ANNUAL REPORT 2018

LETTER FROM THE CEO

FIND THE ROUGH PATH. STAY ON IT.

I welcomed 2019 at a reindeer camp in Malangen in Troms, well north of the Arctic circle. Norway's extreme geography makes efficient and reliable communication paramount to maintaining a well-functioning modern society. This is true also for the other markets and millions of customers Telenor serves from Svalbard to Borneo.

Our continued exploration and adaptation to changing conditions means we entered our 164th year of operations rigged and prepared for what's ahead.

A perfect storm which requires collaboration and upskilling

We're heading into a "perfect storm" of technologies that are likely to accelerate the digitalisation of our societies. Enabling technologies like 5G and Internet of Things will lead to an explosion in data that can be turned into actionable insights using artificial intelligence. This means that companies and societies need to adapt; building new competencies and working in new ways. Telecoms companies are well positioned to drive and facilitate this change. Telenor aims to be a trusted partner as our customers and societies continue to digitalise.

This is why we've challenged all our employees to spend at least 40 hours per year on upskilling themselves in critical competencies, and why we focus on building diverse and inclusive teams at all levels of the organisation. In 2018, more than 1,500 people had started working in agile ways and the average number of hours spent on online training was well above the target. These efforts are also essential in modernising Telenor.

Connecting you to what matters most. Empowering societies.

Trust is more important and shorter in supply than ever. Telenor takes great pride and places significant resources in upholding and helping raise standards wherever we operate. While we're pleased to see customers are confident in our brands' ability to handle their personal data, we know trust is easily lost. We continue strengthening our efforts within sustainability, security, privacy and governance to ensure we're able to live up to the promise.

On track halfway into the strategy period

2018 was an eventful year with many important milestones for Telenor Group. Step by step, we've continued to deliver on the 2020 strategy communicated at the Capital Markets Day in February 2017. Growth, efficiency and simplification continue to be the key elements of our strategic direction. During 2018, we have reduced our operational costs by 3 per cent, or NOK 1.2 billion. We continue our efforts to modernise Telenor, by upgrading our infrastructure, simplifying the corporate structure, improving efficiency through structural initiatives, digitalising customer journeys and adding new competencies within areas like artificial intelligence, robotics and security.

Simplifying our portfolio and processes

During the past couple of years, we have taken important steps to simplify our company portfolio: we have exited India, we are close to fully divested from VEON, and we have divested our operations in Central and Eastern Europe. We have sharpened our online marketplaces portfolio and we will continue to develop mobile financial services in Pakistan through our recently established joint venture with Ant Financials. We have largely completed the main steps towards portfolio simplification and will now continue to focus on how we simplify our business processes.

Solid performance and growth, increasing competition

Throughout the year we've seen solid results in Scandinavia both on the market and cost side. The new flexible mobile offering has been well received in Norway, and we maintained our revenue market share. Simplification of the subscription portfolio in Sweden and the radical transformation conducted in Denmark impacts positively. In Bangladesh and Pakistan we returned to strong revenue growth in the second half of the year, driven by customer growth. In Myanmar we've experienced increased competition following the entry of a fourth operator in the market – exacerbated by asymmetric regulations, which we had not predicted.

From concession to license in Thailand

In Thailand, 2018 has been a very special year for us as we transitioned from the concession model to a license model. Though we have been planning for this for

several years, it has required a number of demanding processes and decisions in 2018. We believe we have emerged from this in a good way, securing a solid platform for both spectrum and infrastructure. We continue to maintain full focus on rolling out the 2.3 GHz network and we see promising results from speed measurements in areas where the new network is operating. When the network is fully operational, we will continue working towards targeted improvement of customer experience and market position.

Modernisation and renewal

Telenor's strategic direction stands. During 2018, we upgraded the highest number of base stations in Telenor's history. Our efforts towards digital transformation, simplification and efficiency continue, with an increasing focus on structural improvements. These efforts are essential to prepare ourselves for the future. We will work more targeted with our revenue renewal in 2019.

Towards north

Rolf Jakobsen's poem "North" idolises the rugged and demanding conditions of Norway edging towards the Arctic. Among the reindeer at Malangen, I was reminded that though Telenor geographically is heading almost as much southwards and eastwards, our continuous efforts to simplify, improve and innovate embody a philosophy that is about taking not the easiest route – but the one we believe is right.

Sigve Brekke, President & CEO
Telenor Group

Se oftere mot nord.
Gå mot vinden, du får rødere kinn.
Finn den ulendte stien. Hold den.
Den er kortere.
Nord er best.
Vinterens flammevirvel, sommernattens mirakel

Gå mot vinden, klyv berg.
Se mot nord.
Oftere
Det er langt dette landet.
Det meste er nord.

Rolf Jacobsen

GROUP EXECUTIVE MANAGEMENT

Sigve Brekke
President and Chief Executive Officer (CEO)

Jørgen C. Arentz Rostrup
EVP and Chief Financial Officer (CFO)

Cecilie Blydt Heuch
EVP and Chief People Officer

Morten Karlsen Sørby
EVP and acting Cluster Head Scandinavia

Anne Kvam
EVP and Chief Corporate Affairs Officer

Ruza Sabanovic
EVP and Head of Technologies and Services

Svein Henning Kirkeng
EVP and Head of Products and Marketing

Petter-Børre Furberg
EVP Emerging Asia Cluster

Albern Murty
EVP Developed Asia Cluster and CEO of Digi

LETTER FROM THE CHAIR

The world is moving faster, becoming more transparent – and more connected. Telecom operators play an important role in this development, which no doubt has brought advantages such as new knowledge, new skills and insights to people, enterprises and societies. Such fast-paced, widespread advances also leave us with new challenges to tackle and address.

Important ethical questions are being raised by customers, employees, law makers, regulators, investors and society in general. Privacy and the use of data are currently at the forefront of this discussion. Meanwhile, Artificial Intelligence, big data and machine learning are bringing about both new challenges and opportunities, and we will be doing our utmost to ensure that future developments in these expanding fields can be of mutual benefit to our customers, employees, society – and us as a company. Underpinning all of this work is our dedication to being a responsible corporate citizen where we operate: we have zero tolerance for corruption; we initiate employee and supply chain educational programmes – aiming to raise competences and standards within our communities; we institute safe work places; and we are committed to reduced inequalities.

In 2018, we saw good momentum on the strategy implementation which we began in 2017. We further simplified and developed the company's portfolio via the sale of the Central Eastern European operations and through the partnership with Ant Financial in Pakistan. In Thailand, the concession model came to an end. Our global focus on operational efficiencies in combination with increased digitalisation of processes and services delivered both cost reductions and improved customer experiences, as planned. The Board of Directors would like to thank all employees of Telenor for their efforts and achievements in the year of 2018.

We expect 2019 to be a year marked by strong competition and increased customer expectations, asking of us seamless, hassle-free user experiences and reliable connectivity wherever, whenever. To meet customers' ever increasing demands, we need to not only focus on speed and access, but also on how we deliver our services. Trust is at the centre of this. Consumers are increasingly conscious of how their data is collected and used, and we will address their concerns. Enterprises also see possibilities in the use of big data and artificial intelligence and face threats with regard to cyber security, and we need to be their partners in addressing both the opportunities and challenges related to these areas of our business. Finally, as an organisation, it will behoove us to maintain the digital pace and abilities of our digitally savvy customers in order to deliver the connectivity services that matter most to them.

As we work to meet all of our challenges and maximise on the opportunities, we will continue to deliver on our ambition of being a company known for bringing long term value for shareholders. To deliver and create value for all stakeholders is the long-term foundation for successful companies. Telenor aims to belong in that group of companies.

– Gunn Wærsted

BOARD OF DIRECTORS' REPORT

KEY FINANCIAL PARAMETERS

Financial priorities

Telenor Group's financial strategy and financial ambitions are linked to our corporate strategy, focusing on continued growth, efficiency and simplification as key value drivers for the coming years. Entering 2017, we communicated our financial ambitions towards 2020 to the financial market, summarised as low single digit organic revenue growth, 1-3 per cent yearly net reduction in operating expenses, and a capex-to-sales ratio of around 15 per cent. These ambitions are all consistent with our internal KPIs.

For 2018, we set out the ambition of 1-2 per cent organic subscription and traffic revenue growth, organic EBITDA growth of 1-3 per cent and capex of NOK 17-18 billion. During the year, the outlook was revised to 0-1 per cent organic subscription and traffic revenue growth, 3-4 per cent organic EBITDA growth and capex of NOK 16-17 billion. All the communicated financial ambitions for 2018 were met.

Maintaining a solid balance sheet, and delivering a year-on-year growth in dividend, are key elements in Telenor's approach to capital allocation. In 2018, the ratio between net interest bearing debt and EBITDA ended at 0.9x, well below the communicated ceiling of 2.0x. In January 2019, the Board of Directors replaced this ceiling with a new targeted ratio of 1.5 – 2.0x. In recent years, Telenor has been around 1.0x. In order to balance elements such as cost of capital, access to funding, strategic flexibility and the company's risk profile, the Board of Directors believe the new target leverage will be a better fit for Telenor. From time to time the company can be outside the targeted range, but will then have the ambition to return within reasonable time. The Board of Directors will consider additional distributions through buybacks and/or special dividends, if and when deemed appropriate to reach the targeted range.

In addition to a growing ordinary dividend, well in line with our ambitions, parts of the proceeds from disposal of the Central and Eastern European assets were distributed to shareholders. This happened through a special dividend of NOK 4.40 per share and a 2 per cent share buyback programme, of which the market part was finalised on 25 October 2018. The Board's proposal of a dividend of NOK 8.40 per share for 2018 and a 3 per cent buyback programme confirms our commitment towards shareholders, and marks the 11th consecutive year with dividend growth.

Revenues

Revenues in 2018 were NOK 110.4 billion; 1.5 per cent below the reported revenues of NOK 112.1 billion in 2017. The organic revenue decline was 0.6 per cent, due to lower handset sales, lower customer base on legacy products and interconnect revenues, partly offset by growth in mobile subscription and traffic revenues as well as high speed internet customer base. Total organic subscription and traffic revenues increased by 0.2 per cent[1]. Negative currency effects on total revenues amounted to NOK 1.4 billion.

Operating expenses[1]

In 2018, operating expenses (opex) decreased by NOK 1.7 billion to NOK 38.8 billion, of which NOK 0.5 billion was related to positive currency development. On a currency adjusted basis, opex decreased by 3 per cent and the most notable reductions were visible in Thailand and the Scandinavian operations together with the Group Units.

EBITDA before other income and other expenses[2]

EBITDA before other income and other expenses increased by NOK 0.6 billion to NOK 45.3 billion, negatively impacted by currency effects of NOK 0.8 billion. Organic EBITDA[1] increased by 3 per cent, to which Pakistan, Bangladesh, Denmark and Other Units were the main contributors. The EBITDA margin[1] improved by one percentage point to 41 per cent from 2017.

EBITDA

EBITDA decreased by NOK 2.6 billion to NOK 42.2 billion due to effects from a settlement in Thailand, workforce reductions in Telenor Norway, Malaysia, Bangladesh and Corporate Functions as well as loss on disposal in Telenor Norway and Telenor Sweden which more than offset the improved EBITDA before other income and expenses.

Net income

The net income to equity holders of Telenor ASA in 2018 was NOK 14.7 billion, or NOK 10.00 per share, an increase of NOK 2.7 billion compared to last year, positively impacted by the gain on partial disposal of Telenor Microfinance Bank of

[1] Please refer to page 131 for descriptions of alternative performance measures

[2] Please refer to note 5 in the financial statements for reconciliation and page 131 for definition and descriptions of alternative performance indicators

NOK 1.8 billion and disposal of assets in Central and Eastern Europe of NOK 1.7 billion.

Capital expenditure[1)]

Total investments in 2018 amounted to NOK 31.4 billion, of which NOK 31.2 billion were capital expenditure (capex) and NOK 0.1 billion were investments in businesses. Capex not including spectrum and licences amounted to NOK 16.8 billion, down from NOK 17.3 billion in 2017 and was mainly related to mobile network expansion in Asia as well as fixed broadband and mobile network in Norway. Capex for spectrum and licences amounted to NOK 14.5 billion in 2018, an increase of NOK 11.4 billion compared to 2017, mainly related to Thailand, Bangladesh and Sweden. Capex as a proportion of revenues, excluding licences and spectrum, was 15 per cent, in line with the level in 2017.

Mobile subscription development

During 2018, the total number of mobile subscriptions increased by 5 million, aided by strong growth in Bangladesh and Pakistan. The share of active data users increased from 52 per cent to 54 per cent during the year.

Free cash flow[1)]

Full year free cash flow amounted to NOK 32.0 billion, which was an increase of NOK 7.1 billion compared to last year, positively impacted by the proceeds from the sale of assets in Central and Eastern Europe. Free cash flow before these proceeds and other M&A activities was NOK 11.7 billion.

Net cash inflow from operating activities during 2018 was NOK 36.4 billion, a decrease of NOK 4.3 billion compared to 2017, mainly due to higher taxes paid as well as working capital and other changes in Thailand and Norway.

Net cash outflow from investing activities during 2018 was NOK 0.6 billion. This is a decrease of NOK 11.5 billion compared to 2017, primarily explained by higher inflows from the sale of businesses of NOK 13.0 billion (CEE, India and Telenor Microfinance Bank in 2018 and SnT Classifieds and VEON in 2017) and lower investments in businesses of NOK 2.0 billion (acquisition of 701Search Pte. Ltd in 2017). This is partly offset by lower cash inflows from the sale of other investments of NOK 3.2 billion (VEON in 2017).

Net cash outflow to financing activities during 2018 was NOK 39.5 billion. This is explained by net payments on borrowings of NOK 11.5 billion, total shareholder return of NOK 24.2 billion (share buyback of NOK 5.8 billion and dividend to Telenor ASA shareholders of NOK 18.4 billion), dividend paid to minority interest of NOK 3.1 billion, and licence payments of NOK 0.7 billion.

Cash and cash equivalents decreased by NOK 4.0 billion during 2018 to NOK 18.3 billion as of 31 December 2018.

Financial position

During 2018, total assets decreased by NOK 10.5 billion to NOK 191.3 billion. The decrease followed the sale of CEE operations and partial utilisation of the proceeds from the sale for repayment of commercial papers, as a part of the Group's liquidity management. The decrease due to the sale of CEE operations was partly offset by the increase in assets following the spectrum acquisition in Thailand.

Net debt decreased by NOK 7.4 billion to NOK 39.5 billion. Interest-bearing liabilities excluding licence obligations decreased by NOK 12.2 billion. This was partly offset by the decrease in cash and cash equivalents of NOK 4.1 billion, fixed income investments of NOK 0.5 billion and fair value hedge instrument receivables of NOK 0.3 billion.

Total equity decreased by NOK 7.9 billion to NOK 54.5 billion. The decrease was mainly due to dividends to equity holders of Telenor ASA and non-controlling interests of NOK 21.5 billion and share buyback of NOK 5.8 billion. The decrease was partly offset by positive net income from operations of NOK 17.4 billion and IFRS 15 implementation effect on opening balance of NOK 3.5 billion (see note 1 for further information).

In the Board's view, Telenor Group has a solid financial position. 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 a going concern basis.

Outlook for 2019

For 2019, excluding the operation in Thailand, we expect an organic subscription and traffic revenue growth of 0-2 per cent and an organic EBITDA growth of 1-3 per cent. Capex excluding licences and spectrum is expected to be in the range of NOK 16-17 billion, including the operation in Thailand.

For comparison with 2018, the Group's organic subscription and traffic revenues growth not including Thailand was 0.9 per cent. Organic EBITDA growth not including Thailand was 5.5 per cent. Capex excluding licences and spectrum was NOK 16.8 billion including Thailand.

Annual results and allocation

Telenor ASA's net income for the year 2018 was NOK 55,855 million, after receipt of group contribution and dividends of NOK 60,566 million. The Board proposes the following allocation: Transferred to retained earnings: NOK 55,855 million. After this allocation, Telenor ASA's equity, after deduction of share capital, is 97,309 million. Telenor's shareholder remuneration policy is to aim for a year-on-year growth in dividend per share, where the annual dividends are paid in two instalments. Buy-back of own shares or extraordinary dividend pay-outs will be evaluated on a case by case basis. To maintain financial flexibility and ensure cost efficient funding, Telenor's aims to

[1)] Please refer to page 131 for description of alternative performance measures.

maintain a solid balance sheet through keeping net debt/EBITDA[1)] between 1.5-2.0x. As of 31 December 2018 the reported net debt ratio was 0.9x.

Shareholder remuneration

Based on the performance during the year, the Board of Directors proposes an ordinary dividend of NOK 8.40 for 2018, to be declared by the Annual General Meeting on 7 May 2019. The proposed dividend shall be split into two tranches of NOK 4.40 and NOK 4.00 per share, to be paid in May and October 2019 respectively, and represents a 4 per cent increase compared to 2017.

In connection with the introduction of a leverage target of 1.5 – 2.0 times net interest bearing debt to EBITDA, in order to optimise the company's capital structure, the Board of Directors plans to ask the AGM for a new share buyback mandate of 3 per cent.

CONSISTENT STRATEGY EXECUTION

2018 has been a second important year in the company's digitalisation and transformation journey. The achievements have significantly impacted Telenor's markets and operations. The steps Telenor has taken over the past two years has laid the foundation for continued value creation, anchored in Telenor's strategic ambitions of growth, simplification and efficiency, a winning team and responsible business conduct.

Telenor delivers internet access and connectivity to its customers, seeking to ensure they experience Telenor as relevant, timely and tailored to their needs, while responsibly and sustainably safeguarding customers' data. Telenor is continuously simplifying the ways customers interact with the company, streamlining the company's way of work, and becoming even more efficient in how Telenor operates and delivers services.

MILESTONES AND ACHIEVEMENTS IN 2018

Building on Norway's network strength, readying for 5G in Scandinavia

In Norway, Telenor progressed on improving its network quality throughout the year, seen in the recognition by Ookla for running the world's fastest mobile network, the launch of Scandinavia's very first fifth generation (5G) pilot in Kongsberg and equipping its nationwide 4G network with narrowband-IoT (NB-IoT) technology. Telenor's investments in Norway continued throughout 2018, driven by fibre roll-out and 4G network expansions. Fibre connections increased by 37,000 in the year, taking the total number of fibre subscribers to 232,000.

Additionally, Telenor's three Scandinavian operations selected Nokia and Ericsson to supply cloud-related solutions to mobile network operations as Telenor prepares for the introduction of 5G technology.

Maintained market shares in majority of markets

Telenor currently holds number one- or two positions in most of its markets. In Scandinavia, Norway's market share remains more than 55 per cent, while operations in Sweden and Denmark each hold approximately 20 per cent market share. Operations in Malaysia held stable at around 27 per cent market share. In Thailand, market share declined by 2 percentage points to 22 per cent. The Emerging Asian operations in Bangladesh and Pakistan held their positions with more than 50 per cent and close to 30 per cent, respectively, while market share in Myanmar dropped to approximately 35 per cent, from close to 40 per cent.

Emerging market growth

Telenor's operations in Pakistan and Bangladesh saw solid revenue growth. In Bangladesh this was driven by 7.4 million new subscribers and a 3.3 percentage point rise in share of active data users. Total revenues increased in Telenor's operations in Pakistan in 2018, as a result of increased traffic revenues. Enabling future growth, 4G service roll-out continued with 5.5 million active 4G users on Grameenphone's network, while Telenor Pakistan's 4G network expanded to close to 3,500 sites in 2018. In Myanmar, Telenor remained focused in an increasingly competitive market, on the heels of a mid-year market entrance by a fourth mobile operator. Both Grameenphone and Telenor Myanmar were recognized by Ookla as fastest networks in Bangladesh and Myanmar respectively.

Future-ready in Thailand

2018 was an important year for Telenor in Thailand. Following the transition from concession-based spectrum allocation to licenses, dtac employed a considered and principled approach to acquiring 1800MHz and 900MHz spectrum. Dtac rolled out 12,700 2.3 GHz base stations by the end of the year and added 7,900 2.1 GHz sites in 2018. Dtac now has a spectrum portfolio that positions the company for future growth, enabling it to deliver high-quality data services to Thai customers and create value in the growing local mobile market.

Portfolio simplification and development

A milestone in Telenor's simplification agenda was the sale of its assets in Central and Eastern Europe to PPF Group for EUR 2.8 billion. The transaction included Telenor's wholly-owned mobile operations in Hungary, Bulgaria, Montenegro and Serbia. In addition, the sale of Telenor's operations in India was finalised in mid-2018. The reasoning for the simplification of the portfolio was to focus on the areas of the portfolio where the company sees the greatest potential for future value creation.

Portfolio development also includes partnerships and Telenor formed a strategic partnership with Ant Financial Services Group in Pakistan, to further develop and bring mobile payment and

1) Please refer to page 131 for description of alternative performance measures.

digital financial services in Pakistan.

Progressing on digitalisation and transformation

Telenor's work to digitalise and transform the business and improve efficiency continued throughout the past year. Organic subscription and traffic revenues rose by 0.2 per cent, supported by Telenor's market positions, strong networks and new customer offers. Telenor accelerated investments into digital distribution. The flagship digital channel, MyTelenor, has been a key focus and is continuing to grow in Telenor's operations, with more than 11 million users. Additionally, Telenor worked closely with Google in 2018 to make it easier for Android users in Thailand and Malaysia to ease data top up, directly within the Android operating system. The feature is currently in a pilot stage.

Telenor is actively working on shifting volumes to digital channels. Telenor Norway was able to attract 200,000 new MyTelenor users during the Winter Olympics campaign, while the MyDigi mobile app in Malaysia recorded 3 million monthly active users and a steady increase in upsell transactions, ending 2018 with a total of 85.9 million upsells. Telenor's contextual marketing engine is now live in six markets, building advanced analytical models to provide personalised propositions and improve market efficiency.

Telenor is closing 2018 with over 20 million monthly active users on a variety of digital products and services, from personal cloud-service Capture in Scandinavia to music and video streaming services in Emerging Asia. Connect ID, the master ID solution in Telenor's digital product portfolio, now caters for nearly 30 million users across close to 60 digital products and services.

Setting the stage for Internet of Things expansion

Telenor's work on Internet of Things-related products and services continued to progress. During 2018, Telenor Connexion passed a milestone of 10 million Internet of Things SIM cards. Total IoT SIMs active in Telenor businesses amounted to 13 million by the end of 2018. Telenor Norway launched NB-IoT and LTE-M communication technologies, making it the first Nordic operator to offer a comprehensive, nationwide mobile network optimised for IoT devices and appliances. Telenor today is a top-10 global player in IoT connectivity.

Modernising Telenor's networks

Building on 2017's efficiency progress, Telenor continued to modernise its networks during the year, established new operating models in its markets, as well as refined and digitalised sales, network and marketing units in core operations.

2018's key achievements in this area included the implementation of the Telenor Hybrid cloud, hosting 58 per cent of Telenor's data traffic and 110 million customers; continuing the technology shift from 2G to 3G and 4G with 64 per cent of spectrum now dedicated to 4G; digitalisation of sales and marketing with the establishment of Telenor's Trading Desk; the ramp-up of copper decommissioning in Norway; the modernisation of Sweden's business models, support systems and simplified price plans (which resulted in a 15-point gain in Sweden's Net Promoter Score year over year); the acceleration of digital transactions in Digi accompanied by call center volume reductions of 40 per cent from 2015, as well as the modernisation and digitalisation of the organisation in Bangladesh.

Prioritising and simplifying operations

Efficient operations with reduced complexity are a pre-requisite for sustainable growth and also vital for creating seamless, worry-free experiences for customers. Building on 2017's efficiency progress, a top priority for Telenor in 2018 has been to identify and start implementation of business units' specific efficiency and simplification initiatives. During the year, Telenor reduced operating expenditures by 3 per cent (currency adjusted) as a result of efficiency initiatives across the business, which totals 6.3 per cent or NOK 2.6 billion over the past two years. In addition to transformation-related reductions in the workforce, Telenor has outsourced network and IT operations and leveraged infrastructure sharing opportunities in Asia.

Leveraging standardisation and global scale

Telenor's Common Delivery Center (CDC) programme entered the early stages of implementation in 2018, with the ambition to uplift and centralise information technology and network capabilities towards a customer centric and automated operating model. By end of 2018, 41 per cent of capabilities had been implemented in the CDC programme.

New capabilities include intelligent diagnosis, self-healing and cognitive automation of workflows; utilising cloud & open source technologies, leveraging latest innovations in tools and capabilities such as machine learning (ML) & artificial intelligence (AI), standardisation of processes, advanced tools and robotic process automation (RPA) both at operational and business process layer, uplifting security capabilities, processes, capabilities, competences, governance and vendors management, and integrating micro services/APIs into Core IT platform.

Telenor Procurement Company, which was established in 2017 to optimise external spend through standardisation, scale and automation, realised savings of more than NOK 3 billion during 2018. TPC is now managing more than half of the company's overall external spend.

As a best practice within Telenor's global operations, Grameenphone in 2018 also successfully reduced marketing & sales costs via benchmarking on unit price. Customer service operating cost and office location optimisation, coupled with savings from negotiation and service level agreement optimisation in technology costs, were the key factors.

Additional market achievements and growth drivers

In Scandinavia, Telenor reported solid results throughout the year, both on the market and cost side. An example of this is how the new Fleksi products have been received in Norway, simplifying the subscription portfolio in Sweden, and the radical transformation Telenor has conducted in Denmark, resulting in a positive effect on profitability.

Telenor's operations in Sweden and Denmark made headway in simplifying and strengthening their customer offerings and price plans, driven by achievements in the companies' digital offerings, such as low-cost digital subsidiary Vimla, which recently received a number one net promoter score in its category.

By the end of 2018, more than 5 million users signed up for Telenor Health's mobile healthcare services in Bangladesh. Wave Money, Telenor's mobile financial venture in Myanmar, grew its network of agents to more than 40,000 shops, providing regulated financial services to millions of customers and to the small ecosystems in Myanmar.

DIGITALISATION EFFORTS REQUIRE COMPETENCE SHIFT

Telenor's global digitalisation push over the past two years has required large-scale internal shifts in several areas. These included investing in new competencies, exploring new and agile ways of work, and fostering a collaborative culture to drive transformation. These efforts have also resulted in a 8.2 per cent personnel reduction in 2018, in order to enable a more nimble workforce to navigate fast-paced, competitive and digital-first business environments.

Telenor continued its organisation review into 2018, with the overall goal of greater organisational efficiency. Prioritisation, simplification and cost reduction were the core of these changes, as well as the company's need to prepare for new competences within the organisation. To facilitate the upskilling and digital competency shift in 2018, with a focus on building capacity, Telenor refined its critical competence agenda to focus on fewer, more targeted areas.

Telenor's identified critical competencies are reflected in the company's learning and development offering for all employees . In 2018, the company issued a challenge to all employees to complete 40 hours of training of which 20 hours should be online training via Telenor Campus. By the end of 2018, nearly all employees had completed some training, averaging 47 hours per person of completed online learning.

To support the cultural transformation, Telenor introduced a renewed 'purpose' and 'behaviours' to the company in 2018. This has been standardised company-wide and actively used across the entire organisation. The employee Engagement and Enablement Index (EEI) remains above the high performing benchmark, amidst the ongoing change and transformation initiatives, as measured by the Engagement and Enablement Survey (EES).

Telenor continues to work towards a more diverse and inclusive workplace in accordance with its People Policy. In 2018, Telenor experienced improvements in its gender balance. The company reported 28 per cent women in senior leadership, up from 26 per cent in 2017. The percentage of women in the total workforce remains stable at 37 per cent. The nationality split amongst senior leaders at the end of 2018 was approximately 74 per cent Scandinavians, 19 per cent from Asia and 7 per cent from other geographies.

In 2018, Telenor began preparations for greater focus and improvements in the area of health, safety and personnel security. This will be a key delivery in 2019.

