676**	**1 435**	**637**	**-**

NOK in millions	2010	2009
External interest-bearing liabilities maturing 5 years after the reporting period:	13 696	8 351

For specification regarding external interest-bearing liabilities in Telenor ASA, see Note 29 in the consolidated financial statements.

Cash and cash equivalents included in the statement of cash flows with following amounts:

NOK in millions	2010	2009
Liquid assets and short-term placements as of 31 December	4 031	5 586
Drawings from group accounts as of 31 December	(5 403)	(4 558)
Cash and cash equivalents as of 31 December	**(1 372)**	**1 028**

/ 13 / Current non-interest-bearing liabilities

NOK in millions	2010	2009
Trade payables to Group companies	67	62
Financial derivatives	37	16
Other current liabilities to Group companies	38	63
Current non-interest-bearing liabilities within the Group	**142**	**141**
Trade payables to external	10	24
Government taxes, tax deductions, holiday pay etc.	109	110
Taxes payable	2 346	1 703
Accrued expenses	712	528
Accruals for workforce reductions and allowance for losses on contracts	12	1
Prepaid revenues	1	2
Financial derivatives	235	73
Other current liabilities [1)]	53	402
Current non-interest-bearing external liabilities	**3 478**	**2 843**

[1)] Other current liabilities include provisions related to warranties regarding Cinclus Technology AS of NOK 325 million in 2009, see note 6.

/ 14 / Guarantees

NOK in millions	2010	2009
Guarantee liabilities	6 505	1 069

The table above does not include purchased bank guarantees where the corresponding liabilities are recognised in the company's statement of financial position. The guarantee liabilities mainly consist of guarantees issued by the parent company Telenor ASA on behalf of subsidiaries, with NOK 6.7 billion as of 31 December 2010 (NOK 969 million as of 31 December 2009).

As at 31 December 2009, guarantees of NOK 2.9 billion (USD 510 million) related to "Cross Border QTE" lease agreements which were not included in the table above, see note 32 to the consolidated financial statements. Guarantees relating to"Cross Border QTE" lease agreements were terminated in 2010.

/ 15 / Contractual obligations

As of 31 December 2010, Telenor ASA had committed purchase obligations. These obligations were primarily agreements that Telenor ASA had entered into on behalf of other Group companies.

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

NOK in millions	2011	2012	2013	2014	2015	After 2015
Committed purchase obligations	152	88	2	1	-	-

/ 16 / Shares in subsidiaries

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

Ownership interests correspond to voting interest if not otherwise stated.

Shares in subsidiaries

	Office	Share owned in % 2010	Share owned in % 2009	Carrying amount as of 31.12.10 (NOK in millions)	Carrying amount as of 31.12.09 (NOK in millions)
Telenor Networks Holding AS	Norway	100.0	100.0	13 124	13 124
Telenor International Centre AS	Norway	100.0	100.0	-	-
Telenor Intercom Holding	Norway	100.0	100.0	1 279	1 279
Telenor Key Partner AS	Norway	100.0	100.0	49	49
Telenor Communication II AS	Norway	100.0	100.0	669	466
Telenor Mobile Holding AS	Norway	100.0	100.0	13 698	13 698
Dansk Mobil Holding II AS [1]	Norway	100.0	100.0	-	203
Telenor Business Partner Invest AS	Norway	100.0	100.0	1 150	1 150
Telenor Broadcast Holding AS	Norway	100.0	100.0	4 429	4 429
Telenor Eiendom Holding AS	Norway	100.0	100.0	4 159	4 159
Telenor KB AS	Norway	100.0	100.0	-	-
Telenor Forsikring AS	Norway	100.0	100.0	300	300
Maritime Communications Partner AS [2]	Norway	98.9	98.9	172	172
Telenor Services 1 AS	Norway	100.0	100.0	3	3
Telenor GTI AS	Norway	100.0	100.0	1 600	1 600
Total				**40 632**	**40 632**

[1] In 2010 Dansk Mobil Holding II AS and OYO AS merged with Telenor Communication II AS, with the latter as the acquiring company.
[2] The remaining shares are owned by Telenor Communication II AS.