EXPLORING NEW TECHNOLOGIES FOR THE FUTURE

During 2018, Telenor's research unit continued to provide new knowledge and build deep competences in areas such as digital customer behaviour, new network and Internet technologies, artificial intelligence, advanced analytics, business models, organisational solutions, competition and business environment.

Telenor spent a total of NOK 1.8 billion on innovation, of which NOK 545 million were costs related to R&D, compared to NOK 2.2 billion and NOK 512 million in 2017. The reduced spending on innovation from 2017 to 2018 is largely explained by the sale in 2018 of Telenor's Central Eastern European units.

Telenor continued to build relationships with leading research institutions in Norway and internationally. To strengthen national efforts on artificial intelligence, Telenor, The Norwegian University of Science and Technology (NTNU) and one of Europe's largest research organizations SINTEF, partnered up with some of Norway's largest companies by establishing a new national powerhouse for Artificial Intelligence (AI) – Norwegian Open AI Lab. Its aim is to improve the quality and capacity for research, education, and innovation in the field.

Together with Harvard School of Public Health Telenor continued research on how to utilize big data for social good. The European Commission appointed an expert from Telenor to the High Level Expert Group on artificial intelligence (AI HLEG). AI HLEG will support the implementation of the European strategy on Artificial Intelligence.

Telenor has contributed with several studies to prepare for tomorrow's communications market, including how to further empower societies. Scientists have worked on how to realize the full benefit of the AI and IoT (Internet of Things) revolution, how 5G can create new revenue growth by serving industry verticals and deliver mass market connectivity, and how to differentiate and stay relevant for our customers. To modernise Telenor and prepare for the future, the scientists have examined possible business models, organisational principles, ways of work and long term trends that may have implications for Telenor's business and which opportunities Telenor should pursue. Telenor is also active in European research collaborations on 5G, including the EU's 5G VINNI project, which aims to accelerate the uptake of 5G in Europe.

OUR RESPONSIBILITIES

Our sustainability direction: Supply chain sustainability and raising standards, reducing inequalities

Telenor's mission is to reduce inequalities 1) by improving access to services through leveraging digital services and connectivity in innovative ways, and 2) by raising standards in employment and across the supply chain.

Telenor's business units remain committed to reaching targets through 2020 which contribute towards this goal by continuing supply chain capacity building, training children in online safety and utilising mobile technology for birth registration, thereby increasing the likelihood of access to basic services, including health, education and public safety. Global partnership agreements with Plan International and UNICEF, cemented in 2018, will help Telenor progress on these targets.

Telenor carried out more than 3,500 supply chain sustainability inspections globally in 2018, including monitoring work conditions and employee health and safety. Telenor's sustainability achievements have in recent years (since 2015) included more than 110,000 total man-hours in supply chain sustainability training and building across its global operations.

With regard to Telenor's progress on its commitment to UN Sustainable Development Goal 10 (SDG 10) – Reduced Inequalities, more than 2.2 million children have in recent years been engaged by Telenor's child online safety initiatives globally, while more than 580,000 new births have been registered as part of Telenor and partners' (UNICEF and Plan International) Digital Birth Registration initiatives in Pakistan and Myanmar.

Security and privacy essential to building customer trust

As a network operator and provider of digital services, cybersecurity represents a key risk for Telenor and a high priority area. Telenor is continuously implementing security capabilities to prevent and reduce the effect of a range of threats. These include vulnerability assessments and incident management across all Telenor business units. In 2018, Telenor established a global function and implemented advanced global monitoring, surveillance and incident handling capabilities to protect Telenor's critical assets and meet the challenge of handling potential security breaches and protecting customer data.

With the General Data Protection Regulation (GDPR) having come into effect in May 2018, significant effort has been put into strengthening our internal processes for handling of personal data. A centrally run GDPR project has delivered support and guidance to Telenor's European entities.

SUSTAINABILITY REPORT

Telenor publishes a Sustainability Report in accordance with reporting requirements mandated by the Norwegian Accounting Act §3-3c and EU non-financial reporting directive.

The report covers what Telenor does to promote, uphold and recognize human rights, labour rights and social issues, the environment and anticorruption into the business strategy, daily operations and relationship with stakeholders. The report covers information on policies, principles, procedures and standards the company uses to integrate the above considera-tions. In addition, other material issues in line with stakeholder expectations as well as Oslo Stock Exchange's guidance on the reporting of corporate responsibility are addressed. Telenor's Sustainability Report for 2018 is published on our website.

CORPORATE GOVERNANCE REPORT

An account of Telenor Group's corporate governance principles and practices, pursuant to Section 3-3b of the Norwegian Accounting Act, follows in the next chapter, see page 18-32.

GROUP OPERATIONS:

Telenor Group has 174 million mobile subscriptions and a strong footprint in eight markets in Scandinavia and Asia. The Group owns Telenor Broadcast, the Internet of Things company Connexion and holds ownership positions in financial services and in the classifieds industry in South East Asia.

All comments below are based on the development in local currency for 2018 compared to 2017 according to accounting standard IAS18, unless otherwise stated. EBITDA is EBITDA before other income and other expenses, unless otherwise stated.

Scandinavia:

Norway

Telenor maintained a strong position in the Norwegian market with accelerating fixed broadband rollout and the world's fastest mobile network. The mobile subscription base fell by 1 per cent to slightly below 3.0 million from fewer prepaid subscriptions and data cards. The share of active data users increased to 81 per cent and the median data usage increased by 18 per cent. Total revenues increased slightly mainly because of higher handset sales and fixed fibre revenues offsetting a continued decline in fixed legacy revenues. Mobile revenues increased from a higher share of contract subscriptions, upselling to larger data buckets and higher handset sales offsetting effects of regulation of 3-/5-digit numbers and lower mobile wholesale revenues. The changing mix in revenues towards lower-margin products was only partly offset by reduced operating expenses, giving a 1 percentage point decrease in the EBITDA margin to 42 per cent. NOK 4.4 billion was invested in infrastructure for fixed and mobile services. The total number of high-speed fixed broadband connections increased by 19,000 to 650,000, whereas total fixed broadband connections decreased by 15,000 to 844,000.

Sweden

The mobile subscription base increased by 1 per cent to 2.7 million while the mobile data consumption increased by 18 per cent giving an average of almost 11GB data per month. Telenor Sweden rebranded Bredbandsbolaget to Telenor and launched combined offers of internet and telephony. Mobile subscription and traffic revenue growth was stable due to reduced revenues in the business segment primarily from lower ARPU and subscription base for large companies, offset by increased revenues in the consumer segment. Fixed revenues decreased slightly as growth in high speed internet revenues did not fully compensate for the decline in legacy products and lower fibre installation revenues. The EBITDA margin increased by 1 percentage point to 33 per cent, driven by a 4 per cent opex reduction. Capex spend was primarily related to capacity increase, modernization in network and IT digitalisation initiatives. In addition, Net4Mobililty, Telenor's and Tele2's infrastructure joint venture in Sweden, acquired 2x5 MHz spectrum in the 700 MHz frequency band in December.

Denmark

The Danish operation continued to demonstrate value creation in 2018 and has established a significantly more efficient business, mobile ARPU improved and the investment level remained sound. Subscription and traffic revenues remained stable and there was growth in mobile being offset by decline in fixed legacy products. Handset sales decreased causing a reduction in total reported revenues. Comprehensive efficiency measures resulted in a material opex reduction of 10 per cent and a significant EBITDA improvement. The EBITDA margin increased from 17 per cent to 22 per cent. Capex has been reduced over the last years and was prioritised towards 4G network and IT in 2018.

Developed Asia:

dtac - Thailand

2018 was marked by the transition from end of concession to license model. Dtac made a service agreement with TOT for using its 2,300 MHz spectrum and also acquired 900 MHz and 1,800 MHz spectrum in two separate auctions. Dtac made an infrastructure lease agreement with CAT and made a settlement to close all disputes with CAT. Subscription and traffic revenues declined by 3 per cent, caused by a loss of prepaid customers. The average active data user in dtac consumes more than 9GB of data per month. By the end of 2018, 70 per cent of dtac's 21.2 million subscribers were active data users. Total revenues decreased by 4 per cent driven by lower interconnect rates and lower device sales. EBITDA decreased by 33 per cent driven by costs related to the TOT agreement, CAT lease and remedy measures. Throughout the year, close to 13,000 2,300 MHz sites were rolled out to replace the concession network and densification of the 3G and 4G networks continued with 4,000 new 2,100 MHz sites.

Digi - Malaysia

In Malaysia, the negative trend from the previous two years was turned into growth, as subscription and traffic revenues increased by 1 per cent, driven by prepaid to postpaid migration. Mobile data consumption increased by 44 per cent and the average active data user in Digi now consumes close to 11GB per month. 80 per cent of the 11.7 million Digi subscribers were active internet users. Total revenues increased by 2 per cent caused by postpaid and data revenues, and increased handset sales. The EBITDA margin stayed at 46 per cent, supported by postpaid growth and cost control. Capex was prioritised towards network expansion, and the 4G population coverage reached 89 per cent by year-end.

Emerging Asia:

Grameenphone - Bangladesh

In 2018, Grameenphone added 7.4 million subscriptions reaching 72.7 million at year-end. Grameenphone successfully acquired 4G license reaching more than 5,000 4G sites. The data network position has been strengthened during the year and initiatives targeted towards the population of Bangladesh have secured a strong data growth increasing the average data usage per user by 45 per cent. By year-end, about 34 per cent of the subscription base had a smartphone. Subscription and traffic revenues increased by 6 per cent after a strong trend during 2018 closing with an 11 per cent growth in the fourth quarter. The EBITDA margin improved by 1 percentage point to 60 per cent following strong cost control coupled with improved gross margins. Capex was prioritized towards strengthening Grameenphone's coverage and capacity position.

Pakistan

Telenor Pakistan added 5 per cent more subscriptions during 2018, reaching a total of 44 million at year-end. Telenor Pakistan continued the journey of taking a premier digital position through services like Wowbox, MyTelenor and m-Agri. A total of 35 per cent of the subscription base now holds a smartphone. Revenues grew by 7 per cent, primarily from higher subscription base and higher ARPU mainly driven by increased data usage. As a result of cost efficiency execution, structural network initiatives and a reversal in third quarter, the EBITDA improved by 19 per cent, resulting in an improved EBITDA-margin of 6 percentage points to 57 per cent. Capex was related to supporting the strong demand for data services and improving the quality and coverage of the network. At the end of 2018, 59 per cent of the Pakistani population could experience 4G services from Telenor.

Myanmar

The mobile subscription base in Telenor Myanmar fell with 2.2 million during 2018 driven by increased competition from the fourth operator that launched services in the second quarter. Telenor Myanmar had 17.2 million subscriptions at year-end, of which 63 per cent were active data users. Total revenues were NOK 5.8 billion, an organic decline of 6 per cent from 2017. Pressure on data prices and a lower subscription base impacted revenues in the second half of the year, while data consumption continued to increase. The EBITDA margin came in at 37 per cent driven by the reduced revenues in combination with a 6 per cent increase in operating expenses, negatively impacted by a 14 per cent depreciation of local currency against USD during 2018. 2x2.2MHz in the 900MHz frequency band was acquired for NOK 204 million. Investments not including spectrum licences ended at NOK 0.8 billion, explained by continued roll-out of network coverage and capacity, with over 8,300 sites on air.

Broadcast

Revenues decreased by 1 per cent mainly from the shutdown of FM broadcasting in Norway, negative currency effects and lower subscriber base in Canal Digital partly offset by price increases. EBITDA remained stable as a 5 per cent reduction in operating expenses offset the lower revenues. Operating profit decreased by 19 per cent related to a financial lease for satellite transponders entered into in 2017. Capex was primarily for customer driven installations in Norkring and product development in Canal Digital. The subscriber base in Canal Digital Satellite fell 5 per cent to 793.000 subscribers.

SHARES AND SHAREHOLDER ISSUES

The Telenor share is listed on the Oslo Stock Exchange (OSE) under the ticker code TEL. Including reinvested dividends, the total shareholder return of the Telenor share was 3 per cent in 2018. The Oslo Stock Exchange Benchmark Index (OSEBX) decreased by 2 per cent, whereas the benchmark index STOXX Europe 600 Telecommunications Index Gross Return (SXKGR) decreased by one per cent.

The Telenor share closed at NOK 167.50 at year-end 2018, corresponding to an equity value of NOK 246 billion. In 2018, Telenor paid ordinary dividends of NOK 8.10 per share for the fiscal year 2017, an increase of four per cent compared to 2017. Telenor has since 2015 paid dividend semi-annually, to align Telenor's competitive shareholder remuneration with the company's cash flow profile throughout the year. Telenor aims to deliver year-on-year growth in ordinary dividend per share. In addition, buyback and extraordinary dividends will be considered as a supplement to the ordinary dividend on a case-by-case basis.

In addition to the ordinary dividend, the Annual General Meeting authorised the Board of Directors to decide further distribution of dividends if the agreement for the divestment of Telenor's mobile business in Central Eastern Europe announced on 21 March 2018 was completed, limited to a maximum aggregate amount of NOK 7 billion. A dividend of NOK 4.40 per share was resolved after the completion of the transaction.

Furthermore, the Annual General Meeting gave the Board authorisation to purchase and cancel up to 29,000,000 treasury shares. Purchase and cancellation of treasury shares is viewed as a good way of optimizing the capital structure of the company. With the exception of 2016, such authorisation has been given in recent years.

Based on this authorisation, Telenor decided in July 2018 to initiate a share buyback programme for up to 29 million shares, representing around 2 per cent of the outstanding shares.

As of 31 December 2018, Telenor had purchased 13,350,090 shares in the market. The Ministry of Trade, Industry and Fisheries has through an agreement with Telenor committed to participate in a share buyback programme on a proportionate basis so that the Ministry's ownership interest in Telenor of 53.97 per cent remains unchanged.

Telenor will seek approval by the AGM in May 2018 for cancellation of the treasury shares bought back by that time and redemption of the proportionate amount of shares from the Ministry.

At the Annual General Meeting 2 May 2018, the share buyback programme approved by the Annual General Meeting in 2017 was finalised by cancellation of 13,810,438 own shares and redemption of 16,189,561 shares owned by the Norwegian Government through the Ministry of Trade and Fisheries against a payment of NOK 2,733 million. Consequently the share capital decreased to NOK 8,828,748,186 divided into 1,471,458,031 shares, each with a nominal amount of NOK 6.

Telenor had approximately 40,300 shareholders at year-end, compared to about 39,600 at year-end 2017. The 20 largest shareholders held 73 per cent of the registered shares. Norwegian institutional investors, including the Norwegian state, held 65 per cent of the total issued share capital at year-end. Excluding the Norwegian state, US institutional investors owned 26 per cent, Norwegian institutional investors owned 24 per cent and UK institutional investors and German institutional investors held 16 per cent and 9 per cent of the shares, respectively. As of 31 December 2018, Telenor held 13,350,090 treasury shares related to the buy-back programme announced in June 2018.

Through active communication with the capital market and shareholders in 2018, Telenor ensured that significant information required for external evaluations of the Telenor Group's securities was published in accordance with applicable rules and guidelines by the Oslo Stock Exchange.

RISK MANAGEMENT

Risk management is a continuous process and an integrated part of business throughout all entities' in Telenor Group. All managers are required to assume responsibility for risk management within their areas of responsibility and ensure that risk management is embedded in day to day business processes. When operating across multiple markets, Telenor Group is exposed to a range of risks that may affect its business. Telenor aims to earn competitive returns at acceptable risk levels. Below are some key risk areas discussed and described.

Financial

Financial risk includes credit risks, liquidity risks, currency risks and interest rate risks. Telenor Group's exposure to credit risk mainly relates to accounts receivable, deposits with financial institutions and financial derivatives. In 2018 Telenor Group had no credit losses due to defaults of financial institutions.

The liquidity risk is low and financial flexibility is maintained through a diversified set of funding sources. As of 31 December 2018, Telenor's net debt/ EBITDA ratio was 0.9x. This is well within the cap of 2.0x as stated in the financial policy. On 30 January 2019, the Telenor Group announced a capital structure with a revised net debt/EBITDA targeted interval of 1.5x-2.0x.

72 per cent of the Group's revenues are derived from operations with a functional currency other than the Norwegian Krone. Currency fluctuations affect the value of investment in foreign operations when translating financial statements into Norwegian Kroner. Telenor Group seeks to hedge its net investment in foreign operations by allocating currency debt on the basis of relevant market values and market capabilities. The most significant debt currencies for Telenor Group are Euros, US dollars, Swedish Krona, Thai Baht and Malaysian Ringgits.

Exchange rate risk exists when Telenor ASA or any of its subsidiaries enter into transactions or holds monetary items in foreign currencies. Committed cash flows in foreign currencies equivalent to NOK 50 million or more are hedged if feasible. Telenor Group is exposed to fluctuations in interest rates through funding and liquidity management activities. The Group's treasury policy states that the interest rate duration on the debt portfolio shall be in the interval from 0 to 5 years. The duration was 1.5 years as of 31 December 2018. The risk is managed using both fixed and floating rate debt, as well as interest rate derivatives.

Responsible Business Conduct

Telenor strives for high standards and continuous improvement in its own operations and throughout the entire supply chain to ensure responsible business conduct where there are risks for breach of internationally recognised standards related to health and safety, human rights, labour rights, environment, anticorruption and sanctions. Telenor continues to closely scrutinize our supply chain, engaging with and monitoring of suppliers to ensure long term risk reduction is a priority.

Safety is currently monitored by regular reporting of Fatalities, Lost Time Injury Frequency (LTIF) and Sickness Absence Rate (SAR). In 2018, there were zero fatalities among employees, the LTIF was 0.22 which equals to eight work related lost time incidents. The SAR is reported to 1.82 per cent.

We experienced however four fatal incidents in Pakistan and Myanmar in our supply chain. It is with great regret that these resulted in eight fatalities, four involving first and second tier suppliers and four involving third parties. Three of the fatal incidents were associated with traffic and one with working at heights.

Telenor Group's corporate governance principles and practices are the framework by which Telenor governs and controls its business activities. Some of the markets in which Telenor operates are emerging economies with potentially complex and sensitive political and social contexts. Risks such as corruption, human rights and other issues will continue to stay high on Telenor's agenda.

Risks relating to respect for human rights including privacy and freedom of expression are given focus. Challenges arising from authority requests for access to data, shutdowns, blocking and sending out of information also remain in focus, as well as labour standards and employee involvement. Further, Telenor remains vigilant when it comes to following up suppliers with respect to child labour and other non-acceptable practices.

Regulatory

The Telenor Group's operations are subject to requirements through sector specific laws, regulations and national licenses. Regulatory developments and regulatory uncertainty could affect the Group's results and business prospects.

The Telenor Group depends on licenses, access to spectrum and numbering resources in order to provide telecommunications services. Spectrum processes, including renewal of existing spectrum licenses in some markets, are expected over the next 1–3 years. If Telenor is not successful in acquiring spectrum licenses or is required to pay higher rates than expected, this might impact the Group's business strategy, and/ or Telenor Group could be required to make additional investments to maximize the utilization of existing spectrum. Furthermore, unforeseen events may cause disruption in rollout plans, resulting in risks of not meeting the mobile license obligations. 2019 will be an important year for Telenor Pakistan with risk related to the spectrum license renewal as our existing spectrum license expires in Q2 2019.

In most of the countries where the Telenor Group operates, the wholesale market (e.g. copper and fibre access, Mobile Termination Rates, site sharing, etc.) is to some extent regulated. The transition from voice to data services is influenced by a number of regulatory levers like net neutrality provisions. In several of the countries where Telenor Group operates, the government has imposed sector specific taxes and levies, as a measure to improve state finances. The regulation of cross-border data transfer (in particular in our mobile licenses) and increased consumer and regulatory interest in privacy and data protection could impact the company's operations and our ability to optimise the production of services.

Transformation

The introduction of new technologies, digitalization and changing consumer behaviours in the Telecom sector opens up for new and multi sided business models, leading to structural changes and increased industry dynamics. Telenor has embarked on a vital transformation agenda to adapt accordingly. Failure to respond to these dynamics and to drive a change agenda to meet the developing demands in the marketplace, may impact Telenor Group's position in the value chain, service offerings and customer relationships.

The Telenor Group's portfolio of companies competes on several dimensions, such as product portfolio, price, network quality, network coverage, reliability, sales, distribution and brand. Telenor's ability to differentiate through these dimensions largely impact the ability to attract, engage and retain customers and drive usage.

Further, revenue growth is partly dependent on the development and deployment of new products, services, technologies and processes for how we engage our customers. If such new releases are not technically or commercially successful, or if limitations in existing or new services and products affect the customer experience, Telenor Group's ability to attract or retain customers may be impaired.

The transformation agenda also includes risk of not being able to sufficiently acquire; upskill and retain competencies and talents needed for the evolving business dynamics.

Operational

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, including interruptions or data breaches coming from targeted and advanced cyber-attacks. Repeated, prolonged or major network or IT system failures could damage the Group's reputation and business, including the ability to attract and retain subscribers. Telenor Group depends on key suppliers and third-party providers for supply and maintenance of equipment and services.

Additionally, problems that manifest in relation to the supply chain may adversely affect the Group's business and results of operations. Telenor Group handles substantial volumes of personal data. Loss, alteration or unauthorized disclosure of such information may adversely affect the Group's business and reputation.

The European Data Protection Regulation (GDPR), which entered into force in May 2018 has introduced significant fines for breaches of data protection regulation in Europe. New laws focusing on business practices between competitors in a market is about to be or have been implemented throughout the countries we operate. This may lead to investigations of business practices with potential high fines and penalties if breaches of these rules are ascertained. Telenor Group operates in countries where there is a history of political instability and violence. Any recurrence or escalation of such events, including social unrest, terrorist attacks and war, may prevent Telenor Group from operating its business effectively.

For further information on tax, legal and regulatory matters, see note 13 and note 33.

Fornebu, 19 March 2019

Gunn Wærsted
Chair

Jørgen Kildahl
Vice Chair of the Board

Jon Erik Reinhardsen
Board member

Jacob Aqraou
Board member

Grethe Viksaas
Board member

Sally Davis
Board member

Roger Rønning
Board member

René Richard Obermann
Board member

Sabah Qayyum
Board member

Harald Stavn
Board member

Sigve Brekke
President & CEO

THE BOARD

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Vice Chair of the Board

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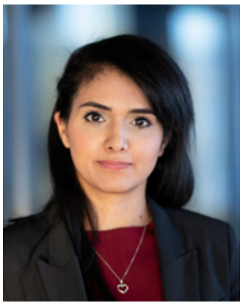

Sabah Qayyum
Board member
employee representative

Roger Rønning
Board member
employee representative

Harald Stavn
Board member
employee representative

CORPORATE GOVERNANCE

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

Board Statement on Corporate Governance

The Board of Directors of Telenor ASA (the Board) is responsible for the management of the Telenor Group and for safeguarding the proper organisation of its operations. The Board believes that sound corporate governance is vital to promote the greatest possible value creation over time in the best interests of Telenor's shareholders, employees and other stakeholders. The Board is committed to maintaining a high standard of corporate governance across Telenor Group, in line with Norwegian and international laws and generally accepted rules and practices.

Telenor's principles and practices for Corporate Governance are subject to regular discussions and annual review by the Board and the Board's People and Governance Committee. Furthermore, the Board shall observe such standards in its own work and decision-making.

Telenor ASA is a public limited liability company established under Norwegian law. Telenor is subject to specific rules and regulations in all countries where the Telenor Group conducts business. Telenor's shares are listed on the Oslo Stock Exchange (Oslo Børs ASA). As an issuer of shares, Telenor complies with and operates in accordance with rules governing the Norwegian stock exchange, including the at any time applicable rules on Continuing Obligations of Listed Companies as approved by Oslo Børs ASA, with reference to the Norwegian Code of Practice for Corporate Governance (the NCGB Code of Practice) in its latest edition of 17 October 2018, issued by the Norwegian Corporate Governance Board (NCGB). The NCGB Code of Practice may be found at www.nues.no.

The corporate governance principles and practices as required by the Accounting Act Section 3-3b and the details of how Telenor complies with the NCGB Code of Practice are accounted for in this Report on Corporate Governance.

The NCGB Code of Practice covers 15 topics. The structure of this Report on Corporate Governance is aligned with the structure of the NCGB Code of Practice. Links to relevant information on Telenor's website are included in this Report on Corporate Governance.

Deviations from the NCGB Code of Practice Section 1: None

2. BUSINESS

Business Activity Clause

The business activity in which Telenor is engaged is clearly set out in the Articles of Association for Telenor ASA, Clause 3: www.telenor.com/about-us/corporate-governance/articles-of-association.

"The object of the company is to engage in telecommunications and other related activities. These activities may be conducted by the company itself, by subsidiaries or through participation in other companies or in cooperation with others."

Objectives and Strategies

Telenor's Board of Directors has established clear objectives and strategic ambitions guided by the purpose: Connecting you to what matters most. Empowering societies. The company has embarked on a transformation journey towards a leaner and more digitalised global telecommunications company. Telenor has established four strategic ambitions towards 2020:

Capture growth opportunities through selective investments and building of digital distribution capabilities. Telenor believes personalisation, enabled by access to customer data and consumption patterns, drives customer engagement and value capture through increased relevance of the product offering.

Drive simplification and efficiency to create value and fund the digital transformation. Telenor believes efficient operations enable competitiveness, while a strong cash flow focus secures funding for growth initiatives.

Ensure that Telenor operates a Responsible Business that deserves the trust of its customers, as well as internal and external stakeholders. Telenor believes that strengthening standards in areas such as health and safety, security and data privacy is fundamental to becoming a trusted partner and to reducing inequalities.

Nurture a Winning Team through meeting competency requirements and strengthening of a learning- and collaboration-oriented culture. Telenor believes this is essential as the organization moves toward an increasingly project-based way of work.

Telenor Group's strategy is published at the company website: www.telenor.com/about-us/our-strategy.

The strategy is owned and approved by the Board of Directors and is developed through an annual strategic planning process which includes multiple discussions with the Board on strategic topics. In 2018 this process began with the development of a 2023 Strategic Outlook which considered the factors expected to influence the long term strategic direction and the implications for Telenor. This was followed by development of 2019-20 Strategic Action Plans for each Business Unit and for the Group, focussing on shorter term strategic ambitions and the specific activities required to deliver these. In addition, multiple strategic 'deep-dive' topics were brought to the Board for deliberation throughout the year including Technology Strategy, IoT, Business Segment Strategy and People Strategy. The process also includes external research, multiple interactions between Group Executive Management (GEM) as well as input from external stakeholders. Telenor has regular dialogue with investors, governments, customers, industry organisations, civil society/NGOs and academia. Concerns and advice from external stakeholders are taken into account on specific issues, and provide valuable input to the development of Telenor's strategic direction. Telenor's engagement and interaction with stakeholders are reflected in several of its Policies, Manuals and guidelines, such as the Group Policy Sustainability and the Group Policy Public and Regulatory Affairs. For more details on Telenor's stakeholder engagement, please refer to Telenor's Sustainability Report for 2018.

Telenor's strategy forms the basis for GEM to prepare and carry out investments and structural measures.

Telenor's operations and important events during 2018 are described in the Board of Director's report in this Annual Report for 2018. Telenor updates the market through investor presentations, press releases and other information made available online: www.telenor.com/investors.

Telenor's Corporate Governance Framework

Telenor Group's corporate governance principles and practices are the framework by which Telenor Group governs and controls its business. It is the role and responsibility of the Board to ensure that Telenor adheres to generally accepted principles for the effective control of company activities, and to provide the necessary guidelines for such activities and corporate management. The Board shall furthermore observe such standards in its own work and decision making. The Board shall also ensure that Telenor protects its reputation in relation to owners, employees, customers, the public and the capital market effectively.

Sound corporate governance, in line with Norwegian and international laws and generally accepted rules and recommendations, is critical to Telenor's business integrity and for ensuring the greatest possible value creation over time. Implementing high ethical standards and culture across Telenor Group continues to be a strong focus for the Board. Telenor's Code of Conduct highlights the core values and ethical principles and represents an important foundation for Telenor's corporate governance in maintaining a healthy corporate culture. The Code of Conduct is owned and approved by the Board, and all employees are required to sign it.

The Board places high emphasis on transparency and trustful cooperation between parties and stakeholders involved in the Telenor Group: the owners, the Corporate Assembly, the Board and Group Executive Management, partners, employees, customers, suppliers, creditors, public authorities and society in general.

Telenor works continuously to improve its governance framework and to ensure that policies, training and control mechanisms are current and adequate in order to ensure that considerations related to its stakeholders are taken into account in the value creation of the Telenor Group. Telenor's principles and practices for Corporate Governance are subject to regular discussions and annual review by the Board and the Board's People and Governance Committee. The Governance Work Programme (GWP) is the annual process for updating/developing, implementing and monitoring the Group Governing Documents.

The GWP in 2018 has been focused on conducting a thorough revision of its Code of Conduct to reflect the evolving risks that Telenor faces. In addition Telenor has initiated a process to improve its policy framework related to business partner risk.

Telenor has organised its operations into three different Clusters and each Cluster includes a number of Business Units (composed of one or more subsidiaries). Telenor Group's Governing Principles describe the key governing bodies in Telenor ASA, the interaction between Telenor ASA and the Business Units, and core global processes like strategy, financial reporting, forecasting and reviews.

A robust governance model requires both appropriate design and effective implementation. Telenor has adopted a governance framework, including the Telenor Code of Conduct and a set of policies and manuals, processes and systems on monitoring and reporting. The governing documents set one single standard which shall govern all business activities, regardless of where such activities take place.

Telenor's governing documents are implemented in Telenor ASA and all subsidiaries directly or indirectly controlled by Telenor and as defined in Telenor's Governing Principles. Companies which are separately listed shall take due account of the requirements for listed companies in the relevant jurisdiction. In case of conflict between Telenor's governing principles and the local requirements, the latter shall prevail.

Telenor is committed to the disclosure of its performance on material sustainability issues in line with stakeholder expectations. Telenor publishes a separate Sustainability Report in accordance with legal requirements such as Norwegian Accounting Act § 3-3c and EU Non-financial reporting directive. The report covers what Telenor does to integrate respect for human rights, labour rights and social issues, the environment and anticorruption into the business strategy, daily operations and relationship with stakeholders. The report covers information on policies, principles, procedures and standards the company uses to integrate the above considera-tions. In addition, other material issues in line with stakeholder expectations as well as Oslo Stock Exchange's guidance on the reporting of corporate responsibility are addressed. Telenor's Sustainability Report for 2018 is found at www.telenor.com/sustainability.

Deviations from the NCGB Code of Practice Section 2: None.

3. EQUITY AND DIVIDENDS

Share capital

The share capital of Telenor is stated in the Articles of Association, Clause 4. The company's share capital at year end 2018 is NOK 8,828,748,186 divided into 1,471,458,031 ordinary shares, each with a nominal value of NOK 6. Mandates granted to the Board to increase the company's share capital are restricted to defined purposes and are limited in time to no later than the date of the next Annual General Meeting. This also applies to mandates granted to the Board for the company to purchase its own shares. As a consequence of the share buyback program conducted by Telenor in 2017 (accounted for in the Corporate Governance Report of 2017), the General Meeting on 2 May 2018 resolved to decrease the share capital by cancellation of repurchased own shares and redemption of shares held by the Government, and a decrease of other reserves. In total 29,999,999 shares were cancelled or redeemed.

Equity

Telenor regards its consolidated equity to be at an appropriate level considering the company's objectives, strategy and risk profile. Telenor's objective is to create value for its owners and involves a continuous focus on ensuring that the company's equity is adapted to the company's objectives, strategy and risk profile.

Dividend policy

The Board has established a dividend policy which forms the basis for the proposals on dividend payments presented to the General Meeting. The Board believes that it is in the best interests of Telenor to draw up a long-term and predictable dividend policy. This corresponds with the objective of providing its shareholders with a return on their investments at least equal to alternative investments with similar risk profiles. Such a return should come in the form of cash dividends and/or share buyback if applicable, and increased share value.

Telenor's dividend policy is to aim for year-on-year growth in ordinary dividends per share. Telenor pays semi-annual dividends. In addition, acquisition of treasury shares and / or extraordinary dividends will be evaluated on a case by case basis. The Public Limited Companies Act provides for dividend payments to be resolved by the Board pursuant to authorisation from the General Meeting. Such authorisation may only be provided until the next ordinary General Meeting and dividends may only be resolved on the basis of the company's latest approved annual accounts.

A resolution on the distribution of the dividend is adopted by the General Meeting following the proposal from the Board. The General Meeting on 2 May 2018 approved an ordinary dividend of in total NOK 8.10 per share to be paid in two tranches, one of NOK 4.20 and one of NOK 3.90. The total ordinary dividend paid out in 2018 was NOK 11.9 billion, an increase of 4 per cent per share compared to the previous year. In addition, the General Meeting declared a special dividend of NOK 4.40 per share or NOK 6.4 billion, contingent upon a successful disposal of the Central and Eastern European assets.

The Telenor Board of Directors will propose a total dividend of NOK 8.40 per share for the financial year 2018 to the Annual General Meeting in May 2019. The dividend will be split into two tranches of NOK 4.40 and NOK 4.00 per share to be paid in May and October 2019, respectively. The two tranches will have separate ex. dividend and record dates. The proposed dividend per share is 4 per cent higher than the dividend per share paid out in 2018.

Deviations from the NCGB Code of Practice Section 3: None.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

One class of shares, equal rights

The Board endorses the principles of transparency and equal treatment of all shareholders. Telenor has only one class of shares. The Articles of Association have no restrictions on voting rights. All shareholders have the same rights.

The General Meeting may authorise the Board to purchase treasury shares. Previously, under such authorisation, the Board has been free to decide if and how the acquisition of shares shall take place within the framework of applicable law, and shall ensure compliance with general principles of equal treatment of shareholders. At the Annual General Meeting in 2018, the Board asked for, and was authorised, to repurchase up to 29,000,000 of the company's own shares, equalling around 2 per cent of the outstanding shares. On 22 June 2018, Telenor announced a share buyback programme based on such authorisation. By the end of 2018, Telenor had acquired 13,350,090 shares under the programme, which is equal to the whole market part of the buyback. The Programme is managed by a third party, which makes its trading decisions in relation to the shares independently of, and uninfluenced by, Telenor.

The Norwegian State as the main shareholder

The Norwegian State is the main shareholder in Telenor, with a holding of 53.97 per cent of the Telenor shares as of 31 December 2018. The ownership interest is managed by the Ministry of Trade, Industry and Fisheries. The Norwegian State emphasises that partly state-owned companies should comply with principles for good corporate governance. The State's active exercising of its ownership policy is governed by the Norwegian legislation for companies and by accepted principles for exercising good ownership. This means that it is the Board that is responsible for evaluating the expectations that the shareholders and others have towards the company, and for accomplishing the commercial targets which the Board deems appropriate. More information about administration of the Norwegian State's ownership interests and the Government's Ownership Policies can be found on the Government's web pages www.regjeringen.no/en/topics/business-and-industry/state-ownership/id1336.

Telenor ASA has an agreement with the Norwegian state through the Ministry of Trade, Industry and Fisheries to carry through share buybacks with the purpose of cancelling these shares through write-down of the share capital to maintain the Norwegian state's ownership interest. See notes 23, 32 and 35 to the financial statements for Telenor Group for 2018 for a further description.

In the Government's white paper concerning direct state ownership of enterprises from 2014 (Meld. St. 27 (2013-2014), the Government announced that it would propose that Stortinget (the Norwegian Parliament) consents to giving the Government the flexibility to reduce the state's ownership in several state owned companies, including Telenor ASA, to 34 per cent. This requires a special authorization from the Parliament. The Parliament provided its approval to the proposal regarding Telenor on 5 February 2015. The authorization was latest renewed by the Parliament in the state budget for 2019 and consequently gives the Government the optionality to decide to reduce its ownership stake in Telenor.

Increase in share capital

Telenor practices the principle that any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital should be justified. Where the Board resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders on the basis of a mandate granted to the Board, the justification should be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

Transactions with close associates

In relation to its ordinary business, Telenor has regular transactions with certain entities in which Telenor has ownership interests. Such transactions are carried out on an arm's length basis, cf. also the Public Limited Liability Companies Act, Sections 3-8 and 3-9. For material transactions with related parties, Telenor has a practice to obtain an independent valuation to ensure compliance with the arm's lengths principle.

Transactions with related parties, including transactions with associated companies, are accounted for in note 32 to the financial statements for Telenor Group for 2018 in this Annual Report.

Deviations from the NCGB Code of Practice Section 4: None.

5. SHARES AND NEGOTIABILITY

Telenor shares are listed on the Oslo Stock Exchange and are freely negotiable. Telenor has one class of shares, and each share equals one vote at the General Meeting. The shares have no trading restrictions in the form of Board consent or ownership limitations.

The Articles of Association of Telenor ASA contain no restrictions on negotiability or voting rights and all shares have equal rights.

Deviations from the NCGB Code of Practice Section 5: None.

6. GENERAL MEETINGS

Supreme governing body

The General Meeting is the company's highest authority. Telenor's Articles of Association are adopted by the General Meeting.

The shareholders' interests are primarily ensured through Telenor's Annual General Meeting (General Meeting). The General Meeting is the main meeting place for shareholders and the officers they elect. According to the Articles of Association, the General Meeting shall be held once a year before the end of June.

Telenor encourages as many shareholders as possible to exercise their rights by attending the General Meeting, and aims to ensure that the General Meeting remains an effective meeting place for shareholders and the Board. In order to allow shareholders to form a view on all matters to be considered at the General Meeting, the resolutions and supporting information distributed shall be sufficiently detailed and comprehensive. Any shareholder is entitled to have a question discussed at the General Meeting. The Board is to be notified of the question in writing at least seven days before the deadline for sending the notice convening the General Meeting, together with a proposal for a draft resolution or an explanation as to why the matter has been put on the agenda.

Shareholders are given the opportunity to vote separately on each item of the agenda at the General Meeting and on each candidate nominated for election to the company's bodies.

The 2018 General Meeting of Telenor ASA was held on 2 May 2018. The pre-and post-General Meeting documents, including the minutes, are available at: www.telenor.com/investors/general-meeting.

The Annual General Meeting (General Meeting)

The General Meeting shall deal with the following matters, as stipulated in the Articles of Association, Clause 8:

- Approval of the annual report and accounts, including distribution of dividends.
- Any other matters that shall be dealt with by the General Meeting by law or pursuant to the Articles of Association.

According to the Norwegian Public Limited Liability Companies Act, Section 5-6, the General Meeting shall also deal with the Board's declaration regarding the determination of salary and other remuneration to executive management pursuant to Section 6-16a. An advisory vote shall be held at the General Meeting following the Board's guidelines for the determination of executive salary and other remuneration. The guidelines for schemes as mentioned in §16-6 a, first paragraph, third sentence must be approved at the General Meeting and are binding upon the Board. Otherwise the guidelines are precatory.

Information on the Board's declaration regarding the determination of salary and other remuneration to executive management is included in note 34 to the financial statements for Telenor Group for 2018 in this Annual Report. Please also see Section 12 below.

According to the Norwegian Public Limited Liability Companies Act, Section 5-6 (4), the General Meeting shall deal with the Report on Corporate Governance pursuant to Section 3-3b of the Norwegian Accounting Act. The following is noted in the minutes of the General Meeting on 2 May 2018:

"The Board of Director's report on corporate governance was considered by the Annual General Meeting. There were no objections to the report."

See the minutes of the General Meeting at: www.telenor.com/wp-content/uploads/2018/04/AGM-2018-Signed-minutes-ENG.pdf.

Extraordinary General Meeting (EGM)

The Board, the Corporate Assembly or the Chair of the Corporate Assembly may decide to convene an Extraordinary General Meeting (EGM). The Board shall convene an EGM if, in order to deal with a specific matter, the auditor who audits the company's annual accounts or share-holders representing at least one twentieth of the share capital demand this in writing. The Board shall ensure that the General Meeting is held within one month of the date the demand was submitted.

Notice convening the General Meeting

Notice convening the General Meeting shall be sent no later than 21 days before the meeting is to be held.

According to Telenor's Articles of Association, Clause 8, the documents relating to items to be considered at the General Meeting, including documents that according to law shall be included in or attached to the notice of meeting, are not required to be sent to the shareholders if the documents are available on Telenor's website. A shareholder may request that such documents be sent to him/her.

Attendance at the General Meeting

The General Meeting shall in accordance with section 5-12, first paragraph of the Public Limited Liability Act and the Articles of Association, article 8, first section, be chaired by the Chair of the Corporate Assembly. The Chair of the Board and the President and CEO shall also attend the General Meeting. Further, Telenor's auditor will attend the General Meeting. In addition, the representatives of the Nomination Committee shall attend the General Meeting in order to present their recommendations and answer any questions.

Shareholders who wish to attend the General Meeting must give notice to Telenor no later than three days prior to the General Meeting in accordance with the Board's detailed instructions, as stated in the Articles of Association, Clause 8, second paragraph.

Shareholders who are unable to attend may vote by proxy. The person authorised to serve under proxy shall submit a written and dated instrument of proxy. If the proxy is presented using an electronic transmission, a secure method shall be utilised to authenticate the transmitter. The proxy is deemed valid only for the forthcoming general meeting unless it is otherwise clearly provided. The shareholder may at any time revoke the proxy.

Written voting prior to General Meetings

The shareholders may cast their paper votes, or vote electronically, in a period preceding the General Meeting. The shareholders may vote separately on each item of the agenda. The Board may provide guidelines for advance voting. The summons shall include the guidelines adopted by the Board, as stated in the Articles of Association, clause 8, sixth paragraph.

Minutes of the General Meetings

The minutes of the Annual General Meetings and Extraordinary General Meetings, together with voting results, attendance and pre-meeting documents are made available online at: www.telenor.com/about-us/corporate-governance/about-the-general-meeting.

Deviations from the NCGB Code of Practice Section 6: The NCGB Code of Practice recommends that all of the members of the Board are present at the General Meeting. Telenor has not deemed it necessary to require the presence of all members of the Board. The Chair of the Board, the Chair of the Nomination Committee and the Corporate Assembly, the President and CEO and other relevant members of manage-ment, are, however, always present at the General Meeting.

7. NOMINATION COMMITTEE

Establishment and Composition

The appointment of a nomination committee is not required by legislation but is recommended by the NCGB Code of Practice. The Nomination Committee of Telenor ASA is established pursuant to the Articles of Association, Clause 9.

The Nomination Committee of Telenor nominates shareholder representatives to the Corporate Assembly and Board, as well as the Nomination Committee. The members of the Board are elected by the Corporate Assembly and the members of the Corporate Assembly are elected by the General Meeting.

The Nomination Committee is independent of the Board, the Corporate Assembly and the Executive Management. Composition of the Nomination Committee is regulated in the Articles of Association, Clause 9.

The Nomination Committee consists of four members that shall be shareholders or representatives of shareholders and that shall be independent from the Board and the Company's management. The members shall be elected by the General Meeting, however, the Chair of the Corporate Assembly shall be elected as the Chair of the Nomination Committee. Of the other three members, one shall be a shareholder-elected member or deputy member of the Corporate Assembly.

When appointing members to the Nomination Committee, representation of broad shareholders' interests shall be taken into consideration.

The members of the Nomination Committee are elected for a period of two years. The shareholder-elected members of the Corporate Assembly determine the remuneration for the Nomination Committee. Proposals to nominate candidates for the Corporate Assembly, Board and Nomination Committee of Telenor should be submitted to the Nomination Committee. Proposals by shareholders may be addressed to Telenor's Investor Relations on: www.telenor.com/about-us/corporate-governance/nomination-committee. Further information about the members of the Nomination Committee is available at: www.telenor.com/en/about-us/corporate-governance/nomination-committee.

The work of the Nomination Committee

According to the Articles of Association, Clause 9, the tasks of the Nomination Committee are to make recommendations to:

- The General Meeting regarding the election of shareholder-elected members and deputies to the Corporate Assembly, and remuneration for the members of the Corporate Assembly;
- The General Meeting for the election and remuneration of members of the Nomination Committee;
- The Corporate Assembly regarding the election of shareholder-elected members and deputies to the Board of Directors, and remuneration of the Board of Directors; and
- The Corporate Assembly for the election of Chair and deputy Chair of the Corporate Assembly.

MEMBERS OF THE NOMINATION COMMITTEE AT YEAR-END 2018

Anders Skjævestad
Chair
Elected from the Corporate Assembly: 2009, elected Chair 2012

Mette Wikborg
Member
Elected by the Annual General Meeting: 2008

Christian Berg
Member
Elected by the Annual General Meeting: 2015

Lars Tronsgaard
Member
Elected from the Corporate Assembly: 2018

The Nomination Committee's process and considerations regarding the election of shareholder-elected members and deputies to the Board shall provide a sound basis for the Nomination Committee's recommendations. The Nomination Committee's work on proposing candidates for election to the Board includes contact with shareholders, the Board and executive personnel (and with members of the Corporate Assembly, where appropriate). The Board's annual report on the Board's self-evaluation of its performance and expertise is dealt with separately by the Nomination Committee. The Nomination Committee emphasises the Board's total competences when making its recommendations.

The General Meeting may adopt instructions for the Nomination Committee. The Nomination Committee held 12 meetings in 2018. Average attendance over the year at the Nomination Committee meetings was 98 per cent.

Deviations from the NCGB Code of Practice Section 7: None.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Telenor has a Corporate Assembly and a Board of Directors, as required by Norwegian law. The Corporate Assembly is a distinctly Norwegian body. It is primarily a supervisory body which supervises the Board's and the President and CEO's management of the company. The duties of the Corporate Assembly are set out in the Public Limited Liability Companies Act, Section 6-37.

Composition of the Corporate Assembly

The composition of the Corporate Assembly is determined with a view to ensure that it represents a broad cross-section of Telenor shareholders.

The Corporate Assembly consists of a total of 15 members. The members and deputies are elected for a term of two years. Ten members and three deputies for these members are elected by the General Meeting. Five members and two observers, with deputies, are elected by and from the employees pursuant to the rules in the regulations relating to the provisions of the Norwegian Public Limited Companies Act concerning the employees' right to representation on the board of directors, corporate assembly, etc.

Due to the independence of the Corporate Assembly, members and observers of the Board and the President and CEO cannot be a member (or an observer) of the

THE CORPORATE ASSEMBLY AT YEAR-END 2018

Anders Skjævestad
Chair
Elected 2012 – member of the Corporate Assembly since 2009, re-elected 2017

Lars Tronsgaard
Deputy Chair
Elected 2018

MEMBERS ELECTED BY THE SHAREHOLDERS:

Silvija Seres
Elected 2011, re-elected 2017

Siri Pettersen Strandenes
Elected 2008, re-elected 2017

Tore Onshuus Sandvik
Elected 2011, re-elected 2017

John Gordon Bernander
Elected 2013, re-elected 2017

Didrik Munch
Elected 2013, re-elected 2017

Widar Salbuvik
Elected 2013, re-elected 2017

Jostein Christian Dalland
Elected 2017

Heidi Finskas
Elected 2018

DEPUTY MEMBERS ELECTED BY THE SHAREHOLDERS:

Maalfrid Brath
First deputy, elected 2016, re-elected 2017

Elin Merete Myrmel-Johansen
Second deputy, elected 2009, re-elected 2017

Ingvild Nybø Holth
Third deputy, elected 2005, re-elected 2017

MEMBERS ELECTED BY THE EMPLOYEES:

May-Iren Arnøy
Elected deputy in 2007, re-elected as member 2017

Hege Karita Ottesen
Elected 2015, re-elected 2017

Magnhild Øvsthus Hanssen
Elected 2007, re-elected 2017

Tom Westby
Elected observer 2016, elected as member 2017

Vegard Aas
Elected observer 2017, elected as member 2018

OBSERVERS FOR THE EMPLOYEES:

Laila Fjelde Olsen
Elected 2018

Haakon Bratsberg
Elected 2018

DEPUTY MEMBERS ELECTED BY THE EMPLOYEES:

Mona Irene Børøen
Hege Nøttestad
Tommy Dybdal
Pål Ligaard
Swati Sharma
Christian Uribe
Espen Egeberg Christiansen
Morten Fallstein
Sune Johannes Jakobsson
Håkon Lønsethagen

Corporate Assembly, cf. Norwegian Public Limited Liabilities Act section 6-36.

The CEO and the Chair of the Board shall normally attend the Corporate Assembly meetings, as stipulated in the Instructions for the Corporate Assembly. Further information about the members of the Corporate Assembly, is published at: www.telenor.com/about-us/corporate-governance/corporate-assembly.

The work of the Corporate Assembly

The Corporate Assembly supervises the Board and the President and CEO's management of the company. The Corporate Assembly held three meetings in 2018. The average attendance over the year at the Corporate Assembly meetings was 100 per cent.

The Corporate Assembly also makes decisions on limited, but important, areas. One important task for the Corporate Assembly is the election of members to the Board, including the Chair of the Board. The General Meeting cannot influence, change or reverse the Corporate Assembly's decisions regarding the election of the Board and Chair of the Board.

In order to exercise its supervisory function, those who attend Corporate Assembly meetings as members or observers may demand information on Telenor's affairs to the extent they consider necessary. The Corporate Assembly may also undertake investigations on its own or through a committee.

The Corporate Assembly shall issue a resolution to the General Meeting as to whether the Board's proposal for the income statement and balance sheet, and Telenor Group's consolidated income statement and balance sheet should be adopted, and as to the Board's proposal for the allocation of profit or coverage of loss.

At the proposal of the Board, the Corporate Assembly may adopt resolutions in matters that concern investments that are substantial compared with the company's resources, and any efficiency measures or alteration of the operations that would entail a major change or reallocation of the labour force.

The Corporate Assembly may adopt recommendations to the Board or the management on any matter.

The Corporate Assembly decides the remuneration to the Board.

The Corporate Assembly has some other specific tasks, such as to present proposals regarding the choice of auditor, receive proposals regarding any merger or de-merger plans and elect a liquidation committee in the event of a decision to wind up the company. The role of the Corporate Assembly is not to act as a general "supreme management". Other tasks may not, therefore, be assigned to the Corporate Assembly unless the law specifically requires it.

Composition of the Board

According to Telenor's Articles of Association, the Telenor ASA Board of Directors shall consist of a minimum of five and a maximum of 13 members, who are to be elected for a term of two years. By 31 December 2018, the Board consisted of ten Board Members, of which three are employee-elected members as required by Norwegian company law.

The Nomination Committee makes recommendations to the Corporate Assembly regarding the election of shareholder-elected members and deputies to the Board. The Corporate Assembly elects the Board, including the Chair of the Board.

In 2018, no new members were elected to the Board.

Expertise and Independence

The Board shall have a diverse composition and expertise tailored to meet the company's needs. Information regarding the background, education and other board positions of each Board member is available on Telenor's website: www.telenor.com/about-us/corporate-governance/board-of-directors.

None of the Board members, apart from the employee representatives, are employees of Telenor or have carried out work for Telenor. In Norway, executive personnel are not normally elected to the board of directors (two-tier system). The management is not represented on the Board, and all shareholder representatives on the Board are independent.

In addition to having the appropriate expertise, it is important that the Board has sufficient capacity to carry out its duties. The commitment involved in being a member of a board can vary from company to company, and there is therefore no set limit for the number of board appointments an individual could hold.

Shares

The members of the Board are encouraged to own shares in the company. Details of the number of shares held by Board members are disclosed at: www.telenor.com/about-us/corporate-governance/board-of-directors and in note 34 to the financial statements for Telenor Group for 2018 of this Annual Report.

Deviations from the NCGB Code of Practice Section 8: None.

9. THE WORK OF THE BOARD, THE CHIEF EXECUTIVE OFFICER AND THE GROUP EXECUTIVE MANAGEMENT OF TELENOR ASA

Role and responsibility of the Board

The Board of Telenor ASA is responsible for the administration of the Telenor Group and for safeguarding the proper organisation of the business. The Board shall supervise the day-to-day management and Telenor's business in general. The Board makes decisions and in certain cases grants authority to make decisions on issues which, due to the nature of the business, are unusual or of major significance to the company.

The Board draws up plans and financial frames and goals for the activities of Telenor. The Board keeps itself informed of Telenor's financial position and ensures that its activities, accounts and asset management are subject to adequate control. The Board ensures that Telenor has good internal controls with respect to the rules and regulations which apply to the Telenor Group. The Board initiates those examinations it finds necessary for the performance of its duties and if so demanded by one or more of the members of the Board.

The Board adopts a plan for its work, with special emphasis on objectives, strategy and implementation, once a year. The Board shall, to the degree necessary, approve strategies, business plans and rolling forecasts for the activities of the Company and its subsidiaries. Telenor's strategy is described in this Report on Corporate Governance, Section 2. Further information on the Telenor Group strategy is available at www.telenor.com/about-us/our-strategy.

The Board emphasises the importance of gaining valuable insights and being well informed on relevant areas such as operational, technological, regulatory and market developments. In September 2018, the Board visited Telenor Sweden's headquarters in Solna.

The Board issues instructions for its own work as well as for the Chief Executive Officer, with particular emphasis on clear internal allocation of responsibilities and duties. The Board adopted revised instructions for the Chief Executive Officer on 30 January 2018 and for the Board on 22 March 2018.

The rules regulating loyalty, impartiality and conflict of interests stated in Telenor's Code of Conduct applies to all members of the Board, managers and other employees of Telenor, as well as others acting on behalf of Telenor:

"A conflict of interest exists when our personal interest conflicts, or could be perceived to conflict, with Telenor's interests. Personal interests include our financial interests, business opportunities, outside employment or the interests of people close to us, like close family members, personal friends or business associates."

An employee shall recuse his or herself from situations and decisions where he or she has a potential or perceived conflict of interest. If a conflict of interest arises, the employee shall on the employee's own initiative evaluate circumstances that may imply a conflict of interest or impartiality and promptly notify the employee's leader of such circumstances.

The Instructions to the Board of Telenor ASA state that Board members are not permitted to take part in the processing or decision-making of issues that have such significance to them or any closely related parties that they must be regarded as having a distinct personal or financial special interest in the issue, or where the said person's disqualification may become relevant for other reasons. The same applies to the President and CEO, cf. also the Public Limited Liability Companies Act, Section 6-27. Neither the Board members nor the President and CEO can, under any circumstances, take part in any issues regarding loans or other credits to themselves or in relation to security for their own debt. In addition, in the event that the Board shall consider a matter of material nature in which the Chair of the Board has, or has had, an active involvement (i.e. negotiations on merger, acquisitions, etc.), the Deputy Chair or in his/her absence a person nominated by the majority of the Board members shall take the Chair when considering such matter. In order to raise awareness on conflict of interest issues amongst the Board members, the Board implemented new procedures in 2018 to regularly discuss the board members additional engagements and its potential impact on the board work.

Board meetings in 2018

Information about the attendance of each of the members of the Board is reported in the minutes of each Board meeting. The minutes from the Board meetings are distributed to selected members of management, the Head of Internal Audit and Investigations and Telenor's external Auditor.

The Board shall normally hold eight ordinary Board meetings during the calendar year, but the minimum is four. Individual Board members and the President and CEO may, at any given time, request a Board meeting to be held to discuss specific matters. In the event that a Board member is unable to attend a Board meeting, the member must notify the Secretary of the Board, who will invite deputies when relevant. Designated deputies have been elected for the employee representatives but not for the shareholder elected Board members. Directors unable to attend a Board meeting are provided with the preparatory board documents.

The Board constitutes a quorum if more than half of its members are present or participate in the discussion of the matter in question. However, the Board may not adopt a resolution without all Board members having been given an opportunity, in so far as possible, to participate in the discussion of the matter in question. Where the Chair of the Board finds it appropriate, Board members may attend a meeting by phone, video conference or other means. The annual financial statement and annual report, as well as the remuneration of the President and CEO and other members of the executive management (if appointed by the Board), will always be dealt with in a physical meeting.