Shares in subsidiaries owned through subsidiaries

	Office	Share owned in % 2010	Share owned in % 2009
Telenor Networks Holding AS			
Telefonselskapet AS	Norway	100.0	100.0
Telenor Global Services AS	Norway	100.0	100.0
Telenor Svalbard AS	Norway	100.0	100.0
Telenor Norge AS (previously Telenor Telecom Solutions AS)	Norway	44.5	44.5
TBS Infrastructure AB	Sweden	100.0	100.0
Datametrix AS	Norway	100.0	100.0
Telenor International Centre AS			
Telenor Russia AS	Norway	100.0	100.0
TLNR Hungary Holding LLC (previously Telenor Magyarország KFT)	Hungary	99.3	99.3
Telenor Intercom Holding AS			
Nye Telenor Mobile Communications 1 AS	Norway	100.0	100.0
Telenor Key Partner AS			
Telenor Key Partner Danmark A/S	Denmark	100.0	100.0
Telenor Communication II AS			
Telenor Venture VI AS	Norway	51.0	51.0
Telenor Venture VII AS	Norway	100.0	100.0
Telenor Kapitalforvaltning ASA	Norway	100.0	100.0
Cinclus Technology AS [1]	Norway	100.0	66.0
Smartcash AS	Norway	100.0	100.0
Aeromobile Holding AS (previously Telenor Start 1 AS)	Norway	100.0	100.0
Telenor Media & Content Services AS	Norway	100.0	100.0
TMMH AS	Norway	100.0	100.0
Telenor Polska sp.z.o.o	Poland	100.0	100.0
TelCage AS	Norway	82.0	82.0
Telenor Traxion AS	Norway	100.0	100.0
Telenor Objects AS	Norway	100.0	100.0
Simlink AS	Norway	100.0	100.0
Valuecodes AS (founded in 2010)	Norway	51.0	-

Shares in subsidiaries owned through subsidiaries cont.

	Office	Share owned in % 2010	Share owned in % 2009
Telenor Mobile Holding AS			
Nye Telenor Mobile Communications III AS	Norway	100.0	100.0
Telenor Mobile Communications AS	Norway	100.0	100.0
Telenor East Invest AS	Norway	100.0	100.0
Telenor Mobile Sweden AS	Norway	100.0	100.0
Nye Telenor Mobile Communications II AS	Norway	100.0	100.0
Telenor Norge AS	Norway	55.5	55.5
Wireless Mobile International AS	Norway	100.0	100.0
Telenor Telehuset AS	Norway	100.0	100.0
Telenor Danmark Holding AS	Denmark	100.0	100.0
OYO AS (merged into Telenor Communication II AS)	Norway	-	100.0
Telenor d.o.o (previously Pro Monte GSM)	Montenegro	100.0	100.0
Europolitan Telenor AB	Sweden	100.0	100.0
Telenor East Holding AS (previously Telenor Start 2 AS)	Norway	100.0	100.0
Telenor East Holding II AS (established 2010)	Norway	100.0	-
Telenor Connexion Holding AB	Sweden	100.0	100.0
Telenor Business Partner Invest AS			
EDB Business Partner ASA [2]	Norway	-	51.3
Telenor Broadcast Holding AS			
Telenor Satellite Broadcasting AS	Norway	100.0	100.0
Telenor UK Ltd.	Great Britain	100.0	100.0
Telenor Bulgaria o.o.d	Bulgaria	100.0	100.0
Telenor Plus AB	Sweden	100.0	100.0
Canal Digital AS	Norway	100.0	100.0
Canal Digital Kabel TV AS	Norway	100.0	100.0
Norkring AS	Norway	100.0	100.0
Telenor Vision International AB	Sweden	100.0	100.0
Telenor Satellite Broadcasting CEE Region s.r.o.	Czech Republic	90.0	90.0
Conax AS	Norway	100.0	100.0
Premium Sports AS	Norway	100.0	100.0
Telenor Eiendom Holding AS			
Telenor Eiendom Fornebu Kvartal 1 AS	Norway	100.0	100.0
Telenor Eiendom Fornebu Kvartal 2 AS	Norway	100.0	100.0
Telenor Eiendom Fornebu Kvartal 3 AS	Norway	100.0	100.0
Telenor Eiendom Fornebu Kvartal 4 AS	Norway	100.0	100.0
Telenor Eiendom Hareløkken AS	Norway	100.0	100.0
Ègetvølgy Zrt	Hungary	100.0	100.0
Other significant subsidiaries			
Telenor Sverige AB	Sweden	100.0	100.0
Sonofon AS	Denmark	100.0	100.0
DiGi.Com Bhd	Malaysia	49.0	49.0
Telenor Magyarország Zrt (previously Pannon GSM RT)	Hungary	100.0	100.0
Telenor d.o.o.	Serbia	100.0	100.0
Telenor Pakistan BV Ltd.	Pakistan	100.0	100.0
Total Access Communications Plc. (DTAC)	Thailand	65.5	65.5
Grameenphone Ltd.	Bangladesh	55.8	55.8
Unitech Wireless Private Limited [3]	India	67.3	49.0

[1] In January 2010, Telenor acquired the remaining 34% of the shares of Cinclus Technology AS from Skagerrak Energi. See note 6 for further details.

[2] EDB Business Partner ASA merged in 2010 with ErgoGroup ASA. The merger resulted in a reduction of the Group's ownership interest from 51.3% to 27.2% and is therefore an associated company to the Group. Subsequent to the merger, the Group participated in EDB ErgoGroup ASA's rights issue with NOK 252 million and the ownership interest increased from 27.2% to 27.5%.