The Board held 12 Board meetings in 2018. The average attendance over the year at the Board meetings was 97.5 per cent.

Board self-assessment

The Board systematically evaluates its performance, activities and expertise by undertaking a yearly self-assessment. External resources are used to facilitate the self-assessment and the evaluation of the self-assessment, as recommended by the NCGB Code of Practice. The Board's self-assessment for 2018 was reviewed in a Board meeting on 18 December 2018 and discussed in the Nomination Committee on the same day.

Working committees of the Board

In order to help ensure thorough preparation of specific issues, the Board has appointed four preparatory working committees of the Board: The Risk and Audit Committee, the People and Governance Committee, the Sustainability and Compliance Committee and the Innovation and Technology Committee.

The Committees have no independent, decision-making authority, except where expressly granted by the Board on a case by case basis. The Committee's role is to prepare matters for consideration and/or decision by the Board as a whole. The Board makes all decisions in Board meetings. The Board has adopted revised charters for each Committee on 21 June 2018. The Committees report to the Board in connection with the scope of work described in the Charters. Each member of the Board has access to all working documents, including the minutes, from the Committee meetings.

The Risk and Audit Committee

The Risk and Audit Committee was, by year-end 2018, composed of the following members of the Board: Jon Erik Reinhardsen (Chair of the Committee), Jørgen Kildahl, Grethe Viksaas and Harald Stavn (employee representative). The Committee held eight meetings in 2018. The average attendance over the year at the Committee meetings was 100 per cent.

The Risk and Audit Committee is a preparatory committee that supports the Board in fulfilling the Board's responsibilities with respect to financial reporting, internal controls, internal and external audit, risk management and risk framework and is established in accordance with the requirements of Audit Committee in the Norwegian Public Limited Companies Act.

The People and Governance Committee

The People and Governance Committee was, by year-end 2018, composed of the following members of the Board: Gunn Wærsted (Chair of the Committee), Jon Erik Reinhardsen, Sally Davis and Harald Stavn (employee representative). The Committee held seven meetings in 2018. The average attendance over the year at the Committee meetings was 100 per cent.

The People and Governance Committee is a preparatory committee to the Board of Directors of Telenor that supports the Board in fulfilling their responsibilities with respect to governance, remuneration, leadership and culture development.

During 2018 the Committee has in particular conducted a review of the overall incentive structure to explore how the structure could become more effective and help engage and inspire employees to drive annual results and long term value creation for Telenor Group.

The Sustainability and Compliance Committee

The Sustainability and Compliance Committee was, by year-end 2018, composed of the following members of the Board: Sally Davis (Chair of the Committee), Gunn Wærsted, Jørgen Kildahl, and Roger Rønning (employee representative). The Committee held five meetings in 2018. The average attendance over the year at the Committee meetings was 100 per cent.

The Committee continues to support the Board in fulfilling the Board's responsibilities with respect to sustainability and compliance issues. In its work, the Committee is guided by international conventions and standards, the Telenor Code of Conduct, Group Policies and Manuals relevant to the scope of the Committee. The Committee also supports the Board in fulfilling its responsibilities to specifically address climate and environment, human rights, labour standards and anti-corruption. The Committee supervises that the company has put in place policies, systems and reporting for the said areas.

During 2018 the Committee has had a particular focus on compliance, health, safety & personnel security, supply chain, human rights and alignment on key risk areas to follow up going forward.

The Innovation and Technology Committee

The Innovation and Technology Committee was by year-end 2018 composed of the following members of the Board: Jacob Aqraou (Chair of the Committee), René Obermann, Grethe Viksaas and Sabah Qayyum (employee representative). The Committee held five meetings in 2018. The average attendance over the year at the Committee meetings was 96 per cent.

The Innovation and Technology Committee is a preparatory committee that supports the Board in fulfilling the Board's responsibilities with respect to innovation and technology development. This includes monitoring the overall progress of Telenor's digital transformation, following trends and technology developments impacting Telenor, and monitoring the formulation and execution of Telenor's security strategy, security governance, and operational status with an emphasis on cyber security as a top enterprise risk.

Topics covered in 2018 were related to 5G, IoT, Embedded SIM (eSim), Devices, Innovation investments and effects, Data Analytics- and Marketing capabilities to drive personalization, Spectrum optimization and efficiency, and IT strategy, and Cyber Security.

TELENOR ASA BOARD OF DIRECTORS BY YEAR-END 2018

Gunn Wærsted
Chair of the Board
Appointed: 14 January 2016, re-elected 10 May 2017

Jørgen Kildahl
Deputy Chair
Appointed: 10 May 2017, Deputy Chair 12 June 2017

Jacob Aqraou
Board Member
Appointed: 11 May 2016, re-elected 2 May 2018

Sally Margaret Davis
Board Member
Appointed: 23 November 2011, re-elected 10 May 2017

René Richard Obermann,
Board Member
Appointed 1 January 2018

Jon Erik Reinhardsen
Board Member
Appointed: 14 May 2014, re-elected 10 May 2017

Grethe Viksaas
Board member
Appointed: 10 May 2017

Sabah Qayyum
Employee representative
Appointed: 19 June 2017

Roger Rønning
Employee representative
Appointed: 19 June 2017

Harald Stavn
Employee representative
Appointed: 20 June 2000, re-elected 19 June 2017

The Chief Executive Officer (CEO)

The managing director of Telenor ASA is the authoritative head of the day-to-day management of Telenor ASA and is the President and CEO of the Telenor Group. The Board appoints the President and CEO, sets his/her terms of employment based on recommendations by the People and Governance Committee, and devises instructions for the position. The Board shall decide the President and CEO's terms of employment and salary, and any adjustments therein.

The President and CEO is in charge of the day-to-day management of operations at Telenor ASA and across the Telenor Group, and is responsible for ensuring that the company and Group are organised, run and developed in accordance with the law, Telenor's Articles of Association and decisions adopted by the Board, the Corporate Assembly and the General Meeting.

The Board has provided instructions for governance to the President and CEO covering the management of the Telenor Group, financial reporting and the management of ownership interests, the management of Telenor ASA in subsidiaries and other companies in the Telenor Group, the power of attorney of the President and CEO, submission of proposals for decisions for the Board from the President and CEO and the President and CEO's responsibilities for reporting to the Board.

Group Executive Management (GEM)

The Group Executive Management (GEM) of Telenor ASA is an advisory management body for the President and CEO. GEM consists of EVPs for Support Functions and Global Units and the Cluster heads of Scandinavia, Emerging Asia and Developed Asia, and is chaired by the President and CEO. Strategic, operational, financial or other issues important to Telenor shall normally be dealt with in GEM meetings.

The GEM members report to the President and CEO.

A subsidiary's relationship to Telenor ASA

The board of directors of a subsidiary in the Telenor Group is obliged to provide the Board of Telenor ASA with any information that is necessary for an evaluation of the Telenor Group's position and the result of the group's activities.

Telenor ASA notifies a subsidiary's board of directors of matters which may be of importance to the Telenor Group as a whole. Telenor ASA also notifies the subsidiary's board of directors of decisions which may be of importance to the subsidiary before a final decision is made.

To ensure implementation of good and efficient corporate governance in Telenor's subsidiaries, Telenor's governance framework is implemented in all Business Units. The Business Unit's board of directors adopts the relevant governing documents and supervises its implementation.

Deviations from the NCGB Code of Practice Section 9: None.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board's responsibility and objective for Risk Management and Internal Control

Risk management and internal control are given high priority at Telenor. Key aspects encompass embedding risk management, designating risk ownership and implementing risk responses throughout the organisation. The Group Governing Principles set out key principles related to Risk Management and Internal Control. All foreseeable risks that may have an impact on Telenor's ambitions will be evaluated.

Telenor's risk management objective is to earn competitive returns from its various business activities at acceptable risk levels and without compromising its vision, values and Code of Conduct. Risk management is integrated within the Telenor Group's annual strategy planning process, and top risks highlighted therein by Business Units are tracked through various group review processes. Business Units report their risks in their annual strategy plan, based on a thorough risk assessment process.

Group Enterprise Risk Management aggregates risks from the Business Units, analyses other risks across the Telenor Group in a Group Risk Forum and presents Telenor's risks and risk process to the Group Executive Management, the Risk and Audit Committee and ultimately to the Board of Directors. At least once a year, the Board of directors reviews the Group risk picture in a meeting. Each Business Unit is responsible for updating their company level risk register on a regular basis. Business Units provide quarterly updates and also report risks that have emerged, including the status of actions to respond to the risks. Business Units are required to align risk management processes closely with existing business and management processes locally. All managers are required to assume responsibility for risk management within their areas of responsibility and ensure that risk management is embedded in day-to-day business processes.

Telenor has a strong focus on internal controls over financial reporting (ICFR) and has established a process for ensuring that sufficient internal control-related activities are implemented in Telenor's financially significant business operations worldwide. The Group Governing Principles define the key requirements and the expectations for the ICFR program to be implemented in these business operations. This ICFR process is overseen by the Board through the Risk and Audit Committee. The responsibility for implementation of the ICFR program in the financially significant Business Unit's rests with the local management. These Business Units provide quarterly and annual ICFR status reports to Group Finance.

Management performs an annual evaluation of ICFR. The evaluation includes identification and assessment of all material financial reporting risks, as well as ensuring that relevant controls to address these risks are implemented, executed and tested with a certain frequency throughout the year. For controls that are not operationally effective at year-end, the potential impact and financial exposure on the consolidated financial statements are evaluated. Regular reviews are performed to identify the most relevant financial reporting risks and to improve Telenor's ICFR best practices. These reviews also ensure that identified risks are addressed by sufficient controls at all times.

Telenor focuses on continuously improving its risk management process. The purpose is to improve assessment, monitoring and reporting of risks by linking risks to relevant policies and ambitions, and increasing control and follow-up.

Further information regarding risk management is presented in the Board of Directors' Report of this Annual Report for 2018.

Financial Reporting Standards

Telenor prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union. The consolidated financial statements shall give a true and fair view of the Company's and the Telenor Group's assets, liabilities, financial position and results of operations.

Telenor ASA is a holding company and contains the Group Management, Corporate Functions, Research and Development and Group Treasury. The financial statements for Telenor ASA are prepared in accordance with the Norwegian Accounting Act section 3-9 and regulations regarding simplified application of IFRS issued by the Ministry of Finance on 21 January 2008. Financial Reporting Standards and accounting principles are further described in the notes to the financial statements of this Annual Report for 2018.

The Disclosure Committee

The Disclosure Committee supports the company's efforts to meet the requirements for external financial reporting. The Disclosure Committee reviews the quarterly and annual reports of the Telenor Group and ensures that external reporting requirements are met. The Committee is chaired by the CFO and includes the following members: Head of Group Legal, Head of Investor relations, Group Controller, Head of Group Accounting and Head of Group Communications. The Disclosure Committee meets to review the Quarterly financial reports and the Annual Report.

The Group Compliance Officer and the Compliance function

The Group Compliance function in Telenor is responsible for

- Code of Conduct ownership on behalf of the Board;
- resolution of compliance cases;
- ownership and implementation of the anti-corruption policy- and business partner risk management policy;
- design and implementation of compliance risk processes; and
- leading the Governance Work Programme.

The Group Chief Compliance Officer heads the group-wide compliance function and supports the President and CEO and the Board in ensuring that the Code of Conduct sets the appropriate standards, and that these standards are implemented and enforced.

In late 2018, the Group Chief Compliance Officer began reporting administratively to the Chief Corporate Affairs Officer, while continuing to report functionally to the President and CEO. Correspondingly, the

Telenor Business Unit Head of Compliance report directly to the Business Unit CEO. The Business Unit Head of Compliance also reports regularly to the Business Unit Board of Directors on compliance matters. In order to ensure alignment of strategy, prioritization and implementation of compliance and governance related matters, the Business Unit Heads of Compliance have dotted functional reporting to the Group Chief Compliance Officer.

Group Internal Audit and Investigation (GIA&I)

Group Internal Audit and Investigation (GIA&I) is an independent, objective, assurance, advisory, and investigation unit aiming at adding value to improve the operations of the Telenor Group.

The internal audit unit assists Telenor in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Telenor Group's risk management, control, reporting and governance processes.

The investigation unit ensures that internal investigations are conducted with predictability, confidentiality, fairness and independence to clarify the factual circumstances and establish if there are any evidence of personal misconduct or violation to Telenor's Governing Documents and/or laws and regulations.

GIA&I is empowered to perform engagements in Telenor ASA and any subsidiary in which Telenor ASA, directly or indirectly, owns more than 50 per cent of the voting shares, or the power of control is possessed and exercised by or on behalf of Telenor ASA.

GIA&I is organized as a global function, developing one global audit plan and performing investigations for the whole group. The Head of GIA&I reports functionally to the Board of Directors through the Risk and Audit Committee and administratively to the President and CEO.

Group Investment Committee (GIC)

The Group Investment Committee (GIC) provides recommendations to the President and CEO and other approval bodies regarding investments and other financial commitments falling within the authority limits set out in the Group Authority Matrix or deemed to be of special interest or principle in nature. GIC is chaired by the CFO and consists of members who have relevant expertise.

GIC secures agreement on the decision process and strategic alignment of proposals, and ensures quality and completeness of assessments and standards for business cases and risks. In addition, GIC performs post-investment evaluations and enhances knowledge sharing.

Group Treasury

In order to ensure overall management and control of the company's financial affairs, the Company has set up Group Treasury as a central finance function. Group Treasury functions in accordance with its mandate set out in the Group Policy Treasury. Group Treasury reports to the Group CFO.

The purpose of the Group Policy Treasury is to mitigate treasury risks in the Telenor Group and to secure efficient management and control of treasury activities. It also provides an overall framework for the management of treasury risks, including liquidity risk, counterparty credit risk, third party credit risk, currency risk and interest rate risk. Further, the Group Policy Treasury sets the main principles for activities for the Group Treasury function as well as Business Units related to the capital structure, equity and debt funding, cash management, working capital management, bank relationship management, treasury risk management, issuance of guarantees and treasury reporting requirements. The policy sets the standards and terms for how the treasury functions in the group shall manage its operation and responsibilities in accordance with established policy requirements.

GROUP EXECUTIVE MANAGEMENT BY YEAR-END 2018

Sigve Brekke
President and Chief Executive Officer

Jørgen C. Arentz Rostrup
EVP, Group Financial Officer

Cecilie Blydt Heuch
EVP, Chief People Officer

Petter Børre Furberg
EVP, Emerging Asia Cluster

Svein Henning Kirkeng
EVP, Head of Products and Marketing

Anne Kvam
EVP, Chief Corporate Affairs Officer

Albern Murty
EVP, Developed Asia Cluster, CEO Digi

Ruza Sabanovic
EVP, Head of Technologies and Services

Morten Karlsen Sørby
EVP, acting Cluster Head Scandinavia

See further information on GEM at: www.telenor.com/about-us/corporate-governance/group-executive-management.

Value Agenda meetings and Financial Reviews

Value Agenda meetings and Financial Reviews are conducted regularly. Value Agenda meetings are normally held with the Business Units three to four times a year and are chaired by the President and CEO. The primary focus in the Value Agenda meetings is to discuss important strategic and operational and non-financial (such as people, compliance and regulatory) issues in more depth, and actions required to reach defined milestones or ambitions. Once a year, the focus is on long-term strategic aspirations as part of the strategy process (referred to as Strategy Workshop).

The Financial Review is held with key Business Units on a quarterly basis and is chaired by the Group CFO. The main purpose of the Financial Review is to review the Business Unit's financial performance, internal control, development of risks and regulatory issues as well as forecasted financial performance for the coming quarters.

Business Unit performance reviews are conducted regularly with each of the main Business Units in the Telenor Group, and are chaired by the Group CFO with participation from other relevant functional EVPs. The purpose of these meetings is to monitor and follow-up key strategic priorities, financial and operational performance relative to defined targets as well as other relevant topics with reputational and/or strategic impact.

Deviations from the NCGB Code of Practice Section 10: None.

11. REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration to the Board of Directors consists of an annual fee reflecting the role in the board, and additional fees for any board committee the directors take part in. Directors who are part of the People and Governance Committee and Risk and Audit Committee receive a fixed annual fee, whereas directors in the Sustainability and Compliance Committee and Technology and Innovation Committee receive a fixed fee per meeting they attend. Directors are neither entitled to remuneration in the event of termination, nor change of office or other types of remuneration such as bonus, profit sharing or options. All board fees are set by the Corporate Assembly.

Additional assignments

Members of the Board and/or companies they are associated with, apart from the employee representatives, do not ordinarily take on specific assignments for Telenor in addition to fulfilling their responsibilities as members of the Board. Any additional assignments will be disclosed to the full Board. Any remuneration for such additional assignments will be approved by the Board.

Disclosure

This Annual Report provides information on all remuneration paid to each member of the Board. Any remuneration in addition to the normal directors' fees is specifically identified in note 34 to the financial statements for Telenor Group for 2018. In 2018, none of the members of the Board received compensation from any other group companies, apart from the employee representatives. None of the members of the Board has loans from the Company.

Deviations from the NCGB Code of Practice Section 11: None.

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

Guidelines

The Board has established guidelines for the remuneration of executive management that are made available to the General Meeting. The guidelines describe the main principles applied in determining remuneration to the President and CEO and the executive management, and aim to secure that Telenor provides a competitive, but not market leading total remuneration, drives results in accordance with the business strategy and align interests of the executive management and the shareholders.

The Board's statement on the determination of salary and other remuneration elements to the executive management was approved by the General Meeting on 2 May 2018. The General Meeting voted separately on each of the separate aspects of the guidelines, see Section 6 of this Corporate Governance Report and the minutes of the General Meeting at: www.telenor.com/wp-content/uploads/2018/04/AGM-2018-Signed-minutes-ENG.pdf. For more details on the guidelines, please refer to note 34 to the financial statements of this Annual Report.

Determination of salary and other remuneration

The People and Governance Committee considers the President and CEO's base salary and other remuneration elements and presents this to the Board of Directors for approval.

The People and Governance Committee also reviews the total remuneration for the executive management and general principles for remuneration across Telenor Group.

The Board's declaration regarding the determination of salary and other remuneration to the President and CEO and executive management includes:

- Base salary and allowances
- Short-term incentive (cash bonus plan)
- Long-term incentive (share plan with Telenor ASA shares or phantom shares in some jurisdictions)
- Pension and insurance schemes
- Severance payments

Disclosure

According to the Norwegian Act on Public Limited Liability Companies, the Accounting Act, the Government's prevailing policy on the remuneration of leading personnel, and in line with the NCGB Code of Practice, all aspects relating to remuneration of the President and CEO and total remuneration of other executive management are presented in note 34 to the financial statements for Telenor Group for 2018 of this Annual Report.

The Board of Director's statement regarding the determination of salary and other remuneration to the executive management was included as a separate appendix (Appendix 7) to the General Meeting on 2 May 2018 in accordance with the NCGB Code of Practice: www.telenor.com/wp-content/uploads/2018/04/Appendix-2-Statement-regarding-determination-of-salary-and-other-remuneration.pdf.

Deviations from the NCGB Code of Practice Section 12: None.

13. INFORMATION AND COMMUNICATION

A regular flow of information from Telenor will help shareholders and other investors to make informed decisions on the purchase and sale of the company's shares, based on equal access to information.

The Board provides guidelines for the company's reporting of financial and other information based on openness and transparency, and in accordance with requirements relating to equal treatment of players in the share market. Each year, Telenor announces the dates of important events, such as the General Meeting, the publication of interim reports, public presentations and the payment date of any dividends.

Information sent to the company's shareholders is made available on the Telenor website at the same time as it is sent to the shareholders. The Investor Relations function at Telenor ensures that contact with the company's shareholders is maintained outside the General Meeting, see: www.telenor.com/ir.

Deviations from the NCGB Code of Practice Section 13: None.

14. TAKE-OVERS

The Norwegian State owns 53.97 per cent of Telenor. As set out in Section 4 above, any reduction in the stake by the state requires a special resolution of the Norwegian Parliament. For such reason, the Board has not adopted any guiding principles as recommended by the NCGB Code of Practice since the process in Parliament will safeguard the intentions set down in the NCGB principles.

In the event of a take-over bid, the Board will comply with the NCGB principles on this issue.

Deviations from the NCGB Code of Practice Section 14: Exception made with respect to the Norwegian State's ownership.

15. AUDITOR

In accordance with Norwegian regulations, Telenor complies with strict requirements for oversight of the auditing and auditors, including the auditor's independence.

Telenor has a pre-approval policy and procedures in place for approval of non-audit services performed by the external auditor that have been established by the Board. The external auditor provides the Risk and Audit Committee with an annual written confirmation of independence. The auditor presents to the Risk and Audit Committee, on a bi-annual basis, a summary of all services, in addition to the audit, provided by the external auditor. The auditor also presents any threats to his/her independence and documents measures implemented to reduce these, as required by the Audit and Auditors Act Section 5a-3 3.

The Company's external auditor presents the main features of the plan for the execution of the audit to the Risk and Audit Committee and reports interim and final results of the external auditor's work to the Risk and Audit Committee.

The external auditor attends all meetings of the Risk and Audit Committee, the Board meeting that approves the Annual Report and other meetings on request. The external auditor presents the result of the audit to the Risk and Audit Committee and the Board in the meeting approving the Annual Report, including presentation of any material changes in the company's accounting principles and significant accounting estimates, and reports material matters on which there has been disagreement between the auditor and Telenor's Executive Management, if any.

Each year the auditor presents to the Risk and Audit Committee and the Board internal control weaknesses and improvement opportunities, if any. The external auditor meets with the Risk and Audit Committee and the Board at least annually where neither the President and CEO nor other members of management are present.

At the General Meeting, the Board gives an account of the auditor's remuneration divided into audit fees and other services as disclosed in the Annual Report.

Deviations from the NCGB Code of Practice Section 15: None.

CONSOLIDATED INCOME STATEMENT

Telenor Group 1 January – 31 December

NOK in millions, except earnings per share	Note	2018	2017
Revenues	6	**110 362**	112 069
Cost of materials and traffic charges	7	(26 180)	(26 928)
Salaries and personnel costs	8	(10 723)	(11 412)
Other operating expenses	9	(28 008)	(29 034)
Other income	10	63	1 306
Other expenses	10	(3 267)	(1 172)
EBITDA		**42 247**	44 828
Depreciation and amortisation	17,18	(20 104)	(19 621)
Impairment losses	15,17,18	(56)	(833)
Operating profit		**22 088**	24 374
Share of net income (loss) from associated companies and joint ventures	19	(81)	531
Gains (losses) on disposal of associated companies and joint ventures	19	-	(5 148)
Financial income and expenses			
Financial income	12	1 209	1 564
Financial expenses	12	(2 484)	(2 991)
Net currency gains (losses)	12	(2 227)	1 030
Net change in fair value of financial instruments	12	342	425
Net gains (losses and impairment) of financial assets and liabilities	12	3	(181)
Net financial income (expenses)		**(3 158)**	(152)
Profit before taxes		**18 848**	19 605
Income taxes	13	(6 179)	(6 491)
Profit from continuing operations		**12 668**	13 114
Profit (loss) from discontinued operations	4	4 773	1 784
Net income		**17 442**	14 898
Net income attributable to:			
Non-controlling interests		2 711	2 915
Equity holders of Telenor ASA		14 731	11 983
Earnings per share in NOK			
Basic/Diluted from continuing operations		6.76	6.80
Basic/Diluted from discontinued operations	14	3.24	1.19
Basic/Diluted from total operations	14	10.00	7.99

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Telenor Group 1 January – 31 December

NOK in millions	Note	2018	2017
Net income		**17 442**	14 898
Other comprehensive income (loss)			
Translation differences on net investments in foreign operations	23	(1 175)	2 296
Amount reclassified from other comprehensive income to income statement on disposal	23	1 584	(7 744)
Net gain (loss) on hedge of net investments	23, 28	316	(1 426)
Income taxes		(73)	342
Amount reclassified from other comprehensive income to income statement on disposal	23	1090	4 094
Income taxes reclassified	23	(298)	(1 119)
Share of other comprehensive income (loss) from associated companies and joint ventures	23	2	(342)
Amount reclassified from other comprehensive income to income statement on disposal	23	(2)	12 282
Items that may be reclassified subsequently to income statement		**1 445**	8 383
Net gain (loss) on equity investments	23	(2 809)	(634)
Remeasurement of defined benefit pension plans	23, 25	(323)	(63)
Income taxes		84	-
Items that will not be reclassified to income statement		**(3 047)**	(697)
Other comprehensive income (loss), net of taxes		**(1 602)**	7 687
Total comprehensive income (loss)		**15 839**	22 585
Total comprehensive income (loss) attributable to:			
Non-controlling interests		2 939	2 897
Equity holders of Telenor ASA		12 900	19 688

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Telenor Group as of 31 December

NOK in millions	Note	2018	2017
ASSETS			
Deferred tax assets	13	2 699	1 917
Goodwill	15,16	14 403	26 446
Intangible assets	17	36 371	30 601
Property, plant and equipment	18	73 361	75 557
Associated companies and joint ventures	19	2 382	480
Other non-current assets	21	17 792	13 297
Total non-current assets		**147 008**	148 298
Prepaid taxes		804	1 076
Inventories		1 703	1 773
Trade and other receivables	20	21 685	24 749
Other current financial assets	21	678	1 622
Assets classified as held for sale	4	902	1 701
Cash and cash equivalents	22	18 492	22 546
Total current assets		**44 264**	53 468
Total assets		**191 272**	201 765
EQUITY AND LIABILITIES			
Equity attributable to equity holders of Telenor ASA	23	49 446	57 496
Non-controlling interests	23	5 009	4 839
Total equity		**54 455**	62 335
Liabilities			
Non-current interest-bearing liabilities	27	55 926	51 587
Non-current non-interest-bearing liabilities	26	1 809	1 105
Deferred tax liabilities	13	3 322	3 359
Pension obligations	25	2 819	2 565
Provisions and obligations	24	5 485	4 132
Total non-current liabilities		**69 361**	62 747
Current interest-bearing liabilities	27	15 740	22 710
Trade and other payables	26	37 728	40 295
Current tax payables		5 541	4 438
Current non-interest-bearing liabilities	26	1 666	3 253
Provisions and obligations	24	3 811	1 777
Liabilities classified as held for sale	4	2 970	4 210
Total current liabilities		**67 456**	76 683
Total equity and liabilities		**191 272**	201 765

Fornebu, 19 March 2019

Gunn Wærsted
Chair

Jørgen Kildahl
Vice Chair of the Board

Jon Erik Reinhardsen
Board member

Jacob Aqraou
Board member

Grethe Viksaas
Board member

Sally Davis
Board member

Roger Rønning
Board member

René Richard Obermann
Board member

Sabah Qayyum
Board member

Harald Stavn
Board member

Sigve Brekke
President & CEO

CONSOLIDATED STATEMENT OF CASH FLOWS

Telenor Group 1 January – 31 December

NOK in millions	Note	2018	2017 Restated
Profit before taxes from continuing operations		18 848	19 605
Profit (loss) before taxes from discontinued operations		5 019	2 147
Profit before taxes		**23 867**	**21 751**
Income taxes paid		(6 599)	(6 100)
Net (gain) loss from disposals, impairments and change in fair value of financial assets and liabilities		(3 672)	(1 212)
Depreciation, amortisation and impairment losses		20 846	22 166
Share of net (income) loss and (gains) losses on disposal of associated companies and joint ventures		83	4 617
Dividends received from associated companies		28	24
Net interest expense		1 602	2 402
Changes in net operating working capital	22	(2 799)	(530)
Net currency (gains) losses not relating to operating activities		2 512	(1 072)
Interest received		479	443
Interest paid		(2 198)	(2 645)
Other adjustments		2 246	880
Net cash flow from operating activities		**36 394**	**40 723**
Proceeds from sale of property, plant and equipment and intangible assets		91	119
Purchases of property, plant and equipment and intangible assets	22	(21 011)	(20 726)
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed	22	20 404	7 392
Purchases of subsidiaries, associated companies and joint ventures, net of cash acquired	22	(37)	(2 000)
Proceeds from sale of other investments		253	3 481
Purchases of other investments		(313)	(341)
Net cash flow from investing activities		**(613)**	**(12 075)**
Proceeds from borrowings	27	21 759	9 052
Repayments of borrowings	27	(33 262)	(21 625)
Payments of licence obligations	27	(740)	(973)
Net payments related to supply chain financing		43	(221)
Share buyback by Telenor ASA	28	(5 809)	(1 435)
Dividends paid to non-controlling interests in subsidiaries	22	(3 095)	(2 586)
Dividends paid to equity holders of Telenor ASA	23	(18 381)	(11 944)
Net cash flow from financing activities		**(39 487)**	**(29 733)**
Effects of exchange rate changes on cash and cash equivalents		(284)	454
Net change in cash and cash equivalents		**(3 990)**	**(632)**
Cash and cash equivalents as of 1 January		22 318	22 951
Cash and cash equivalents as of 31 December		**18 328**	**22 319**
Of which cash and cash equivalents in assets held for sale as of 31 December	4	407	362
Cash and cash equivalents excluding assets held for sale as of 31 December	22	**17 921**	**21 957**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Telenor Group – for the years ended 31 December 2017 and 2018

	Attributable to equity holders of Telenor ASA						
NOK in millions	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 2017	**9 078**	**(16 343)**	**58 000**	**144**	**50 879**	**4 517**	**55 396**
Net income for the period	-	-	11 983	-	11 983	2 915	14 898
Other comprehensive income (loss) for the period	-	11 247	-	(3 542)	7 705	(18)	7 687
Total comprehensive income (loss) for the period	**-**	**11 247**	**11 983**	**(3 542)**	**19 688**	**2 897**	**22 585**
Transactions with non-controlling interests	-	-	-	-	-	67	67
Equity adjustments in associated companies and joint ventures	-	(539)	586	-	47	-	47
Dividends	-	-	(11 694)	-	(11 694)	(2 642)	(14 335)
Share buyback	(52)	(1 424)	-	-	(1 476)	-	(1 476)
Share-based payment, exercise of share options and distribution of shares	-	52	-	-	52	-	52
Equity as of 31 December 2017	**9 025**	**(7 006)**	**58 875**	**(3 398)**	**57 496**	**4 839**	**62 335**
Changes in accounting principles – note 1	-	164	3 200	-	3 364	300	3 664
Equity as of 1 January 2018	**9 025**	**(6 842)**	**62 075**	**(3 398)**	**60 860**	**5 139**	**66 000**
Net income for the period	-	-	14 731	-	14 731	2 711	17 442
Other comprehensive income (loss) for the period	-	(3 061)	-	1 230	(1 831)	229	(1 602)
Total comprehensive income (loss) for the period	**9 025**	**(3 061)**	**14 731**	**1 230**	**12 900**	**2 939**	**15 839**
Transactions with non-controlling interests	-	-	-	-	-	4	4
Dividends	-	-	(18 382)	-	(18 382)	(3 073)	(21 455)
Share buyback	(208)	(5 560)	-	-	(5 768)	-	(5 768)
Share-based payment, exercise of share options and distribution of shares	-	(166)	-	-	(166)	-	(166)
Equity as of 31 December 2018	**8 818**	**(15 630)**	**58 424**	**(2 168)**	**49 446**	**5 009**	**54 455**

1) See note 23.

NOTES TO THE FINANCIAL STATEMENTS

Telenor Group

Contents notes

NOTE 1 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-1360 Fornebu, Norway. Telephone number: +47 678 90 000. Telenor is a telecommunication company and the principal activities of the Company and its subsidiaries (the Group) are described in Note 5 Segments.

These consolidated financial statements have been approved for issuance by the Board of Directors on 19 March 2019 and is subject to approval by the Annual General Meeting on 7 May 2019.

Statement of compliance

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.

The accounting policies applied are consistent with those applied in the previous financial year, except for the implementation of new and revised accounting standards and interpretations, and other changes, described below.

Adoption of new and revised standards and interpretations

The below standards and interpretations adopted with effect from 1 January 2018 had the following impact on the Group's consolidated financial statements:

- IFRS 15 *Revenue from Contracts with Customers* (effective from 1 January 2018). IFRS 15 establishes a five-step model that applies to revenue arising from contracts with customers. The main implications of IFRS 15 for the Group are:

  - *Allocation based on stand-alone selling prices:* IFRS 15 requires allocation of the total consideration in a contract between elements in multiple elements arrangements based on the stand-alone selling prices for the goods and services included. The Group's past accounting policy was to cap the revenue of delivered items to the amount that was not contingent on delivery of additional items or other specified performance criteria. This change has impacted revenue recognition where a discount is provided to the customer on day one. The impact depends on the size of the discount and the contract period for the service contract. Under such circumstances, the new revenue recognition standard impacts the subscription and traffic revenues negatively and increases handset revenues.

  - *Multiple element arrangements sold through external channels:* In some markets where discounted handsets and subscriptions are sold through external channels, the Group is the principal in the subscription sale only, while the discounted handset is regarded as sold by the dealer. The dealer may be compensated for the discount through commission from the Group. The previous accounting policy for the Group was to recognise a commission expense and increased subscription revenue. Under IFRS 15, the commission is offset against revenue to the extent it is possible to establish a link between the commission to the dealer, which is passed on to the customer, and the consideration from the customer subsequently collected by the Group. Consequently, the subscription and traffic revenues are negatively impacted in these arrangements.

  - *Incremental costs of obtaining a contract:* Incremental costs of obtaining a contract, such as sales commissions, were under the previous accounting policy, expensed as incurred. IFRS 15 requires capitalisation of such costs if the amortisation period is more than 12 months. The amortisation period is the expected contract period, including renewals. Amortisation of the capitalised costs of obtaining a contract is recognised as part of EBITDA.

  - *Disclosures:* IFRS 15 adds a number of disclosure requirements to the annual report. The main changes to the notes for 2018 following the implementation of IFRS 15 are:
    1) Disaggregation of revenues from contracts with customers into relevant categories is shown in Note 6 Revenues, as well as a reconciliation to total revenues per segment as reported in Note 5 Segments.
    2) Disclosures related to contract assets, receivables from contracts with customers and contract liabilities can be found in Note 20 Trade and other receivables and Note 26 Trade and other payables and non-interest-bearing liabilities.
    3) Assets recognised from costs to obtain or fulfil contracts with customers are disclosed in Note 21 Other non-current assets and current financial assets.

  - *Transition method:* The Group has applied the modified retrospective approach for transition to IFRS 15, which implies:
    1) Comparative figures for 2017 are not restated.
    2) Disclosures reconciling each financial statement line item in 2018 with the previous IFRS standards and interpretations are provided for significant changes, including explanations. See below.
    3) The cumulative effect of initially applying IFRS 15 was recognised as an adjustment to opening balance of equity 1 January 2018, reflecting the contract asset and liability for open contracts as trade and other receivables and trade and other payables, and the capitalisation of costs of obtaining and fulfilling a contract as other non-current assets. The Group elected to use the practical expedient in IFRS 15 for all contract modifications that occurred before the date of initial application. Thus, the adjustment to opening balance of equity for 2018 was established based on identified open contracts as of 1 January 2018 and the status for these contracts at that date. Based on this, the contracts were retrospectively created, and run down (month by month) up to 1 January 2018 to arrive at the contract asset (or liability) balance at that date.

  - *Impacts related to IFRS 15 Revenue from Contracts with Customers:* The tables below show the impact arising from IFRS 15 on the opening balance and for the full year 2018. The calculated net adjustment to the opening balance of equity for 2018 is NOK 3.5 billion, comprised of the following items:
    - Net contract assets and liability NOK 1.0 billion
    - Contract acquisition and fulfilment costs NOK 3.6 billion
    - Net tax impact NOK 1.0 billion

CONSOLIDATED INCOME STATEMENT

(NOK in millions, except for earnings per share)	2018 (IFRS 15)	Impact IFRS 15	2018 (IAS 18)	2017 (IAS 18)
Revenues	**110 362**	**34**	**110 396**	**112 069**
Cost of materials and traffic charges	(26 180)	(134)	(26 314)	(26 928)
Salaries and personnel costs	(10 723)	(58)	(10 780)	(11 412)
Other operating expenses	(28 008)	26	(27 982)	(29 034)
Other income	63	-	63	1 306
Other expenses	(3 267)	-	(3 267)	(1 172)
EBITDA	**42 247**	**(132)**	**42 115**	**44 828**
Depreciation and amortisation	(20 104)	-	(20 104)	(19 621)
Impairment losses	(56)	-	(56)	(833)
Operating profit	**22 088**	**(132)**	**21 955**	**24 374**
Share of net income from associated companies and joint ventures	(81)	-	(81)	531
Gain (loss) on disposal of associated companies	-	-	-	(5 148)
Net financial income (expenses)	(3 158)	-	(3 159)	(152)
Profit before taxes	**18 848**	**(133)**	**18 715**	**19 605**
Income taxes	(6 179)	18	(6 161)	(6 491)
Profit from Continuing operations	**12 668**	**(114)**	**12 554**	**13 114**
Profit (loss) from discontinued operations	4 773	27	4 800	1 784
Net income	**17 442**	**(87)**	**17 354**	**14 898**
Net income attributable to				
Non-controlling interests	2 711		2 728	2 915
Equity holders of Telenor ASA	14 731		14 626	11 983
Earnings per share in NOK				
Basic from continuing operations	6.76		6.67	6.80
Diluted from continuing operations	6.76		6.67	6.80
Earnings per share in NOK				
Basic from discontinuing operations	3.24		3.26	1.19
Diluted from discontinuing operations	3.24		3.26	1.19
Earnings per share in NOK				
Basic from total operations	10.00		9.93	7.99
Diluted from total operations	10.00		9.93	7.99

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOK in millions	Opening balance			31 December 2018		
	31 December 2017 (IAS 18)	Impact IFRS 15	1 January 2018 (IFRS 15)	31 December 2018 (IAS 18)	Impact IFRS 15	31 December 2018 (IFRS 15)
Deferred tax assets	1 917	(219)	1 698	2 754	(55)	2 699
Goodwill	26 446	-	26 446	14 403	-	14 403
Intangible assets	30 601	-	30 601	36 371	-	36 371
Property, plant and equipment	75 557	-	75 557	73 361	-	73 361
Associated companies and joint ventures	480	-	480	2 382	-	2 382
Other non-current assets	13 297	3 558	16 855	14 564	3 228	17 792
Total non-current assets	**148 298**	**3 339**	**151 637**	**143 836**	**3 173**	**147 009**
Prepaid taxes	1 076	-	1 076	804	-	804
Inventories	1 773	-	1 773	1 703	-	1 703
Trade and other receivables	24 749	986	25 735	20 999	686	21 685
Other current financial assets	1 622	-	1 622	678	-	678
Assets classified as held for sale	1 701	-	1 701	902	-	902
Cash and cash equivalents	22 546	-	22 546	18 492	-	18 492
Total current assets	**53 468**	**986**	**54 454**	**43 577**	**686**	**44 263**
Total assets	**201 765**	**4 324**	**206 089**	**187 413**	**3 859**	**191 272**
Equity attributable to equity holders of Telenor ASA	57 496	3 205	60 701	46 826	2 620	49 446
Non-controlling interests	4 839	307	5 146	4 714	295	5 009
Total equity	**62 335**	**3 512**	**65 847**	**51 540**	**2 915**	**54 455**
Non-current interest-bearing liabilities	51 587	-	51 587	55 926	-	55 926
Non-current non-interest-bearing liabilities	1 105	-	1 105	1 809	-	1 809
Deferred tax liabilities	3 359	824	4 183	2 445	877	3 322
Pension obligations	2 565	-	2 565	2 819	-	2 819
Provisions and obligations	4 132	-	4 132	5 485	-	5 485
Total non-current liabilities	**62 747**	**824**	**63 571**	**68 484**	**877**	**69 361**
Current interest-bearing liabilities	22 710	-	22 710	15 740	-	15 740
Trade and other payables	40 295	(11)	40 284	37 660	67	37 728
Current tax payables	4 438	-	4 438	5 541	-	5 541
Current non-interest-bearing liabilities	3 253	-	3 253	1 666	-	1 666
Provisions and obligations	1 777	-	1 777	3 811	-	3 811
Liabilities classified as held for sale	4 210	-	4 210	2 970	-	2 970
Total current liabilities	**76 683**	**(11)**	**76 672**	**67 389**	**67**	**67 456**
Total equity and liabilities	**201 765**	**4 324**	**206 089**	**187 413**	**3 859**	**191 272**

- IFRS 9 *Financial Instruments* (effective from 1 January 2018). The standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of IFRS 9 has had a minor impact on the classification and measurement of the Group's financial assets. Equity instruments classified as available for sale under IAS 39 are classified as fair value through other comprehensive income under IFRS 9. Under IFRS 9, subsequent changes in fair value of equity instruments classified as fair value through other comprehensive income are not reclassified to income statement upon disposal, but reclassified within equity from other reserves to retained earnings.

  The Group determined that all existing hedge relationships that were designated in effective hedging relationships under IAS 39 continued to qualify for hedge accounting under IFRS 9. For hedging of net investments, the Group has aligned the hedge accounting with the Group's hedging strategy for net investments dominated in foreign currencies where there exists an economic relationship between hedged item and the hedging instrument which can be sufficiently demonstrated and documented. The requirements for hedge accounting under IFRS 9 have been applied prospectively.

- Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions* (effective from 1 January 2018). The amendments change the accounting for share-based payment arrangements where the Group is obliged to withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount, normally in cash, to the tax authorities on the employee's behalf. This part of the share-based payment arrangements, which previously was recognised as a cash settled share-based payment transaction, is from 1 January 2018 accounted for as equity-settled share-based payment transactions. The liability of NOK 164 million as of 31 December 2017 has been reclassified to equity from 1 January 2018.

- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (effective from 1 January 2018). The interpretation requires that the exchange rate to use on initial recognition of the related asset, expense or income is the date on which the non-monetary asset or non-monetary liability arising from the payment or the receipt of advance consideration. The interpretation has not had any impact on the Group's consolidated financial statements.

- IFRIC 23 *Uncertainty over Income Tax Treatments* (effective from 1 January 2019, early adoption permitted and elected by the Group). The interpretation requires an assessment when there is uncertainty regarding if particular tax treatments made in tax filings will be accepted by the tax authorities. When acceptability is probable, accounting tax positions must be determined consistently with the treatment in the tax filings. If acceptability is not probable, the uncertainty must be reflected when determining the accounting tax positions. The interpretation has not had any impact on the Group's consolidated financial statements.

- Improvements to IFRSs 2014-2016 cycle (effective from 1 January 2017 and 1 January 2018). These amendments consist of minor specifications in scope of IFRS 12 and exemptions from using the equity method for associated companies under IAS 28. The amendments have not had any impact on the Group's consolidated financial statements.

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

- IFRS 16 *Leases* (effective from 1 January 2019). IFRS 16 establishes significant new accounting policies for lessees. IFRS 16 eliminates the current distinction between operating and finance leases as is required by IAS 17 Leases and, instead, introduces a single lease accounting model for lessees. When applying the new model, the Group will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset) for all leases with a lease term of more than 12 months, unless the underlying asset is of low value, and recognise depreciation of the right-of-use assets separately from interest on lease liabilities in the income statement.

  The Group will remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Generally, the amount of remeasurement of the lease liability will be recognised as an adjustment to the right-of-use asset.

  The change will have a significant positive impact on EBITDA in the Group's consolidated income statement, and increase the opening balance of total assets and liabilities for 2019 by NOK 26 billion. The estimated annual effects on the Group's financial statements based on lease contracts as of 1 January 2019 are as follows:
  - Lease expenses recognised as operational expenses will be reduced and impact EBITDA positively by approximately NOK 5 billion.
  - Depreciation of leased assets will increase by approximately NOK 4 billion.
  - Interest expense related to the lease liability will increase by approximately NOK 1.5 billion.

  The Group has made the following accounting policy choices and elected to apply the following practical expedients related to the implementation of IFRS 16:
  - Fixed non-lease components embedded in the lease contract will not be separated and hence recognised as lease liabilities and capitalised as right-of-use assets.
  - Leases with a lease term of 12 months or shorter will not be capitalised.
  - Low-value leases, meaning mainly office equipment, will not be capitalised.
  - Intangible assets, such as spectrum and licences, will be recognised as a lease.
  - Lease assets and lease liabilities will be presented separately in the statement of financial position.
  - The Group has elected to apply the modified retrospective approach for transition to IFRS 16, meaning the Group will not restate the comparatives for 2018. Right-of-use assets and liabilities will be measured at the same amount, taking into consideration prepayments and accruals recognised as of 31 December 2018.

- Amendments to IAS 19: *Plan amendment, curtailment or settlement* (effective from 1 January 2019, but not yet approved by the EU). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. These amendments may have an impact on the Group's consolidated financial statements in the event of a future plan amendment, curtailment or settlement.

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.

Other changes in accounting policies

Presentation in statement of cash flow

The Group has introduced supply chain financing for some vendors and in some circumstances the payment terms in the contract with the vendor are linked to the supply chain financing arrangement. In such circumstances, the payable for the services or goods delivered are reclassified from trade payables to current non-interest-bearing liabilities, and the cash outflow to the financial institution has been presented as financing activities in the statement of cash flows. As of 1 January 2018, the Group has changed the accounting policy for presenting such arrangements in the statement of cash flows. When the payable is reclassified from trade payable to current non-interest-bearing liabilities, the Group shows a cash outflow from operating activities if it is related to operating activities and cash outflow from investing activities if it is related to investing activities. At the same time a cash inflow is recognised in financing activities, reflecting the required payment to the financial institution providing the supply chain financing arrangement. When the Group makes the payment to the finance institution, it will be reflected as a repayment of debt in financing activities in the statement of cash flow. The comparative numbers are restated as follows:

NOK in millions	Reported Year 2017	Restated Year 2017
Cash flow from operating activities		
Changes in working capital and other	1 873	550
Cash flow from investing activities		
Purchases of property, plant and equipment (PPE) and intangible assets	(18 361)	(20 726)
Cash flow from financing activities		
Net payments on supply chain financing	(3 909)	(221)

NOTE 2 Summary of significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for equity investments (primarily shareholdings of less than 20%) and derivative financial instruments, which are carried at fair value.

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

Basis of consolidation and non-controlling interests

The consolidated financial statements include the financial statements of Telenor ASA and entities controlled by Telenor ASA (the Group). Control is achieved when the company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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 as a consequence of de facto control. De facto control is the ability to exercise control through the majority of the votes at the General Meeting and at the Board of Directors meeting, without the legal right to exercise unilateral control. Control may also exist through potential voting rights, such as options. Such potential voting rights are only considered if they are substantive.

The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company. Consistent accounting policies are applied. The results of subsidiaries acquired or disposed of during the year are included in the income statement from the date when control is obtained and until control ceases, respectively. Intercompany transactions, balances, revenues, 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. Consideration in excess of, or lower than, the carrying amount of non-controlling interests is recognised against the equity attributable to the owners of the parent. If the Group loses control over a subsidiary it derecognises the assets, liabilities and non-controlling interest, and reclassifies to profit or loss, or transfers directly to retained earnings as appropriate, the amounts recognised in other comprehensive income in relation to the subsidiary. Any investment retained at the date when control is lost is measured at fair value and a gain/loss is recognised.

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 using 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 an effective 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 measured at historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions. The date of initial transaction for non-monetary assets on which the Group has paid an advance consideration is the date of the payment of the advanced consideration.

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 is classified as current when it is expected to be realised, 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 are classified as non-current. A liability is classified as current when it is expected to be settled in the Group's normal operating cycle, is held primarily for the purpose of being traded, the liability is due to be settled within twelve months after the reporting period or if the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Financial instruments, other than those held for trading, are classified based on maturity, and hedging instruments are classified consistently with the underlying hedged item.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through sale rather than continuing use. This also applies for situations where the Group still continues its operations, but loses control over the operation. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell and presented separately as assets held for sale and liabilities held for sale in the statement of financial position.

The criteria for held for sale classification 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. Actions required to complete the sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan to sell will be withdrawn. In addition, management must be committed to the plan, and must be expected that the sale will be completed within a year.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. The equity method is discontinued for associated companies classified as held for sale.

A disposal group qualifies as discontinued operation if it is a cash generating unit that has either been disposed of, or is classified as held for sale, and represent a separate major line of business or geographical area of operations. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement. All consolidation procedures as presented above are still applicable, and only external revenues and expenses are shown as discontinued operations.

Operations previously classified as discontinued operations which cease to be held for sale are reclassified and included in continuing operations with retrospective effect. Comparative information in statements and disclosures are re-presented.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. Acquisition costs incurred are expensed and included in operating expenses. When the Group acquires a business, it assesses the identifiable assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and relevant conditions as of the acquisition date.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition 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, and deferred tax assets and liabilities which are recognised at nominal value.

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 will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration which is not classified as equity will be recognised in the income statement as financial income or expense. If the contingent consideration is classified as equity, it will not be remeasured and subsequent settlement will be accounted for within equity.

If the business combination is achieved in stages, the Group's previously held non-controlling interest in the acquiree is remeasured at fair value at the acquisition date through the income statement.

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 arrangement. 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. Investments in associated companies are accounted for using the equity method.

Interests in joint arrangements

A joint arrangement 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 arrangement require the unanimous consent of the parties sharing control. If the parties to the joint arrangement have rights to the net assets of the arrangement, the arrangement is classified as a joint venture. If the parties have rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is classified as a joint operation.

In relation to its interest in a joint operation, the Group recognises its assets, including its share of assets held jointly, its liabilities, including its share of liabilities incurred jointly, its revenues and its expenses, including its share of revenues earned and expenses incurred jointly. Adjustments are made where necessary to bring the accounting policies in line with those of the Group. The accounting for joint operations structured through separate vehicles reflects the Group's involvement in the assets and liabilities and not the joint operations involvement with other joint operators.

Any goodwill arising on the acquisition of the Group's interest in a joint operation 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 joint operation, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint operation.

Interests in joint ventures are accounted for using the equity method.

Equity method

The results, assets and liabilities of associated companies and joint ventures are accounted for using the equity method. Under the equity method, investments 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 investees (i.e. total comprehensive income and equity adjustments), less any impairment in the value of the investments. Adjustments are made where necessary to bring the accounting policies in line with those of the Group. Losses 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, are not recognised unless the Group has incurred legal or constructive obligations, or made payments on behalf of these associated companies or joint ventures.

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 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 (if any).

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

The share of net result, including amortisation of excess values, impairments and reversals of impairments, is presented as a separate line item 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 the investees are recognised in the statement of changes in equity.

Financial statements as of the reporting date are for some investments not available before the Group issues its quarterly financial information. In such instances, the share of net income of the investment 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 investee and the date of the consolidated financial statements of the Group. To ensure consistency in reporting in quarterly and annual reports, the figures in the annual report are not updated in situations where the financial statements for the investee are made available between the issuance of the quarterly report for the fourth quarter and the issuance of the annual report, unless the financial statements of the investee contains information about significant transactions or events.

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. Impairment is recognised if the recoverable amount (the higher of fair value less costs of disposal and value in use) of the cash-generating unit is less than the carrying amount of the cash-generating unit. The impairment first reduces the carrying amount of any goodwill and then reduces the carrying amount of the other assets of the unit pro-rata. The carrying amount of any individual asset is not reduced below its individual recoverable amount or zero. Any impairment is presented as impairment in the income statement.

An impairment recognised for goodwill is not reversed if the recoverable amount of the cash-generating unit exceeds the carrying amount in a subsequent period. On disposal of businesses, the attributable amount of goodwill is included in the determination of 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), 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 combined in markets 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 Segments.

Revenue from contracts with customers

Revenues from contracts with customers primarily comprise sale of

- Services: subscription and traffic fees, connection fees, interconnection fees, roaming charges, fees for data network services and fees for TV distribution and satellite services.
- Goods: customer equipment, primarily mobile devices/phones.

Recognition and measurement

When the Group enters into an agreement with a customer, the goods and services promised in the contract are identified as separate performance obligations to the extent that the customer can benefit from the goods or services either on their own or together with other resources that are readily available to the customer, and that the goods and services are separately identifiable from other promises in the contract. Goods and services that do not meet the criteria to be identified as separate performance obligations are aggregated with other goods and/or services in the agreement, until a separate performance obligation is identified. Examples of goods and services which are normally considered to be distinct performance obligations within the Group are mobile and fixed line subscription plans, handsets and other equipment, satellite dishes and set-top boxes.

The Group determines the transaction price to be the amount of consideration which it expects to be entitled in exchange for transferring the promised goods and services to the customer, net of discounts and sales related taxes. Sales related taxes are regarded as collected on behalf of the authorities. The Group adjusts the transaction price for a significant financing component if, at contract inception, the expected period between the transfer of a good or service to the customer and when the customer pays for that good or service is more than one year, unless the timing of the transfer of those goods or services is at the discretion of the customer (i.e. prepaid services). The discount rate used reflects the relevant risk-free rate and customer specific credit risk. In some markets where discounted handsets and subscriptions are sold through external channels, the Group is the principal in the subscription sale only, while the discounted handset is regarded as sold by the dealer. Any commission to the dealer is offset against revenue to the extent it is possible to establish a link between the commission to the dealer, which is passed on to the customer, and the consideration from the customer subsequently collected by the Group.

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration which it expects to be entitled. An amount of variable consideration is included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. When the Group sells a handset with an option for the customer to buy a new handset before the original instalment period is over, without paying the remaining instalments on original handset, the consideration related to the handset included in the current contract is estimated based on the expected value approach. If the Group is obliged to accept return of the original handset, the Group recognises a refund liability reflecting the amount of consideration the Group expects not to be entitled to, and a return good asset (with a corresponding adjustment to cost of sales) for its right to recover the handsets returned on settling the refund liability. The new device is accounted for as a new, separate contract.

The transaction price is allocated to each performance obligation in the contract on a relative stand-alone selling price basis. The stand-alone selling price for each performance obligation is determined according to the prices that the Group would achieve by selling the same goods or services to a similar customer on a stand-alone basis. Except when the Group has observable evidence that the entire discount included in a contract relates to only one or more, but not all, performance obligations in a contract, the Group allocates the discount proportionately to all performance obligations in the contract.

Revenue is recognised when the respective performance obligations in the contract are satisfied and payment remains probable. Revenue from sales of customer equipment, such as handsets or other devices, is normally recognised at the point in time when the equipment is transferred to customer, including the related significant risks and rewards of ownership. Revenue from the provision of services is generally recognised over time when or as the Group performs the related service during the agreed service period, by measuring progress towards complete satisfaction of the performance obligation. The effects of significant financing components are recognised over the payment period. Revenues for prepaid services are recognised based on usage.

Presentation and impairment

If recognised revenue exceeds amounts received or receivable from a customer, a contract asset is recognised. For the Group, this will for example be relevant for contracts where the transaction price allocated to a handset or other customer equipment is recovered by the Group through future service fee payments. If amounts received or receivable from a customer exceed revenue recognised for a contract, for example if the Group receives an advance payment from a customer, a contract liability is recognised. This will typically be relevant for prepaid services, where revenue is recognised based on usage.

Contract assets and contract liabilities are expected to be realised within in the Group's normal operating cycle, and are classified as current within trade and other receivables and trade and other payables respectively. Contract assets are adjusted for provision for impairment in accordance with the expected credit loss model. The Group applies the simplified approach for contract assets, measuring the loss allowance at an amount equal to lifetime expected credit losses. Impairment for expected credit losses is recognised in the income statement and updated at each reporting date. The impairment is calculated by taking into account the historic evidence of the level of bad debt experienced for customer types.

Contract assets are transferred to receivables when rights become unconditional. Receivables from contracts with customers are presented separately from contract assets. The effects of significant financing components are presented as interest income, separately from revenue from contracts with customers in the statement of comprehensive income.