[3] Unitech Wireless in India consisted of eight separate companies but these were merged into one company during 2010. Further acquisitions were undertaken during the first quarter of 2010 to increase shareholding to 67.3%

Responsibility Statement

"We confirm that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2010 have been prepared in accordance with IFRS as adopted by the EU, and that the financial statements for the parent company for the year ended 31 December 2010 have been prepared in accordance with the Norwegian Accounting Act and simplified IFRS in Norway, give a true and fair view of the Company's and Group's assets, liabilities, financial position and results of operations, and that the Report of the Board of Directors gives a true and fair review of the development, performance and financial position of the Company and the Group, and includes a description of the principle risks and uncertainties that they face."

Fornebu, 24. March 2011

Harald Norvik
Chairman

John Giverholt
Vice-Chairman

Sanjiv Ahuja
Board member

Kjersti Kleven
Board member

Olav Volldal
Board member

Liselott Kilaas
Board member

Dr. Burckhard Bergmann
Board member

Barbara Milian Thoralfsson
Board member

Harald Stavn
Board member

Brit Østby Fredriksen
Board member

Bjørn André Anderssen
Board member

Jon Fredrik Baksaas
President & CEO

Auditor's report for 2010

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

To the Annual Shareholders' Meeting of Telenor ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Telenor ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the statement of financial position as at 31 December 2010, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2010, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

ERNST & YOUNG 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Telenor ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as of 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards on Accounting as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the international standard on assurance engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to properly record and document the Company's accounting information as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 24 March 2011
ERNST & YOUNG AS

Erik Mamelund
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Statement from the Corporate Assembly of Telenor ASA

On 29 March 2011, the Corporate Assembly of Telenor ASA passed the following resolution.

The Corporate Assembly recommended that the Annual General Meeting approves the Board's proposal for Financial Statement for Telenor Group and Telenor ASA for 2010 and recommends a dividend payment of NOK 3.80 per share totalling NOK 6.2 billion, to be paid in 2011, and a transfer of NOK 3,673 million to retained earnings.

Financial Calendar 2011

04 May 2011	Telenor's results for the 1st quarter 2011
19 May 2011	Annual General Meeting
21 July 2011	Telenor's results for the 2nd quarter 2011
26 October 2011	Telenor's results for the 3rd quarter 2011

Disclaimer
This report contains statements regarding the future in connection with Telenor's growth initiatives, profit figures, outlook, strategies and objectives. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profits and developments deviating substantially from what has been expressed or implied in such statements.

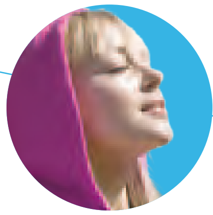
Telenor Group's mobile operations

Telenor – Norway

Telenor's wholly owned Norwegian mobile operation is the country's leading telecommunications operator.

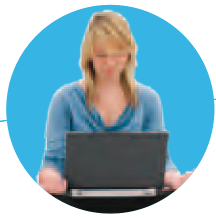
Telenor – Sweden

Telenor's wholly owned subsidiary, Telenor Sweden, is Swedens third largest mobile operator.



Telenor – Denmark

Telenor's wholly owned subsidiary, Telenor Denmark, is Denmark's second largest mobile operator.

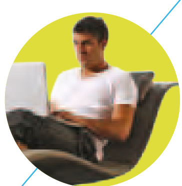


Telenor – Hungary

Telenor's wholly owned subsidiary, Telenor Hungary, is the country's second largest mobile operator.

Telenor – Serbia

Telenor's wholly owned subsidiary, Telenor Serbia, is the country's second largest mobile operator.



Telenor – Montenegro

Telenor's wholly owned subsidiary, Telenor Montenegro, is the country's largest mobile operator.

Telenor – Pakistan

Telenor's wholly owned subsidiary, Telenor Pakistan, is the second largest mobile operator in Pakistan.

Uninor – India

Telenor holds a 67.25 per cent ownership interest in Indian greenfield mobile operator Uninor. The company launched its services in December 2009.

Grameenphone – Bangladesh

Telenor holds a 55.8 per cent ownership interest in Grameenphone, the largest mobile operator in Bangladesh. Grameenphone is listed on the Dhaka Stock Exchange (DSE) Ltd. and the Chittagong Stock Exchange (CSE) Ltd.

dtac – Thailand

Telenor's economic exposure in Thai mobile operator dtac is 65.5 per cent. dtac is the second largest mobile operator in Thailand and is listed on the Stock Exchange of Thailand and the Singapore Exchange.

DiGi – Malaysia

Telenor holds a 49 per cent ownership interest in DiGi, the third largest mobile operator in Malaysia. DiGi is listed on Bursa Malaysia.

VimpelCom Ltd.

Telenor Group holds an economic stake of 39.6 percent in VimpelCom Ltd., operating in 10 markets: Russia, Ukraine, Kazakhstan, Georgia, Uzbekistan, Tajikistan, Armenia, Kyrgyzstan, Cambodia and Vietnam. VimpelCom Ltd. has more than 90 million subscribers, and is listed on New York Stock Exchange.

telenor group

built around people

Growth comes from truly understanding the needs of people, to drive relevant change

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