When another party is involved in providing goods or services to a customer, the Group evaluates whether it has an obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent). Where the Group acts as a principal, the revenues are recognised on a gross basis with any related expenses charged as 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 and in line with generally accepted accounting principles within the telecommunications industry.

Licence 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 licence costs because the Group is considered to be the primary obligor.

Costs of obtaining or fulfilling contracts with customers

Costs incurred that are incremental to obtaining a contract with a customer, and are expected to be recovered, are recognised as contract acquisition cost assets and amortised in a way that is consistent with the recognition of the related revenue. Contract acquisition costs include, for example, certain commissions or bonuses to employees or dealers (not offset against revenue, see above), directly related to the contracts obtained on behalf of the Group.

Costs directly related to fulfilling a specified contract with a customer, which generate or enhance resources that will be used in fulfilling the performance obligations in the contract, are recognised as contract fulfilment cost assets to the extent they are expected to be recovered. The costs are expensed in the period in which the related revenue is recognised. Contract fulfilment costs include, for example, costs incurred for connection and installation of equipment on customer premises, including direct labour and material costs.

Contract acquisition and fulfilment cost assets are presented as other non-current assets. The amortisation period normally covers the expected customer life, which is the contractual period and additional expected renewal periods assessed based on historical churn data, unless new costs are incurred on contract renewals. These costs are included in EBITDA. The Group applies the practical expedient of not capitalising contract costs that would have been amortised within 12 months.

Interest and dividend income

Interest income is accrued on a time proportionate basis that reflects an effective yield on the asset. Interest income related to the Group's banking operations are included within revenue, other interest income is included in financial income in the income statement. Dividend income from investments is recognised when the Group's rights to receive payment have been established (declared by the General Meeting or otherwise) and classified as financial income.

Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grants relate to an expense item, it is normally recognised as a reduction of the expense on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset. The grant is recognised in the income statement over the useful life of a depreciable asset as a reduced depreciation expense.

Pensions

The Group operates various post-employment plans; both defined benefit and defined contribution plans. The Group's liability recognised in the statement of financial position related to defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The Group recognise service cost, comprising of current service cost, past service cost and non-routine settlements, as salaries and personnel costs in the income statement. Gains and losses on curtailments, which also form part of service cost, are presented as part of other income or other expenses in the income statement. Net interest expense is recognised as financial expense in the income statement.

Remeasurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest), are recognised in the statement of comprehensive income. Remeasurements are not subsequently reclassified to the income statement.

Past service cost is recognised in the income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises related restructuring costs. A curtailment occurs when the Group is either 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.

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 was 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 an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets; and (b) the arrangement conveys a right to use the asset or assets.

A lease is classified as finance lease 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 of classification of a lease is based on the substance of the transaction.

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. 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 as an expense over the lease term on the same basis as the lease. 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 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 on a straight line basis over the lease term.

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 investments, cash and cash equivalents, trade payables and other non-interest bearing liabilities, interest-bearing liabilities and derivatives. The categorisation of the financial instrument for measurement purposes is done based on the objective for holding the asset and the asset's contractual cash flow characteristics determined at initial recognition. The Group does not apply the fair value option.

The Group has financial assets classified in the following measurement categories: financial assets at amortised cost (FAAC), financial assets at fair value through other comprehensive income (FVTOCI), and financial assets at fair value through profit or loss (FVTPL). In addition, derivatives are used for hedging purposes. FAAC consist of financial assets held to collect contractual cash flows that are solely payments of principle and interest. Financial assets measured at FVTOCI consist of equity investments not held for trading. Financial assets measured at FVTPL include derivatives not designated for hedging purposes, assets held for trading and financial assets that are not classified in one of the other categories.

The Group has financial liabilities classified in the following categories: financial liabilities at amortised cost (FLAC) and financial liabilities at fair value through profit or loss (FVTPL). In addition, derivatives are used for hedging purposes. Financial liabilities at FVTPL include derivatives not designated for hedging purposes and other liabilities held for trading. FLAC 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 and other current receivables, other financial non-current interest-bearing and non-interest-bearing assets, and bonds and commercial papers with original maturity beyond three months. These assets are part of the category FAAC. FAAC are measured on initial recognition at fair value including directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

FAAK are adjusted for provision for impairment in accordance with the expected credit loss model. The Group applies the simplified approach for trade receivables, measuring the loss allowance at an amount equal to lifetime expected credit losses. Impairment for expected credit losses is recognised in the income statement and updated at each reporting date. 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.

Equity investments

Equity investments include equity instruments and capital contribution to Telenor Pension Fund. Equity investments are divided into the two categories of financial instruments at FVTOCI and FVTPL. Equity instruments measured at FVTOCI consist of equity investments not held for trading. Presenting fair value gains and losses in OCI for these equity instruments is considered to provide more useful information to users of the Group's financial statements, as this will allow the users to more easily identify the associated fair value changes. FVTOCI investments 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, at which time the cumulative gain or loss is reclassified within equity from other reserves to retained earnings.

Equity investments classified as assets held for trading are part of the category financial assets measured at FVTPL. Assets held for trading are initially and subsequently measured at fair value. Transaction costs are immediately expensed in this category. 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 papers 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, contract liabilities, liabilities to associated companies and other current and non-current non-interest-bearing financial liabilities. These liabilities are a part of the category FLAC initially recognised in the statement of financial position at fair value, and subsequently measured at amortised cost using the effective interest rate method.

The Group has introduced supply chain financing for some of the vendors to the Group. In circumstances where the supply chain financing arrangements are linked to the payment terms of the contract with the vendor, the payable for the services or goods delivered are reclassified from trade payables to current non-interest-bearing liabilities, as the payment terms are not extended beyond normal payment terms for the Group and interests related to early payments provided by the bank is carried by the vendor. When the payable is reclassified from trade payable to current non-interest-bearing liability, the Group shows a cash outflow from operating activities if it is related to operating activities and cash outflow from investing activities if it is related to investing activities. At the same time a cash inflow is recognised in financing activities, reflecting the required payment to the financial institution providing the supply chain financing arrangement. When the Group makes the payment to the finance institution, it will be reflected as a repayment of debt in financing activities in the statement of cash flow. Supply chain financing arrangements that do not have any link to payment terms or any other parts of the contract with the vendor are classified as trade payables. Cash outflow from such arrangements are presented as operating activities in the Statement of Cash Flows.

Interest-bearing liabilities
Interest-bearing liabilities include bonds and commercial papers, bank loans and overdrafts, and are classified in the category FLAC. 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 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. In addition, the Group has an embedded derivative related to the issuance of the bond exchangeable into VEON ADSs. This embedded derivative is treated as a separate derivative and classified as FVTPL.

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. The accounting for fair value hedges and hedges of net investments are described below.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risk and economic 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, unless the Group has the intention or legally enforceable right to settle the contracts net.

Hedging
The Group applies hedge accounting for hedges that meet the criteria for hedge accounting. The Group has 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:

Fair value hedges
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.

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. If the hedged item still exists and is not sold, the fair value adjustment to the hedged item 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 foreign exchange gains or losses recognised in other comprehensive income is reclassified 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 substantially enacted tax rates and regulation as of the end of the reporting period.

The Group treats expenses as tax deductible and income as not taxable based on interpretation of relevant laws and regulations and when it is assessed as probable that such treatment 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, reflecting the effect of uncertainty over tax treatment. 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 offset 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.

A change in deferred tax assets and liabilities as a result of change in tax rates is recognised in profit or loss, except to the extent that it relates to items that previously was recognised in other comprehensive income or directly in equity.

Inventories

Inventories are valued at the lower of cost or net realisable value for products that will be sold as a separate item. Inventories that will be sold as part of a transaction with several items, which is expected to earn net income, are not considered as an indicator of write down, even though the allocated sales price in the transaction is lower than the cost. Cost is determined using the FIFO or weighted average method, depending on the nature of the inventories.

Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and accumulated impairment losses, if any. 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 to be capitalised as part of the asset, includes direct and incremental costs, borrowing costs for qualifying assets and the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located. If payment is deferred beyond normal credit term, its cost is the cash price equivalent. 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 or other expenses 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 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 any 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.

An exchange of assets is 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 replaced assets is carried forward for the new assets.

Intangible assets

Intangible assets acquired separately are measured initially at cost and recognised as an intangible asset when the Group has control over the asset, future economic benefits are expected to flow to the Group and the cost can be measured reliably. For spectrum and licences, the Group might sometimes pay significant amounts up front and before the spectrum is available for the Group. The payments will under such circumstances be accounted for as a prepayment until the Group has access to the spectrum or licence. The cost to be capitalised as part of the asset includes direct and incremental costs and, for qualifying assets, borrowing costs. Only non-contingent payments are included as part of the cost price for spectrum and licences. If payment of an intangible asset is deferred beyond normal credit term, its cost is the cash price equivalent. 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 accumulated impairment losses, if any.

Intangible assets with finite lives are amortised over the useful lives. Useful lives and amortisation method for intangible assets with finite useful life are reviewed at least annually. The straight-line amortisation method is used for most intangible assets as this best reflects the consumption of the assets. The amortisation period for a customer base is the expected customer relationship and the amortisation method is based on historical experience of churn for the individual businesses.

Gains and losses arising from derecognition of intangible assets are measured as the difference between the net sales proceeds and the carrying amount of the assets, and are reported as other income or other expenses in the income statement as part of operating profit.

Research and development costs

Development expenditures are capitalised only when the criteria for recognition is met, i.e. that it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, management has committed itself to complete the asset, the technical feasibility of completing the asset has been demonstrated and the cost can be measured reliably. The assets are amortised over their expected useful life once the assets are 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 for 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 indicators that property, plant and equipment or intangible assets may be impaired. If there are indicators, the recoverable amount of the assets is estimated in order to determine the extent of the impairment (if any). Intangible assets with indefinite useful life and intangible assets not yet brought into use are assessed for impairment annually. If 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 of disposal 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 is recognised in the income statement. If the impairment is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the updated estimate of its recoverable amount to the extent 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. Reversals of impairments 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 can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value.

Asset 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 share-based payment programs to management and employees. Bonus shares in these programs are awarded net after tax. The Group is obliged to withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount, normally in cash, to the tax authority on the employee's behalf. These share-based payment programs, including tax, are considered as equity-settled share-based payments. In addition, the Group is obliged to make a provision for social security tax related to these programs, to be transferred to the tax authority, normally in cash. This part of the share-based payment arrangements, is recognised as a cash-settled share-based payment.

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 is remeasured at each reporting date.

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.

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.

NOTE 3 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

The preparation of consolidated financial statements 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 within the next financial year.

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 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 experience from 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. Consolidation based on de facto control is 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 judgements, 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.

Revenue recognition

The Group's revenues primarily comprise sale of services, such as subscription and traffic fees, and customer equipment, such as mobile devices. The Group offers multiple element arrangements where the customer can pay the devices by instalments over a given period. In some of these arrangements the customers are offered multiple element arrangements with the option to buy a new handset before the original instalment period is over, without paying the remaining instalments on the original handset. In such circumstances, the consideration related to the handset included in the current contract is estimated using the expected value approach. The revenue allocated to the handset is adjusted based on an estimate of how many customers that will utilise the option and the period until the customer changes its handset with a new one. A change in the estimated period until the customer changes the handset would impact the revenue recognised for handsets. The Group recognises a refund liability reflecting the amount of consideration the Group expects not to be entitled to, and a return good asset (with a corresponding adjustment to cost of sales) for its right to recover the handsets returned on settling the refund liability. The value of the return good asset is based on the estimate of how many customers will utilise the option and an average estimated resell price. In some markets the Group has entered into an agreement with a third party under which the returned handsets are delivered to the third party. For each agreement, an assessment is made of whether or not the Group has control over the returned handset. No refund liability or return good asset will be recognised if the Group does not have control over the returned handset.

Pension obligations and pension plan assets, see note 25

Calculation of net pension obligations (the difference between pension obligations and pension plan assets) are made based on certain key estimates and assumptions. The discount rate is one of the most significant assumptions. Telenor regards Norwegian Covered Bonds (OMF) as being high quality corporate bonds with sufficient depth in the OMF market. Based on this assessment, Telenor has used OMF as basis for setting the discount rate for the Norwegian defined benefit plans.

A sensitivity analysis for changes in certain actuarial assumptions and how they influence the pension obligations is included in note 25. The bases for the other assumptions are also described in this note.

Depreciation and amortisation, see note 17 and 18

Depreciation and amortisation expenses are based on management's estimates of residual value, depreciation and 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 the Group's views on the trends and pace of development may change over time. Critical estimates in the evaluations of useful lives for tangible and intangible assets include, but are not limited to, remaining licence 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 life is a change in accounting estimate, and depreciation and amortisation plans are adjusted prospectively.

Impairment, see note 15, 16, 17, 18 and 19

The Group has made significant investments in property, plant and equipment, intangible assets, goodwill, associates and other investments, both in the ordinary telecommunication industry and in the digital sphere. Goodwill, intangible assets with indefinite useful life and intangible assets not yet in 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 and court decisions and significant cost overruns in the development of assets.

In accordance with IAS 36 *Impairment of assets* the recoverable amounts of assets and companies is the higher of value in use and fair value less cost of disposal. Value in use, particularly when discounted cash flow methods are used, 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, margins, license and spectrum prices on future renewals, required maintenance capex and assumptions of the future market conditions. Recessionary effects and increased macroeconomic risks may impact the estimates of future performance and discount rates used in estimating recoverable amounts of assets. For assumptions used, external evidence has been taken into consideration.

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 for each country are uncertain.

Deferred tax assets, see note 13

Deferred tax assets are recognised to the extent that it is probable that the tax 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 tax 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. Uncertainty related to new transactions and events and the interpretation of new tax rules may also affect these judgements.

Uncertain tax positions, legal proceedings, claims and regulatory discussions, see also note 13 and 33

The Group is subject to various legal proceedings, disputes and claims including regulatory discussions related to the Group's business, licences, tax positions, investments etc., of which the outcomes 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 accrue for a matter that has not been previously accrued for because it was not considered probable or a reasonable estimate could not be made, or increase or decrease an amount accrued for a matter in previous reporting periods.

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.

NOTE 4 Business combinations and discontinued operations

During 2018, Telenor Banka in Serbia and Telenor Microfinance Bank in Pakistan (TMB) which were the two main contributors to the Financial Services segment, the operations in Central and Eastern Europe (CEE) and Telenor India have been classified as assets held for sale and discontinued operations.

Telenor India was disposed of on 14 May 2018, CEE was disposed of on 31 July 2018, and TMB was disposed of on 14 December 2018.

The results of all disposal groups are presented as discontinued operations until disposal:

NOK in millions	2018	2017
Revenue	8 957	17 059
EBITDA	2 039	4 002
EBIT	1 599	2 290
Profit before tax	**1 507**	**2 147**
Income taxes	(202)	(363)
Profit after tax	**1 305**	**1 784**
Gain on disposal	3 468	-

The major classes of assets and liabilities of the disposal groups classified as held for sale as of 31 December 2018 relating to Telenor Banka in Serbia and a liability for the guarantee related to the exposure to claims from Department of Telecommunications in India (DoT) are as follows:

NOK in millions	Telenor Banka	Telenor India	Total
Assets			
Other non-current assets	99	-	99
Trade and other receivables	396	-	396
Cash and cash equivalents	407	-	407
Total assets classified as held for sale	**902**	**-**	**902**
Liabilities			
Non-current liabilities	114	1 793	1 907
Current liabilities	1 063	-	1 063
Total liabilities held for sale	**1 177**	**1 793**	**2 970**

The exposure to claims from DoT related to the period the Group owned the business remains with the Group. The fair value of this guarantee was recognised as of the closing date and is classified as held for sale as of December 2018 with an amount of NOK 1.8 billion. Subsequent changes to the estimate are recognised on the discontinued operations line in the income statement.

On 15 June 2018, the Group entered into an agreement to sell 100% of the shares in Telenor Banka to PPF Group. The transaction was approved by the Central Bank of Serbia on 31 January 2019 and closed on 20 February 2019. As of the closing date, the Group injected cash of NOK 0.3 billion in Banka as per the agreement with PPF Group. The disposal is not expected to result in any material gain or loss.

Cashflow related to discontinued operations presented below are from external transactions. Hence, the cash flows for discontinued operations do not reflect these operations as if they were standalone entities.

NOK in millions	2018	2017
Net cash flow from operating activities	2 001	3 589
Net cash flow from investing activities	19 701	(1 290)
Net cash flow from financing activities	(238)	(197)

Central Eastern Europe

On 20 March 2018, the Group entered into an agreement to sell its assets in CEE to PPF Group. The transaction included the Group's wholly-owned mobile operations in Hungary, Bulgaria, Montenegro and Serbia and the technology service provider Telenor Common Operation. The CEE operations contributed with approximately 9% of the Group's revenues and 8% of EBITDA in 2017, and have more than 9 million customers and around 3,500 employees. With effect from first quarter 2018, the CEE operations were classified as assets held for sale and discontinued operations.

The transaction that was subject to necessary regulatory approvals was completed in July 2018. The net consideration, after transaction costs, of NOK 26.2 billion, was split between a cash consideration of NOK 22.4 billion and NOK 3.8 billion as deferred payment, see note 21 and 22 for further information. A gain of NOK 1.7 billion was recognised as part of discontinued operations in the income statement.

The results of the CEE operations for their period as part of the Group are as follows:

NOK in millions	2018	2017
Revenue	6 899	11 473
EBITDA	2 643	4 122
EBIT	2 222	2 522
Profit before tax	**2 229**	**2 482**
Income taxes	(199)	(339)
Profit after tax	**2 030**	**2 143**
Gain on disposal	1 665	-

Financial Services

Financial Services is an operational segment disclosed as part of Other units in the Group's segment reporting. Telenor Banka in Serbia and TMB were the two main contributors of the segment whereas there are still two units of the segment in Malaysia and Myanmar that are part of continuing operations. The results of the segment are classified as discontinued operations for the effect of Telenor Banka in Serbia and TMB.

On 12 March 2018, the Group entered into a strategic partnership agreement with Ant Financial Services (Ant Financial) in Pakistan, where Ant Financial will invest over a two years period USD 184.5 million for a 45% stake in Telenor Microfinance Bank in Pakistan (TMB), a subsidiary of the Group. The investment will be partly capital injection of USD 140 million and partly consideration for sale of shares of USD 44.5 million. With effect from first quarter 2018, TMB was classified as asset held for sale and discontinued operations in the Group's financial reporting.

On 14 December 2018, the first part of the transaction was completed. The Group received USD 44.5 million (NOK 0.4 billion) for the sale of 16% of the shares in TMB and simultaneously Ant Financial injected USD 70 million in TMB. In total, the Group's ownership reduced to 66.3% in TMB, and TMB became a joint venture between Ant Financial and the Group. See note 19 and 22 for further information. A gain of NOK 1.8 billion was recognised as part of discontinued operations in the income statement on disposal of TMB as a subsidiary.

Telenor Banka was classified as held for sale as of 31 December 2017, and from the first quarter of 2018, Telenor Banka is also classified as discontinued operation. The results of the Financial Services classified as discontinued operations are as follows:

NOK in millions	2018	2017
Revenue	1 178	1 240
EBITDA	(193)	(33)
EBIT	(203)	(131)
Profit before tax	**(203)**	**(128)**
Income taxes	(3)	(24)
Profit after tax	**(206)**	**(152)**
Gain on disposal	1 803	-

Telenor India

On 23 February 2017, the Group announced that it had entered into an agreement with Bharti Airtel Limited (Airtel), whereby Airtel would take full ownership of Telenor India. Following regulatory approvals the agreement was completed 14 May 2018. There were no gains or losses recognised following the disposal.

The results of Telenor India are as follows:

NOK in millions	2018	2017
Revenue	879	4 346
EBITDA	(411)	(86)
EBIT	(420)	(100)
Profit before tax	**(518)**	**(207)**
Income taxes	-	-
Profit after tax	**(518)**	**(207)**
Gain on disposal	-	-

In the statement of financial position as of 31 December 2017, Telenor India and Telenor Banka were classified as held for sale. Major classes of assets and liabilities of Telenor India and Telenor Banka classified as held for sale as of 31 December 2017:

NOK in millions	Telenor India	Telenor Banka	Total
Assets			
Property, plant and equipment and intangible assets	261	-	261
Other non-current assets	326	228	554
Inventory	2	-	2
Trade and other receivables	353	137	490
Cash and cash equivalents	33	361	395
Total assets classified as held for sale	**975**	**727**	**1 701**
Liabilities			
Non-current liabilities	2 135	5	2 140
Current liabilities	1 237	833	2 070
Total liabilities classified as held for sale	**3 373**	**837**	**4 210**

Acquisitions in 2017

On 11 May 2017, the Group entered into an agreement with Schibsted ASA and Singapore Press Holdings regarding its joint ventures within online classifieds, whereby Telenor acquired Schibsted's and Singapore Press Holdings' stakes of in total 66.7% in the joint venture 701Search Pte. Ltd, with operations in Malaysia, Vietnam and Myanmar, for NOK 1,753 million. The consideration was paid in cash and the transaction was closed on 30 June 2017.

Following the transaction, the Group owns 100% of the shares in the online classifieds services Mudah (Malaysia), Chotot (Vietnam), OneKyat (Myanmar) and ImSold (Malaysia and Vietnam).

Prior to the transaction with Schibsted and Singapore Press Holdings, the Group held an interest of 33.3% in these companies which was revalued to fair value as of the acquisition date and a gain of NOK 352 million was recognised. The gain is classified as gain (loss) on disposal of associates and joint ventures in the income statement.

The fair values of the identifiable assets and liabilities of the business as of the date of acquisition were:

NOK in millions	Fair values as of acquisition date
Brand name	324
Property, plant and equipment	11
Trade and other receivables	22
Cash and cash equivalents	49
Total assets	**406**
Deferred tax liability	78
Non-current liabilities	2
Current liabilities	46
Total liabilities	**127**
Net identifiable assets	**279**
Goodwill	2 172
Total consideration for the shares	**2 451**
Of which cash	1 753
Of which fair value of the Groups equity interest in 701Search Pte. Ltd held before the business combination	698

The goodwill of NOK 2,172 million comprises of customer base, not qualifying as an identifiable intangible asset, and the businesses' leading market positions in Malaysia and Vietnam. None of the goodwill is expected to be deductible for income tax purposes. See note 16 for impairment of goodwill.

For the period between the date of acquisition and 31 December 2017, 701Search Pte. Ltd contributed NOK 66 million to the Group's revenue and NOK 37 million negatively to the Group's profit before tax, including impairment of goodwill. Had 701Search Pte. Ltd been consolidated from 1 January 2017, revenue and profit before taxes for the Group would have been NOK 112,126 million and NOK 19,576 million, respectively. 701Search Pte. Ltd is included in the segment Other units.

Other business combinations

During the year 2017, the Group acquired Network Services Nordic AB in Sweden and Ucom AS in Norway for a cash consideration of NOK 315 million. A purchase price allocation was performed, resulting in a recognised goodwill of NOK 274 million.

NOTE 5 Segments

Segment information for 2018 and 2017 is reported in accordance with the reporting to Group Executive Management (chief operating decision-makers) and is consistent with financial information used for assessing performance and allocating resources. The accounting principles for the segment reporting are consistent with those applied by the Group before implementing IFRS 15 *Revenue from Contracts with Customers*. Segment result is defined as EBITDA before other income and other expenses.

The Group's reportable segments are based on the business activities and geographical location. The main products and services are mobile communication, fixed line communication and broadcasting activities. In addition, the Group reports Other units as a separate segment.

The Group's mobile communication business mainly includes voice, data, internet, content services, customer equipment and messaging. In Norway, Sweden and Denmark, the fixed line businesses are reported together with mobile operations. Fixed services comprise telephony, Internet and TV and leased lines, as well as data services and managed services.

Broadcast comprises Canal Digital DTH in the Nordics, broadcasting and data communication services via satellite, and terrestrial radio and TV transmission in Norway and Belgium.

Other units consist of Global Wholesale, Digital Services, Corporate Functions and Other. The Global Wholesale business is focused on interconnecting global operators and delivering key communications services on a global scale. They enable the operators to route international voice, messaging, data and signalling traffic through a single connection to a global network. In addition, they collectively handle all international roaming relationships for Telenor operators. Digital Services include companies operating within international communication services, machine to machine communication as well as internet based services, digital media advertising and financial services, none of which are material enough to be reported as separate segments. Corporate Functions comprise activities such as real estate, global shared services, research and development, strategic Group projects, Group Treasury, the internal insurance company and support functions. Other includes mainly mobile communication business at sea conducted by Telenor Maritime.

Deliveries of network-based regulated services within the Group are based on cost oriented prices based on negotiations between the units. All other transactions between the segments are based on market conditions.

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 2018

NOK in millions	Revenues	External revenues	EBITDA before other income and other expenses [1]	EBITDA [1]	Depreciation, amortisation and impairment losses	Operating profit (loss)	Investments [2]
Norway	25 991	25 504	10 882	10 409	(4 023)	6 386	4 403
Sweden	12 495	12 429	4 121	4 029	(1 246)	2 784	1 965
Denmark	5 112	5 006	1 109	989	(805)	184	441
dtac - Thailand	18 933	18 860	7 095	4 912	(6 087)	(1 176)	16 562
Digi – Malaysia	12 966	12 950	5 954	5 875	(1 621)	4 254	1 649
Grameenphone - Bangladesh	12 910	12 909	7 832	7 776	(2 188)	5 588	3 292
Pakistan	7 476	7 231	4 261	4 237	(1 523)	2 714	1 157
Myanmar	5 810	5 621	2 179	2 169	(1 443)	727	1 050
Broadcast	5 983	5 765	2 005	1 970	(634)	1 337	384
Other units	7 867	4 120	15	(175)	(628)	(803)	456
Eliminations	(5 149)	(0)	(135)	(76)	37	(39)	-
Group (IAS 18)	**110 396**	**110 396**	**45 319**	**42 115**	**(20 160)**	**21 955**	**31 359**
IFRS 15 adjustments	(34)	(34)	132	132	-	132	-
Group (IFRS15)	**110 362**	**110 362**	**45 451**	**42 247**	**(20 160)**	**22 088**	**31 359**

Segment Information 2017

NOK in millions	Revenues	External revenues	EBITDA before other income and other expenses [1]	EBITDA [1]	Depreciation, amortisation and impairment losses	Operating profit (loss)	Investments [2]
Norway[3]	25 965	25 532	11 117	10 842	(3 940)	6 902	5 203
Sweden	12 938	12 877	4 136	4 103	(1 372)	2 730	1 803
Denmark	5 147	5 058	849	813	852	1 665	651
dtac - Thailand	19 089	18 989	7 413	7 302	(6 215)	1 086	4 027
Digi - Malaysia	12 188	12 166	5 556	5 545	(1 510)	4 035	2 570
Grameenphone - Bangladesh	13 156	13 155	7 791	7 509	(2 385)	5 124	1 502
Pakistan	8 181	8 058	4 204	4 181	(1 504)	2 678	1 438
Myanmar	6 643	6 408	2 869	2 848	(1 052)	1 796	2 545
Broadcast	6 071	5 851	1 997	2 314	(674)	1 641	409
Other units[3]	7 436	3 974	(1 010)	(492)	(2 659)	(3 151)	2 436
Eliminations[3]	(4 744)	-	(228)	(137)	5	(132)	(25)
Group (IAS 18)	**112 069**	**112 069**	**44 694**	**44 828**	**(20 454)**	**24 374**	**22 558**

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

[2] See page 131 for alternative performance measures.

[3] Restated due to changes in composition of reportable segments.

Change in composition of reportable segments

Telenor Capture AS, previously reported as part of Other units, is now reported as part of Telenor Norway. Telenor Capture AS delivers apps like MyTelenor and MyContacts. The segment information for 2017 has been restated to reflect this.

Reconciliation of EBITDA before other income and other expenses

NOK in millions	Note	2018	2017
EBITDA		42 247	44 828
Other income	10	63	1 306
Other expenses	10	(3 267)	(1 172)
EBITDA before other income and other expenses		**45 451**	**44 694**

Geographic distribution of external revenues based on customer location

NOK in millions	2018	2017
Norway	**28 355**	28 675
Sweden	**14 554**	15 032
Other Nordic	**5 778**	6 032
Thailand	**18 908**	18 901
Bangladesh	**12 906**	13 148
Malaysia	**13 281**	12 222
Other Asia[1]	**13 821**	15 274
Other countries	**2 759**	2 783
Total revenues	**110 362**	**112 069**

[1] Other Asia includes Pakistan and Myanmar.

Assets by geographical location of the company

	Non-current assets excluding deferred tax assets and other non-current assets		Total assets	
NOK in millions	2018	2017	2018	2017
Norway	**33 027**	31 592	**57 584**	59 791
Sweden	**14 880**	14 586	**22 281**	21 979
Other Nordic	**3 625**	4 039	**11 759**	7 595
Central and Eastern Europe	**-**	21 234	**903**	26 081
Thailand	**32 845**	20 223	**44 569**	31 942
Other Asia[1]	**41 695**	40 852	**53 421**	53 424
Other countries	**446**	558	**756**	953
Total assets	**126 518**	**133 084**	**191 272**	**201 765**

[1] Other Asia includes Bangladesh, Malaysia, Pakistan and Myanmar.

NOTE 6 Revenues

NOK in millions	2018 IFRS15	2018 IAS18	2017 IAS18
Mobile subscription and traffic	**69 237**	69 768	70 290
Fixed telephony	**1 559**	1 559	1 942
Fixed Internet/TV	**8 927**	8 919	8 873
Fixed data services	**663**	663	697
Canal Digital DTH	**4 439**	4 454	4 513
Subscriptions and traffic revenues	**84 825**	**85 362**	**86 314**
Other revenues	**25 537**	25 034	25 755
Total revenues[1]	**110 362**	**110 396**	**112 069**

[1] Of which revenues from contracts with customers of NOK 109,771 million in 2018 (IFRS 15).

Mobile subscription and traffic: Consist of subscription and connection fees, revenues from voice (outgoing traffic) and non-voice traffic, outbound roaming and other mobile service revenues. Subscription and traffic includes only revenues from the company's own subscriptions.

Fixed telephony: Consist of subscription and connection fees, traffic (fixed to fixed, fixed to mobile, to other countries, value added services, other traffic) for PSTN/ISDN and Voice over Internet Protocol (VoIP).

Fixed Internet and TV: Consist of subscription fees, traffic charges and connection fees for xDSL, cable and fibre, in addition to revenues from TV services. High speed fixed internet include fibre, cable and VDSL.

Fixed data services: Consist of Nordic Connect/IP-VPN and security.

Canal Digital DTH: Consist of revenues from Nordic DTH subscribers and households in SMATV networks.

Other revenues: Consist of the following:

Interconnect
Revenues from incoming traffic related to the company's own subscriptions. Revenues from incoming traffic related to service provider or MVNO subscriptions are not included.

Other mobile
Inbound roaming, national roaming, telemetric and revenues related to service providers and MVNOs (Mobile Virtual Network Operators). Telemetric is defined as machine-to-machine SIM cards (M2M), for example vending machines and meter readings.

Wholesale
Sales to service providers of telephony (PSTN/ISDN), Bitstream, LLUB, national and international interconnect, transit traffic, leased lines and other wholesale products.

Data services
Nordic Connect/IP-VPN and security.

Satellite
Revenues from satellite services from the satellite position 1-degree west.

Norkring
Revenues from terrestrial radio and TV transmission in Norway and Belgium.

Other
Managed services and other retail products.

Non-mobile:
Revenues from customer equipment and businesses that are not directly related to mobile operations, mainly sale of mobile devices.

The Group has only limited lease revenues. These are primarily lease of base station sites and lease of equipment. Lease revenues are included in other revenue category in the table above. Most agreements have a short minimum lease term, and future minimum lease revenues are immaterial.

Disaggregation of revenue from contract with customers

In the following table revenue is disaggregated by major revenue streams divided into the reportable segments as shown in note 5.

NOK in millions	Norway	Sweden	Denmark	dtac - Thailand	Digi - Malaysia	Grameenphone - Bangladesh	Pakistan	Myanmar	Broadcast	Other units	Eliminations	Group
Total revenue	**25 909**	**12 421**	**5 076**	**18 908**	**13 149**	**12 910**	**7 492**	**5 810**	**5 968**	**7 867**	**(5 149)**	**110 362**
Type of goods/services												
Mobile operation	**15 222**	**8 770**	**4 535**	**18 908**	**13 149**	**12 751**	**7 422**	**5 796**	**-**	**-**	**(998)**	**85 555**
Services	13 015	7 001	3 469	16 894	11 885	12 737	7 315	5 788	-	-	(998)	77 107
Goods	2 207	1 769	1 066	2 014	1 264	14	107	8	-	-	-	8 449
Fixed operation	**10 525**	**3 477**	**518**	**-**	**-**	**-**	**-**	**14**	**-**	**3 006**	**(1 024)**	**16 517**
Services	9 855	3 405	518	-	-	-	-	14	-	3 006	(956)	15 843
Goods	670	73	-	-	-	-	-	-	-	-	(68)	674
Satelitte and TV distribution	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5 968**	**-**	**(219)**	**5 750**
Services	-	-	-	-	-	-	-	-	5 829	-	(218)	5 611
Goods	-	-	-	-	-	-	-	-	139	-	-	139
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4 854**	**(2 906)**	**1 949**
Services	-	-	-	-	-	-	-	-	-	4 854	(2 906)	1 949
Goods	-	-	-	-	-	-	-	-	-	-	-	-
Sum type of goods/services	**25 748**	**12 248**	**5 053**	**18 908**	**13 149**	**12 751**	**7 422**	**5 810**	**5 968**	**7 861**	**(5 146)**	**109 771**
Type of mobile subscription												
Contract	11 263	6 292	3 184	9 372	4 614	507	196	30	-	-	(110)	35 348
Prepaid	189	147	-	6 785	6 860	12 180	7 020	5 703	-	-	(379)	38 505
Other	1 563	562	285	738	412	50	99	55	-	-	(509)	3 253
Sum services in Mobile operation	**13 015**	**7 001**	**3 469**	**16 894**	**11 885**	**12 737**	**7 315**	**5 788**	**-**	**-**	**(998)**	**77 107**
Timing of revenue recognition												
Over time	22 871	10 406	3 987	16 894	11 885	12 737	7 315	5 801	5 829	7 861	(5 078)	100 509
At a point in time	2 877	1 842	1 066	2 014	1 264	14	107	8	139	-	(69)	9 262
Total revenue from contracts with customers	**25 748**	**12 248**	**5 053**	**18 908**	**13 149**	**12 751**	**7 422**	**5 810**	**5 968**	**7 861**	**(5 147)**	**109 771**
Other revenues[1]	161	173	23	-	-	159	70	-	-	7	(3)	591
IFRS 15 adjustments	82	75	36	25	(183)	-	(16)	-	15	-	-	34
Segment revenue as presented in Note 5 Segments	**25 991**	**12 495**	**5 112**	**18 933**	**12 966**	**12 910**	**7 476**	**5 810**	**5 983**	**7 867**	**(5 149)**	**110 396**

[1] Other revenues include mainly lease revenues.

Type of goods/ services:

Mobile operation:

Services: Include revenues from subscription and connection fees, voice and non-voice traffic, interconnect, outbound and inbound roaming, national roaming, telemetric, revenues related to service providers and MVNOs, and other mobile services.

Goods: Include revenues from sales of handsets and other customer equipment.

Fixed operation:

Services: Include revenues from traffic, subscription and connection fees for PSTN/ISDN and Voice over Internet Protocol (VoIP), revenues from subscription, traffic charges and connection fees for xDSL, cable and fibre, revenues from TV services and data services, and revenues from fixed wholesale and other fixed retail.

Goods: Include revenues from sales of customer equipment.

Satellite and TV distribution:

Services: Include revenues from Nordic DTH subscribers and households in SMATV networks, revenues from satellite services and revenues from terrestrial radio and TV transmission in Norway and Belgium.

Goods: Include revenues from sales of devices and customer equipment.

Other includes revenues mainly from non-core services in Other units.

Type of mobile subscription:

Prepaid includes revenues from subscriptions paid for in advance, except when invoiced in advance by the Group. Revenues are recognised based on usage.

Contract includes revenues from subscriptions which are paid according to invoice from the Group. Revenue is recognised over time when or as the Group performs the related services over the agreed service period.

Other includes revenues from other mobile services.

Timing of revenue recognition:

Over time includes revenues from the provision of services recognised over time when or as the Group performs the related services over the agreed service period.

At a point in time includes revenues from sale of goods recognised at the point in time when the goods are delivered to the customer.

NOTE 7 Costs of materials and traffic charges

NOK in millions	2018	2017
Traffic charges	**(10 790)**	(10 557)
Costs of materials etc	**(15 390)**	(16 372)
Total costs of materials and traffic charges	**(26 180)**	**(26 928)**

Traffic charges include operating lease expenses relating to the lease of dedicated network and satellite capacity. See note 31 for information about operating lease commitments.

For the impact arising from IFRS 15 on the opening balance and the full year 2018, see note 1.

NOTE 8 Salaries and personnel costs

NOK in millions	2018	2017
Salaries and holiday pay	**(9 368)**	(9 674)
Social security tax	**(1 002)**	(1 057)
Pension costs including social security tax (note 25)	**(909)**	(1 019)
Share-based payments, excluding social security tax[1)]	**(190)**	(323)
Other personnel costs	**(565)**	(575)
Own work capitalised	**1 311**	1 236
Total salaries and personnel costs	**(10 723)**	**(11 412)**

[1)] Include expenses related to the Group's employee share programme, and the Group's long term incentive programme for managers and key personnel.

The average number of labour-years employed was approximately 21,000 in 2018 and 23,000 in 2017 from continuing operations.

For the impact arising from IFRS 15 on the opening balance and the full year 2018, see note 1.

NOTE 9 Other operating expenses

NOK in millions	2018	2017
Operating leases of buildings, land and equipment	**(4 217)**	(4 344)
Other cost of premises, vehicles, office equipment etc.	**(2 722)**	(2 288)
Operation and maintenance	**(5 670)**	(5 949)
License fees	**(3 785)**	(4 204)
Marketing and sales commission	**(5 854)**	(6 037)
Advertising	**(1 972)**	(2 068)
External personnel and consultancy fees	**(1 809)**	(2 009)
Other	**(1 980)**	(2 135)
Total other operating expenses	**(28 008)**	**(29 034)**

For the impact arising from IFRS 15 on the opening balance and the full year 2018, see note 1.

NOTE 10 Other income and other expenses

NOK in millions	2018	2017
Gains on disposals of fixed assets and operations	63	1 166
Other	–	140
Total other income	**63**	**1 306**
Losses on disposals of fixed assets and operations	(227)	(231)
Expenses for workforce reductions, onerous contracts and other	(3 040)	(941)
Total other expenses	**(3 267)**	**(1 172)**

During 2018, losses on disposals of fixed assets and operations mainly relate to scrapping of fixed assets in Telenor Norway, Telenor Sweden and Telenor Denmark.

Expenses for workforce reductions, onerous contracts and other mainly relates to recognition of a provision of NOK 2.1 billion due to settlement of disputes between CAT and dtac in Thailand, along with workforce reductions in Telenor Norway, Digi, Grameenphone and Corporate Functions.

During 2017, gains on disposals of fixed assets and operations mainly related to disposal of an office property in Kongensgate 8/Kirkegaten 9 in Oslo and a finance lease agreement in Broadcast.

Losses on disposal of fixed assets and operations in 2017 mainly related to disposals in dtac, Telenor Norway and Grameenphone. Expenses for workforce reduction, onerous contracts and other in 2017 mainly relate to workforce reductions in Telenor Norway, Corporate Functions and Grameenphone.

NOTE 11 Research and development costs

Research and development costs that have been recognised in the income statement amount to NOK 545 million in 2018 (NOK 512 million in 2017). Expensed research and development activities relate to new technologies, digital services and products, digital marketing and distribution and new usages of the existing network.

NOTE 12 Financial income and expenses

NOK in millions	2018	2017
Interest income on cash and cash equivalents	479	402
Other financial income	730	1 162
Total financial income	**1 209**	**1 564**
Interest expenses on financial liabilities	(2 131)	(2 600)
Other financial expenses	(354)	(391)
Total financial expenses	**(2 484)**	**(2 991)**
Foreign currency gains	553	3 248
Foreign currency losses	(2 780)	(2 218)
Net foreign currency gains (losses)	**(2 227)**	**1 030**
Net change in fair value of financial instruments at fair value through profit or loss	350	300
Net change in fair value of hedging instruments and hedged items	(8)	124
Net change in fair value of financial instruments	**342**	**425**
Net gains (losses and impairment) on financial assets and liabilities	**3**	**(181)**
Net financial income (expenses)	**(3 158)**	**(152)**

Other financial income for 2018 includes VEON dividends equivalent to NOK 598 million, compared to NOK 980 million in 2017.

Net foreign currency losses in 2018 are mainly due to translation of debt positions in foreign currency into NOK. Translation of debt denominated in USD used for economic hedges of assets was the main driver for the currency losses. Gross currency movements in 2017 were high compared to the net amount mainly due to the fact that currency effects on external funding in Telenor ASA were offset by currency effects on intercompany receivables in the internal bank.

Net change in fair value of financial instruments is positive for the year. This is mainly due to market valuation of option features of the bond exchangeable into VEON American Depository Shares (ADSs) resulting in a gain of NOK 851 million, compared to a gain of NOK 416 million last year. The gain in 2018 was offset by a loss on cross-currency and interest rate swaps.

Net losses of financial assets and liabilities in 2017 included a loss on sale of VEON shares equivalent to NOK 214 million.

NOTE 13 Income taxes

NOK in millions	2018	2017
Profit before taxes	**18 848**	19 605
Current taxes	**(7 514)**	(6 653)
Deferred taxes	**1 335**	163
Income tax expense	**(6 179)**	**(6 491)**

The increase in current taxes is mainly due to Telenor Pakistan arriving at a full tax paying position. The deferred tax income is mainly due to the former and recognition of deferred tax asset on tax losses in Thailand, partly offset by utilisation of tax losses in Denmark.

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 23% (24% in 2017). It also discloses the main elements of the tax expense. Selected line items are commented on below the table.

NOK in millions	2018	2017
Income tax expense at corporate income tax rate in Norway (23%/ 24%)	**(4 335)**	(4 705)
Effect of tax rates outside Norway different from (23%/ 24%)	**(1 168)**	(542)
Effect of changes in tax rates	**11**	(193)
Current and deferred taxes on retained earnings in and dividends from subsidiaries and associated companies	**(363)**	(420)
Non-taxable and non-deductible items	**(19)**	67
Prior years assessments or adjustments on current tax	**(262)**	(572)
Deferred tax assets not recognised current year	**(90)**	(86)
Change in previously not recognised deferred tax assets	**47**	291
Net tax effect from impairment of goodwill	**-**	(331)
Income tax expense	**(6 179)**	**(6 491)**
Effective tax rate in %	**32.8**	**33.1**

Tax rates outside Norway different from 23%

Effects are mainly related to Grameenphone Ltd. (Bangladesh: 40%) and Telenor Pakistan (29%) having higher nominal tax rates than the nominal tax rate for Norway. Telenor Myanmar (25%) and Digi (Malaysia: 24%) also have higher nominal tax rates, while Telenor Sweden (22%), Telenor Denmark (22%) and dtac (Thailand: 20%) have lower nominal tax rates.

Effect of changes in tax rates

Norway has enacted a reduction in the corporate income tax rate from 23% to 22% with effect from 1 January 2019. Sweden reduced at the same time their corporate income tax rate from 22% to 21.4% and also enacted a further reduction to 20.6% from 1 January 2021.

Non-taxable and non-deductible items

In 2018 the tax effect from non-taxable dividend income from VEON is offset by non-deductible items. In 2017, the non-taxable gains were primarily due to the sale of shares in the joint venture SnT Classifieds and the subsidiary owning the real estate in Kongensgate in Oslo. The main tax increasing impacts in 2017 were related to the reclassification of losses from other comprehensive income to the income statement on disposal of VEON.

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

Includes current taxes on dividends received, as well as change in deferred tax liability (primarily withholding tax) recognised on undistributed earnings in subsidiaries and associated companies outside of Norway. Deferred taxes on retained earnings in foreign subsidiaries are provided for in full as of 31 December 2018 and 2017.

Prior years' assessments or adjustments on current tax

For 2018, this relates to a reassessment by the Norwegian Tax Office to treat the loss on the loan to Telenor Cinclus claimed in 2014 as non-deductible. The decision has been appealed. In addition, there were adjustments of current tax and minimum tax in Telenor Pakistan and a reassessment of R&D expenses in Norway. A reversal of a provision in Grameenphone has positive impact. For 2017, this mainly relates to a reassessment by the Norwegian Tax office of the gain on the internal sale of shares in the then subsidiary Telenor Montenegro in 2013 as a taxable transaction. The decision has been appealed.

Change in previously not recognised deferred tax assets

For 2018 the main amount is related to Pakistan, while the change in 2017 mainly is related to recognition of tax asset on carry forward losses in Denmark.

Net tax effect from impairment of goodwill

The Group's investment in Tapad was impaired with NOK 1.7 billion in 2017. The tax effect is resulting from the net non-deductible part of the impairment.

Tax losses carried forward

Tax losses carried forward in selected countries expire as follows as of 31 December 2018:

NOK in millions	Denmark	Thailand	USA	Other	Total
2019		58		346	404
2020		270		103	373
2021		1 246		132	1 377
2022		1 769		27	1 796
2023		2 097		20	2 117
2024 and later		-	1 126	103	1 229
Not time-limited	2 600	347	-	327	3 274
Total tax losses carried forward	**2 600**	**5 787**	**1 126**	**1 059**	**10 570**
Of which deferred tax assets have not been recognised	145	434	1 126	1 018	2 722
Of which deferred tax assets have been recognised	**2 455**	**5 353**	**-**	**40**	**7 848**

Tax losses carried forward in selected countries expire as follows as of 31 December 2017:

NOK in millions	Denmark	Thailand	USA	Other	Total
2018	-	55	-	549	604
2019	-	-	-	228	228
2020	-	251	-	100	351
2021	-	1 164	-	162	1 326
2022	-	1 683	-	59	1 742
2023 and later	-	9	874	67	949
Not time-limited	2 899	333	85	252	3 569
Total tax losses carried forward	**2 899**	**3 494**	**959**	**1 418**	**8 770**
Of which deferred tax assets have not been recognised	144	405	959	1 260	2 768
Of which deferred tax assets have been recognised	**2 755**	**3 089**	**-**	**158**	**6 002**

In 2018 tax losses carried forward, before and after valuation allowance, increased by NOK 1.8 billion mainly due to an increased tax loss in dtac of NOK 2.3 billion partly offset by a decrease in Denmark. In 2017, tax loss carried forward decreased by NOK 3 billion mainly due to India being classified as discontinued operations. Recognised tax losses carried forward after valuation allowance increased by NOK 3 billion mainly due to the increased tax losses carried forward in Denmark and Thailand.

Tax assets recognised on tax losses carried forward

Denmark and Thailand have recognised tax assets on unused tax losses as the Group expects there will be sufficient future taxable profits available to utilise these losses.

Uncertain tax positions

Pakistan

In the third quarter 2016, Telenor Pakistan received reassessment orders with demand notes for payment of NOK 3.3 billion from the Tax Authority concerning the deductibility and timing of certain expenses claimed in previous years' tax returns. Telenor Pakistan appealed the order, and obtained stay orders from High Court. Several issues covered by the reassessment were brought before the Alternate Dispute Resolution Committee in 2018 and the disputed amount is reduced to NOK 1.6 billion as of year-end 2018.

Norway

In 2012, Telenor ASA recorded a loss on receivables on Unitech Wireless after having repaid, as guarantor, all of Unitech Wireless' interest-bearing borrowings, amounting to NOK 10.6 billion. A deferred tax asset of NOK 2.5 billion was recognised. In 2013, the business transfer from Unitech Wireless to Telenor India was completed, and Telenor ASA deducted NOK 9.3 billion as loss on receivables in its tax filing. During 2017 and 2018 Telenor ASA has received draft notices of possible reassessment. Telenor ASA disagrees with the arguments used by the tax authorities and has given comments.

India

In 2013, the Empowered Group of Ministers in India decided that license payment of approximately NOK 2.1 billion made by Unitech Wireles in 2008 on licenses quashed in 2012 could be offset against license payments in Telenor India (formerly named Telewings), see note 33. Telenor India treated NOK 1.9 billion as a reduction to the tax base of the spectrum. In the fourth quarter of 2016, Telenor India received a demand notice for payment of NOK 0.5 billion regarding income year 2013-14, maintaining that the offset is a taxable gain. Telenor India appealed the decision and got the claim reduced to NOK 0.3 billion in 2017. Telenor appealed the decision to the ITAT and got a favourable result. The decision can still be appealed by the Tax authorities. Any refund will be paid to Bharti and can then only be set off against possible claims made by Bharti against Telenor under the guarantee issued to Bharti (see note 33).

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

	2018			2017		
NOK in millions	Deferred tax assets	Deferred tax Liabilities	Of which deferred assets not recognised	Deferred tax assets	Deferred tax liabilities	Of which deferred assets not recognised
Tangible and intangible assets	278	(3 682)	(110)	121	(4 000)	(116)
Undistributed earnings in foreign subsidiaries and associated companies		(432)		-	(422)	-
Other non-current items	1 340	(1 043)	(10)	2 718	(2 119)	13
Total non-current assets and liabilities	**1 618**	**(5 157)**	**(121)**	2 840	(6 540)	(103)
Total current assets and liabilities	**1 597**	**(178)**		1 303	(188)	-
Tax losses carried forward	**2 186**		**(569)**	1 491	-	(243)
Total deferred tax assets/liabilities	**5 401**	**(5 335)**	**(690)**	5 633	(6 728)	(347)
Net deferred tax assets/liabilities		**(623)**			(1 442)	
Of which deferred tax assets		2 699			1 917	
Of which deferred tax liabilities		(3 322)			(3 359)	

Recognised deferred tax assets mainly relate to Thailand and Denmark both for 2018 and 2017.

Changes in net deferred tax assets/liabilities

NOK in millions	2018	2017
As of 1 January	**(1 442)**	(809)
Recognised in the income statement	**1 335**	163
Recognised in other comprehensive income	**(296)**	(778)
Recognised directly to equity	**(921)**	-
Acquisitions and disposals of subsidiaries	**542**	(69)
Translation differences on deferred taxes	**158**	50
As of 31 December	**(623)**	(1 442)

NOTE 14 Earnings per share

The calculations of earnings per share attributable to the ordinary equity holders of Telenor ASA are based on the following net income and share data:

Earnings

NOK in millions except earnings per share	2018	2017
Net income from continuing operations	**9 958**	10 199
Net income from discontinued operations	**4 773**	1 784
Net income from total operations	**14 731**	11 983
Basic/Diluted earnings per share from continuing operations	**6.76**	6.80
Basic/Diluted earnings per share from discontinued operations	**3.24**	1.19
Basic/Diluted earnings per share for total operations	**10.00**	7.99

Number of shares

In thousands	2018	2017
Weighted average number of shares for the purpose of basic earnings per share	**1 472 865**	1 499 760

There are no dilutive effects for 2018 and 2017.

NOTE 15 Goodwill

NOK in millions	Telenor Sweden	Telenor Hungary	Telenor Serbia	dtac Thailand	Telenor Bulgaria	Broadcast	701 Search	Tapad	Other[1]	Sum
Accumulated cost										
As of 1 January 2017	**6 079**	**4 576**	**5 536**	**3 017**	**2 365**	**1 755**	**-**	**2 763**	**1 428**	**27 519**
Translation differences	315	372	683	134	196	4	58	(133)	41	1 670
Arising on acquisition of subsidiaries	89	-	-	-	-	-	2 172	-	185	2 446
Reallocation of goodwill	-	-	-	-	-	-	-	-	(13)	(13)
Derecognised on disposal of subsidiaries and reclassified to assets held for sale	-	-	-	-	-	-	-	-	(40)	(40)
As of 31 December 2017	**6 483**	**4 948**	**6 219**	**3 151**	**2 561**	**1 759**	**2 230**	**2 630**	**1 601**	**31 582**
Translation differences	(191)	(251)	(124)	213	(63)	(2)	83	155	16	(164)
Arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	4	4
Derecognised on disposal of subsidiaries and reclassified to assets held for sale	-	(4 697)	(6 095)	-	(2 498)	-	-	-	(155)	(13 445)
As of 31 December 2018	**6 292**	**-**	**-**	**3 364**	**-**	**1 757**	**2 313**	**2 785**	**1 466**	**17 977**
Accumulated impairment										
As of 1 January 2017	**(252)**	**-**	**(1 533)**	**-**	**-**	**(126)**	**-**	**(1 034)**	**(55)**	**(3 000)**
Translation differences	(14)	-	(189)	-	-	(2)	(9)	62	(3)	(155)
Derecognised on disposal of subsidiaries and reclassified to assets held for sale	-	-	-	-	-	-	-	-	34	34
Impairment	-	-	-	-	-	-	(357)	(1 658)	-	(2 015)
As of 31 December 2017	**(266)**	**-**	**(1 722)**	**-**	**-**	**(128)**	**(366)**	**(2 630)**	**(24)**	**(5 136)**
Translation differences	8	-	34	-	-	1	(14)	(155)	-	(126)
Derecognised on disposal of subsidiaries and reclassified to assets held for sale	-	-	1 688	-	-	-	-	-	4	1 692
Impairment	-	-	-	-	-	-	-	-	(4)	(4)
As of 31 December 2018	**(258)**	**-**	**-**	**-**	**-**	**(127)**	**(380)**	**(2 785)**	**(24)**	**(3 574)**
Carrying amount										
As of 31 December 2018	6 034	-	-	3 364	-	1 630	1 933	-	1 442	14 403
As of 31 December 2017	6 217	4 948	4 497	3 151	2 561	1 631	1 864	-	1 577	26 446

[1] Other includes primarily Digi (Malaysia), Telenor Norway (Canal Digital Cable TV and Datametrix) and Telenor Montenegro.

See note 16 for impairment testing.

NOTE 16 Impairment testing

Goodwill acquired through business combinations has been allocated to individual cash-generating units as presented in note 15.

The recoverable amount of assets and companies is the higher of value in use and fair value less cost of disposal. Fair value less cost of disposal has been applied to determine the recoverable amount of cash-generating units with goodwill that are listed companies, derived from quoted market prices as of 31 December 2018 and 2017. Digi is listed on the Stock Exchange in Malaysia and dtac is listed on the Stock Exchange in Thailand.

Discounted cash flow models have been applied to determine the value in use for the remaining cash-generating units with goodwill, based on the most recent financial forecasts approved by management. Except for 701Search Pte Ltd. within Online classifieds (Other units) as further described below, the explicit forecast period covers 2019-2021. The cash flows beyond this period have been extrapolated into perpetuity using a constant nominal growth rate to arrive at the terminal value. The estimates of value in use have been compared to market valuation and multiples for peers in the telecommunication business for reasonableness.

Operations that are in a growth phase and have not yet reached a steady state by the end of the explicit forecast period have two extrapolation periods. Cash flows up to estimated steady state are based on 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 cash flows are extrapolated using constant nominal growth rates. By the end of 2018 it is assumed that 701Search Pte Ltd. has not reached steady state by the end of its explicit forecast period 2019-2023, and for 701Search Pte Ltd. 2028 is applied as basis for calculation of terminal value.

Key assumptions in the discounted cash flow models

Key assumptions used in the calculation of value in use are growth rates, ARPU, EBITDA margins, capital expenditures (capex) and discount rates.

Growth rates – The expected growth rate 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 where the entity operates. The growth rates used to extrapolate cash flow projections beyond the explicit forecast period are based on past experience, assumptions in terms of market share and expected development in the market in which the entity operates. The growth rates used to extrapolate cash flows in the year used as basis for calculation of terminal value are not higher than the average expected long-term growth in the markets in which the entities operates.

ARPU – Average revenue per subscription per month (ARPU) is calculated based on mobile revenues from the company's own subscriptions, divided by the average number of subscriptions for the relevant period. ARPU is estimated based on the current ARPU level and expected future market development.

EBITDA margin[1] – The EBITDA margin is estimated based on the current margin level and expected future market development. Committed or implemented operational efficiency programmes are included. Changes in the outcome of these initiatives may affect future estimated EBITDA margins.

Capital expenditure (Capex)[1] – A normalised Capex to sales ratio (Capex as a percentage of revenue) 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. Estimated Capex does not include Capex that enhances current performance of assets, or new licenses. Hence, such effects are not included in the cash flow projections. However, renewals of existing licenses are included, either as separately calculated cash flows or as part of normalised capex.

Discount rates – Discount rates are based on Weighted Average Cost of Capital (WACC) derived from the Capital Asset Pricing Model (CAPM) methodology. The cost of a company's equity and debt, derive from its weighted average cost of capital. In economies where the Group considers risk-free yields to be unreliable, the WACC rates used in discounting the future cash flows are based on a US 10-year risk-free interest rate, adjusted for the inflation differential between the US and the relevant country. A country risk premium is also added. The discount rates take into account the debt premium, market risk premium, gearing, corporate tax rate, inflation and asset beta. For cash-generating units within economies with unstable inflation rates, rolling discount rates are applied.

The recoverable amounts for the cash-generating units with significant goodwill have been determined based on the following discount rates and terminal value nominal growth rates for the years 2018 and 2017:

	Discount rate after tax (%)		Discount rate pre-tax (%)		Nominal growth in cash flow in terminal value (%)	
	2018	2017	2018	2017	2018	2017
Broadcast	**5.7**	7.6	**7.3**	10.0	**(2.0)**	(1.5)
Telenor Sweden	**4.2**	6.5	**5.3**	8.3	**0.0**	0.0
701Search Pte Ltd.	**11.6**	11.1	**15.0**	14.4	**3.0**	3.0

In the recoverable amount assessment, 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.

Impairment in 2018

The Group has not recognised any significant impairment in 2018.

Impairment in 2017

Tapad

As a result of further weakening of Tapad's US media advertising segment and lower than expected growth in the data segment, an impairment of NOK 1.7 billion was recognised in the fourth quarter of 2017. After this, the carrying amount of goodwill recognised on acquisition was fully impaired.

701Search Pte Ltd.

Following the purchase of 66.7% ownership share in 701Search Pte Ltd. from Schibsted ASA and Singapore Press Holdings in the second quarter of 2017, an impairment of goodwill of NOK 357 million was recognised based on a value in use calculation.

Telenor Denmark

In the fourth quarter of 2015 tangible and intangible assets in Telenor Denmark were impaired by NOK 2.1 billion. However, during 2017, prices in the consumer segment stabilized. The delivery and stabilisation of the new business support systems (BSS), launch of high speed broadband, significant cost savings and design of new simple business models during 2016 and 2017 improved the performance of Telenor Denmark. A reversal of previous impairment of NOK 1.2 billion related to tangible and intangible assets was recognised, capped at the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised.

Sensitivity analyses of the cash-generating units with significant goodwill

With the exception of 701Search Pte Ltd., the Group believes that no reasonably possible change in any of the key assumptions used for impairment testing would cause the carrying amounts of the cash-generating units with significant goodwill to exceed recoverable amounts.

[1] Please refer to page 131 for description of alternative performance measures.

The estimated recoverable amount exceeds the carrying amount of 701Search Pte Ltd. by approximately NOK 40 million. The following key assumptions have been applied in determining the recoverable amount, in addition to the discount rates and the nominal growth rate in terminal value provided above:

Key assumptions in 2018	701Search Pte Ltd.
Revenue growth during 2019-2023, per cent[1)]	21.9
Revenue growth during 2024-2028, per cent[1)]	18.4
EBITDA margin growth during 2019-2023, percentage points[2)]	6.5
EBITDA margin growth during 2024-2028, percentage points[2)]	2.6
EBITDA margin in the year used as basis for calculation of terminal value, per cent	58.0

1) Represents the compound annual growth rate during the period.

2) Represents annual growth during the period.

701Search Pte Ltd. is in a growth phase. By the end of 2018 it is assumed that 701Search Pte Ltd. has not reached steady state by the end of its explicit forecast period 2019-2023, hence two extrapolation periods have been included in the discounted cash flow model. Higher growth rates have been applied during the explicit forecast period, up from the low levels experienced historically, than during the first extrapolation period 2024-2028. The year 2028 has been applied as basis for calculation of terminal value, and the cash flows beyond this estimated steady state have been extrapolated using constant nominal growth rates. The growth rates applied in the discounted cash flow model reflect management's best estimate for market and economic development of the relevant countries in which 701Search Pte Ltd. operates.

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

701Search Pte Ltd.
Decrease in the compound annual revenue growth rate during the first extrapolation period 2024-2028 by 0.5 percentage points.
Decrease in EBITDA margin in the year used as basis for calculation of terminal value by 1.2 percentage points.
Increase in discount rate before tax by 0.1 percentage points for the whole period including terminal value.
Decrease in nominal growth rate in terminal value by 0.3 percentage points.

NOTE 17 Intangible assets

NOK in millions	Customer base	Licences	Trade-marks[1)]	Software acquired	Internally generated software	Roaming agreements and other[2)]	Work in progress[3)]	Total
Accumulated cost								
As of 1 January 2017	**2 647**	**60 179**	**3 133**	**18 348**	**3 335**	**4 375**	**1 405**	**93 423**
Reclassifications[4)]	17	133	-	396	113	(35)	(418)	204
Additions	1	3 102	-	873	-	293	800	5 068
Additions internally developed	-	-	-	-	184	-	-	184
Additions through acquisition of subsidiaries	29	-	318	2	-	-	-	349
Translation differences	189	868	177	384	34	229	33	1 915
Derecognition	-	(218)	-	(187)	(17)	(35)	(22)	(479)
Reclassified to assets held for sale	-	(6 215)	-	(440)	-	-	(4)	(6 660)
As of 31 December 2017	**2 883**	**57 849**	**3 628**	**19 375**	**3 648**	**4 827**	**1 793**	**94 003**
Reclassifications[4)]	-	668	-	681	106	(17)	(751)	688
Additions	-	14 483	-	892	-	139	1 018	16 533
Additions internally developed	-	-	-	-	171	19	-	190
Additions through acquisition of subsidiaries	-	-	-	-	-	-	-	-
Translation differences	(60)	107	122	18	23	(60)	(8)	142
Derecognition	(9)	(26 861)	(272)	(1 299)	(107)	(1 149)	(54)	(29 751)
Reclassified to assets held for sale	(1 935)	(6 092)	-	(1 674)	(24)	(1 109)	(12)	(10 846)
As of 31 December 2018	**878**	**40 155**	**3 479**	**17 993**	**3 817**	**2 651**	**1 986**	**70 960**

Accumulated amortisation and impairment								
As of 1 January 2017	**(1 561)**	**(34 706)**	**(2 504)**	**(15 388)**	**(2 840)**	**(3 358)**	**(8)**	**(60 366)**
Reclassifications[4]	-	(1)	-	(25)	-	34	-	6
Amortisation - continuing operations	(40)	(5 160)	(275)	(1 368)	(271)	(333)	-	(7 448)
Amortisation - discontinued operations	(210)	(439)	-	(109)	(4)	(71)	-	(833)
Impairment - continuing operations	-	-	-	(22)	(9)	-	-	(31)
Impairment - discontinued operations	-	-	-	(26)	-		(4)	(30)
Reversal of impairment	-	322	-	-	-	-	-	322
Translation differences	(124)	(1 068)	(154)	(320)	(38)	(175)	-	(1 879)
Derecognition	-	218	-	185	17	35	-	455
Reclassified to assets held for sale	-	5 954	-	440	-	-	4	6 396
As of 31 December 2017	**(1 934)**	**(34 880)**	**(2 934)**	**(16 634)**	**(3 145)**	**(3 868)**	**(8)**	**(63 404)**
Reclassifications[4]	-	(257)	-	(6)	-	21	-	(242)
Amortisation - continuing operations	(30)	(4 810)	(188)	(1 426)	(254)	(300)	-	(7 008)
Amortisation - discontinued operations	(57)	(112)	-	(29)	(1)	(21)	-	(220)
Impairment	-	-	(33)	(15)	(1)	-	-	(49)
Translation differences	38	172	(107)	(8)	(11)	49	-	133
Derecognition	9	26 862	272	1 257	104	1 149	-	29 652
Reclassified to assets held for sale	1 305	3 056	-	1 457	18	714	-	6 550
As of 31 December 2018	**(669)**	**(9 969)**	**(2 990)**	**(15 405)**	**(3 291)**	**(2 256)**	**(8)**	**(34 589)**

Carrying amount								
As of 31 December 2018	**209**	**30.186**	**488**	**2.588**	**526**	**395**	**1.979**	**36.371**
As of 31 December 2017	**949**	**22 969**	**694**	**2 741**	**504**	**958**	**1 786**	**30 601**
Amortisation periods in years	3-20	2-26	-	3-7	3-5	3-5	-	-

1) The carrying amount of trademarks with indefinite useful lives is NOK 488 million as of 31 December 2018 (NOK 506 million as of 31 December 2017). The trademarks with finite useful lives are fully amortised as of 31 December 2018 (NOK 182 million as of 31 December 2017, mainly represented by the trademark of dtac).

2) The carrying amount of roaming agreements is nil as of 31 December 2018 (NOK 472 million as of 31 December 2017).

3) The Additions line items represent net additions of work in progress during the financial year. Work in progress capitalised and activated within the same financial year is shown as Additions in the relevant asset categories in this table.

4) Including reclassifications to/from other lines in the statement of financial position which are not a part of this table.

Reversal of impairment recognised in 2017 was related to Telenor Denmark.

The additions of licenses in 2018 are primarily related to acquisition of spectrum under the 900 and 1800 MHz bands in dtac, 1800 MHz band in Bangladesh, 700 MHz band in Sweden, 2100 MHz band in Digi Malaysia, 900 MHz band in Myanmar. The additions of licences in 2017 were primarily related to acquisition of additional spectrum under the 1800 MHz band in Myanmar and the renewal of existing spectrums in Telenor Norway, Telenor Denmark and Digi.

The additions in software acquired in 2018 were mainly in Telenor Norway and Telenor Denmark. The additions in software acquired in 2017 were mainly in Telenor Norway.

Until September 2018, dtac operated under a concession right to operate and deliver mobile services in Thailand granted by CAT Telecom Public Company Limited (CAT). CAT allowed dtac to arrange, expand, operate and provide the cellular telephone services in various areas in Thailand. Following expiry of the concession right agreement in 2018 dtac made a transition from concession to license model. The concession right accounted for under the Intangible Asset Model according to IFRIC 12 Service Concession Arrangements was fully amortised at the end of September 2018 (NOK 2.7 billion as of 31 December 2017).

The derecognition of licenses and roaming agreements in 2018 is primarily related to concession right in dtac.

The carrying amounts of licences held by the Group are as follows:

NOK in billions	Carrying amount as of 31 December 2018	Carrying amount as of 31 December 2017
dtac	**14.6**	2.3
dtac – concessionary right	**-**	2.7
Grameenphone	**4.7**	3.3
Telenor Myanmar	**3.4**	3.8
Telenor Pakistan	**2.8**	3.7
Other	**4.7**	7.2
Total carrying amount of licenses	**30.2**	**23.0**

The following table sets forth the mobile spectrum licences that the Group holds as of 31 December 2018:

Spectrum (MHz)	Bandwidth (MHz)	Type/technology	Spectrum expiration
Telenor Norway			
800	2x10	Technology Neutral	2033
900	2x15	Technology Neutral	2033
1800	2x10 + 2x20	Technology Neutral	2028/2033
2100	2x19.8	Technology Neutral	2032
2600	2x40	Technology Neutral	2022
Telenor Sweden			
700	2x10[a)]	Technology Neutral	2040
800	2x10[a)]	Technology Neutral	2035
900	2x6[a)] + 2x5	Technology Neutral	2025
1800	2x20 + 2x10[a)]	Technology Neutral	2027/2037
2100	2x19.8 + 1x5	Technology Neutral	2025
2600	2x40[b)]	Technology Neutral	2023
Telenor Denmark			
800	2x10[c)]	Technology Neutral	2034
900	2x9	Technology Neutral	2019
1800	2x25[c)]	Technology Neutral	2032
2100	2x15 + 1x5	Technology Neutral	2021
2600	2x20 + 1x10	Technology Neutral	2030
dtac, Thailand			
900	2x5[d)]	Technology Neutral	2033
1800	2x5	Technology Neutral	2033
2100	2x15	3G/4G	2027
2300	1x60[e)]	Technology Neutral	2025
Digi, Malaysia			
900	2x5	Technology Neutral	2032
1800	2x20	Technology Neutral	2032
2100	2x15	3G	2034
2600	2x10[f)]	4G	2019
2600	2x10	4G	2019
Grameenphone, Bangladesh			
900	2x7.4	Technology Neutral	2026
1800	2x7.2 + 2x7.4	Technology Neutral	2026
1800	2x5	Technology Neutral	2033
2100	2x10	3G/4G	2028
Telenor Pakistan			
850	2x10	3G/4G	2031
900	2x4.8	2G	2019
1800	2x8.8	2G/4G	2019
2100	2x5	3G	2029
Telenor Myanmar			
900	2x5	Technology Neutral	2029
900	2x2.2	Technology Neutral	2023
1800	2x20	Technology Neutral	2029
2100	2x10+2x5	Technology Neutral	2029

a) The licenses are held by Net4Mobility (a joint operation with Tele 2 owned 50% by the Group).

b) Tele 2 and the Group transferred their respective licences (2× 20 MHz) in the 2600 MHz band to Net4Mobility on 2 July 2012.

c) The licenses are held by TT Netværket (a joint operation with Telia, owned 50% by the group).

d) As a part the 900 MHz spectrum licensing conditions, dtac is entitled to use spectrum under the 850 MHz band for up to 2 years before fully switching to the spectrum in the 900 MHz band.

e) The spectrum is held under capacity agreement with TOT and therefore, is not part of capitalised intangible assets.

f) The spectrum is held under agreement with Altel.

NOTE 18 Property, plant and equipment

NOK in millions	Local, regional and trunk networks	Mobile telephone network	Subscriber equipment	Switches and equip-ment	Radio installa-tions	Cable-TV equipment	Buildings	Land	Corporate admin-istrative assets	Satellites	Work in progress [1]	Total
Accumulated cost												
As of 1 January 2017	**50 563**	**29 864**	**2 015**	**20 063**	**32 297**	**5 349**	**15 225**	**1 073**	**13 113**	**5 318**	**8 664**	**183 545**
Reclassifications[2]	860	2 842	24	171	1 376	(111)	497	-	422	-	(6 273)	(193)
Additions	1 549	1 114	573	682	3 303	881	345	5	858	-	7 094	16 404
Additions through acquisition of subsidiaries	-	-	-	-	-	-	-	-	22	-	-	22
Translation differences	28	281	54	(85)	(42)	33	(22)	3	59	-	(2)	308
Derecognition	(1 292)	(414)	(208)	(1 008)	(524)	(64)	(637)	(6)	(540)	(298)	(83)	(5 073)
Reclassified to assets held for sale	(369)	(61)	-	(2 614)	(3 000)	-	(145)	-	(622)	-	(431)	(7 243)
As of 31 December 2017	**51 339**	**33 626**	**2 458**	**17 209**	**33 410**	**6 088**	**15 263**	**1 075**	**13 312**	**5 020**	**8 969**	**187 770**
Reclassifications[2]	1 493	3 722	75	216	1 600	183	(1 510)	-	487	-	(6 972)	(707)
Additions	1 625	965	313	580	5 805	178	253	-	670	-	5 975	16 362
Additions through acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Translation differences	(51)	(188)	(39)	70	320	(12)	(274)	4	45	-	(160)	(287)
Derecognition	(1 824)	(313)	(933)	(602)	(159)	(175)	(133)	(4)	(876)	-	(18)	(5 037)
Reclassified to assets held for sale	(711)	(3 344)	(8)	(642)	(2 351)	-	(1 901)	(44)	(1 670)	-	(380)	(11 050)
As of 31 December 2018	**51 871**	**34 468**	**1 866**	**16 831**	**38 625**	**6 262**	**11 698**	**1 031**	**11 968**	**5 020**	**7 414**	**187 053**
Accumulated depreciation and impairment losses												
As of 1 January 2017	**(37 075)**	**(16 646)**	**(1 179)**	**(16 045)**	**(16 969)**	**(3 035)**	**(8 323)**	**(42)**	**(9 124)**	**(2 663)**	**(427)**	**(111 528)**
Reclassifications[2]	(6)	(3)	8	11	(2)	58	-	-	(75)	-	-	(10)
Depreciation - continuing operations	(2 052)	(2 348)	(567)	(1 153)	(3 478)	(431)	(504)	(1)	(1 371)	(260)	-	(12 164)
Depreciation - discontinued operations	(57)	(209)	(1)	(29)	(231)	-	(99)	-	(177)	-	-	(804)
Impairment - continuing operations	-	-	(2)	-	(1)	-	(26)	-	2	-	(2)	(28)
Impairment - discontinued operations	-	-	-	-	-	-	(2)	-	(27)	-	(3)	(33)
Reversal of impairment	128	593	-	3	117	-	60	15	4	-	-	920
Translation differences	(23)	(56)	(37)	24	(64)	(20)	4	(1)	(64)	-	-	(237)
Derecognition	1 267	374	208	1 006	483	61	410	(2)	493	127	-	4 428
Reclassified to assets held for sale	369	61	-	2 614	3 000	-	145	-	622	-	431	7 243
As of 31 December 2017	**(37 449)**	**(18 234)**	**(1 570)**	**(13 568)**	**(17 144)**	**(3 367)**	**(8 336)**	**(30)**	**(9 717)**	**(2 796)**	**(1)**	**(112 213)**
Reclassifications[2]	1	(368)	-	4	(16)	-	650	-	(10)	-	-	260
Depreciation - continuing operations	(2 254)	(2 439)	(579)	(1 412)	(3 918)	(444)	(471)	(1)	(1 353)	(224)	-	(13 094)
Depreciation - discontinued operations	(15)	(57)	(0)	(8)	(60)	-	(25)	-	(45)	-	-	(211)
Impairment - continuing operations	-	-	-	-	(2)	-	(0)	2	(0)	-	(2)	(3)
Impairment - discontinued operations	-	-	-	-	-	-	(0)	-	-	-	-	(0)
Translation differences	43	239	27	(70)	(196)	9	88	(1)	(80)	-	(0)	60
Derecognition	1 817	269	932	598	150	165	87	-	823	-	-	4 842
Reclassified to assets held for sale	261	2 486	6	545	1 453	-	753	-	1 164	-	-	6 667
As of 31 December 2018	**(37 596)**	**(18 104)**	**(1 184)**	**(13 911)**	**(19 733)**	**(3 637)**	**(7 254)**	**(30)**	**(9 218)**	**(3 020)**	**(3)**	**(113 692)**
Carrying amount												
As of 31 December 2018	14 275	16 364	681	2 920	18 891	2 625	4 444	1 001	2 749	2 001	7 411	73 361
As of 31 December 2017	13 890	15 392	888	3 641	16 266	2 721	6 927	1 045	3 595	2 224	8 968	75 557
Depreciation periods in years[3]	3-30	5-20	3	3-7	5-15	3-15	5-90	-	2-10	17	-	-

1) The Additions line items represent net additions of work in progress during the financial year. Work in progress capitalised and activated within the same financial year is shown as Additions in the relevant asset categories in this table.

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.

Reversal of impairment in 2017 relates to Telenor Denmark. See note 16 for further information.

The Group has finance leases with carrying amount of NOK 929 million as of 31 December 2018 (NOK 1.088 million as of 31 December 2017). These assets are as of 31 December 2018 primarily fibre optic network (local, regional and trunk networks) of NOK 637 million in Grameenphone in Bangladesh, Myanmar and Digi in Malaysia (NOK 675 million in 2017), and properties (buildings & land) of NOK 293 million in Sweden and Denmark (NOK 311 million in 2017).

As of 31 December 2018, the present value of future minimum lease payments under finance leases (the Group as a lessee) is NOK 859 million (NOK 927 million as of 31 December 2017).

NOTE 19 Associated companies and joint arrangements

Associated companies and joint ventures

NOK in millions	2018	2017
Balance as of 1 January	**454**	**15 725**
Additions	2 009	70
Disposals	(6)	(15 501)
Share of net income (loss)[1]	(81)	531
Share of other comprehensive income	2	(342)
Equity transactions including dividends	(24)	27
Translation differences	11	(56)
Balance as of 31 December	**2 365**	**454**
of which losses applied to other components of interests in associated companies[2]	17	26
Carrying amount of investments in associated companies and joint ventures	**2 382**	**480**
of which investment in Telenor Microfinance Bank Limited	1 916	-
of which investment in others	467	480

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

[2] The Group's share of net losses in Riks TV AS (an associated company) exceeds the investment in shares. The excess amount of NOK 17 million has been applied to the Group's other long-term interests in Riks TV AS classified as other financial interest-bearing non-current assets.

On 12 March 2018, the Group entered into a strategic partnership agreement with Ant Financial Services (Ant Financial) in Pakistan, where Ant Financial will invest over a two years period USD 184.5 million for a 45% stake in Telenor Microfinance Bank Limited (TMB), a subsidiary of the Group. The investment will be partly capital injection of USD 140 million and partly consideration for sale of shares of USD 44.5 million.

On 14 December 2018, pursuant to the agreement entered into on 12 March 2018, the first part of the transaction was completed and simultaneously, the Group entered into a shareholder agreement with Ant Financial. The shareholder agreement mandates an equal representation of each party on the Board of Directors of TMB where key financial and operational decisions are made with a majority vote, thereby making TMB a jointly controlled entity between the Group and Ant Financial. On completion of the first part of the transaction, the Group received USD 44.5 million (NOK 0.4 billion) for the sale of 16% of the shares in TMB and simultaneously Ant Financial injected USD 70 million in TMB. In total, the Group's ownership reduced to 66.3% in TMB, and TMB became a joint venture between Ant Financial and the Group. The joint venture is accounted for using the equity method with effect from December 2018. The Group's ownership interest of 66.3% in the joint venture was initially measured on fair value of NOK 1.9 billion and a gain of NOK 1.8 billion was recognised on disposal of TMB as a subsidiary as part of discontinued operations (see note 4). The Group recognised its share of net loss of TMB for December 2018 amounting to NOK 30 million.

Share of net income for 2017 included share of net income of NOK 294 million from VEON Ltd. for the fourth quarter of 2016 and a reversal of impairment of NOK 284 million. Share of other comprehensive income (loss) for 2017 included NOK 363 million mainly related to VEON's translation differences reclassified to VEON's income statement upon completion of the transaction resulting in WIND Italy, a subsidiary of VEON, becoming a joint venture of VEON.

During 2017, the Group disposed of the following investments in associated companies and joint ventures:

NOK in millions	VEON Ltd.	SnT Classifieds	701Search Pte Ltd.	Total
Sales proceeds in cash	2 225	4 258	-	6 483
Other consideration	11 801	4	698	12 503
Total consideration	**14 026**	**4 262**	**698**	**18 987**
Carrying amount disposed off	(2 225)	(1 128)	(347)	(3 700)
Carrying amount transferred to the available for sale investment category	(11 801)	-	-	(11 801)
Total carrying amount disposed off	**(14 026)**	**(1 128)**	**(347)**	**(15 501)**
Gain/(loss) on disposal before reclassification of other comprehensive income	**-**	**3 135**	**351**	**3 486**
Other comprehensive income reclassification	(8 575)	(60)	1	(8 634)
Gain/(loss) on disposal of associated companies and joint ventures	**(8 575)**	**3 075**	**352**	**(5 148)**

VEON Ltd.
On 7 April 2017, the Group disposed of a portion of its ownership in VEON corresponding to 70 million VEON ADSs or approximately 4% of the total share capital of VEON. After this disposal, Group's ownership of VEON was reduced from 23.7% to 19.7%. Following the transaction, the Group lost its significant influence over VEON and discontinued recognising VEON as an associated company. As a consequence of loss of significant influence, the remaining VEON ADSs and common shares were classified as a financial investment, within other non-current assets in the statement of financial position. VEON ADSs and common shares are categorised as an equity investment at fair value through other comprehensive income, see note 21.

SnT Classifieds
The Group had an ownership interest of 50% in SnT Classifieds which further owned 50% of the Latin American online classifieds joint ventures. On 11 May 2017, the Group entered into an agreement with Schibsted ASA to sell its ownership interest of 50% in SnT Classifieds. The transaction was closed on 30 June 2017.

701Search Pte Ltd.
The Group had an ownership interest of 33.3% in 701Search Pte Ltd. which owns online classified sites in Malaysia, Vietnam and Myanmar. On 11 May 2017, the Group entered into an agreement with Schibsted ASA and Singapore Press Holdings to acquire 66.7% ownership interest in 701Search Pte Ltd. for a cash consideration of NOK 1.8 billion. As a result of the transaction, the Group remeasured its previously owned equity interest at fair value and recognised a gain of NOK 352 million.

Joint operations

The Group is part of three joint arrangements for networks sharing in Sweden and Denmark. These joint arrangements are structured through separate vehicles. The activities are designed for the provision of output to the investors and hence these arrangements are classified as joint operations.

Joint Operation	Description	Ownership interest
3G Infrastructure Services AB	Joint operation with the mobile operator 3 in Sweden	50%
Net4Mobility HB	Joint operation under partnership agreement with the mobile operator Tele2 Sverige AB in Sweden[1]	50%
TT Netværket P/S	Joint operation with the mobile operator TeliaSonera Mobile Holding AB in Denmark	50%

[1] Under Swedish law, all partners in a partnership are jointly and severally liable for all obligations in a partnership.

NOTE 20 Trade and other receivables

NOK in millions	Category	2018	2017
Receivables from contracts with customers		15 650	18 728
Provision for bad debt		(1 119)	(1 882)
Total receivables from contracts with customers as of 31 December	FAAC[1]	**14 531**	**16 846**
Interest-bearing receivables		88	1 451
Accrued financial income		130	803
Other non-interest-bearing receivables		2 620	2 386
Provision for bad debt		-	(14)
Total other current receivables as of 31 December	FAAC[1]	**2 838**	**4 626**
Contract asset		531	-
Return good assets[3]		112	-
Governmental taxes and duties		1 135	484
Prepayments		2 538	2 793
Total other current non-financial assets as of 31 December	NF[2]	**4 316**	**3 277**
Total trade and other receivables as of 31 December		**21 685**	**24 749**

[1] FAAC: Financial assets at amortised cost
[2] NF: Non-financial assets and liabilities
[3] Asset for the right to recover returned goods on settling refund liabilities.

As of 31 December 2018, NOK 1.2 billion (NOK 1.2 billion as of 31 December 2017) of trade and other receivables related to handset instalments not due within one year.

Specification of contract assets:

NOK in millions	2018
Balance as of 1 January	**-**
IFRS 15 implementation effect	1 050
New contract assets during the period less transfer to receivables	122
Change in measure of progress	(13)
Currency and other effects	(87)
Reclassified to assets held for sale	(541)
Balance as of 31 December	**531**

Performance obligations to provide services are generally satisfied over time when or as the Group performs the related services over the agreed service period. For the majority of contracts with customers, services will be delivered on a monthly basis during the contract period of maximum 24 months, and payments normally follow the service delivery cycle. Performance obligations to deliver customer equipment are normally satisfied at the point in time when the equipment is delivered to the customer. Payments related to equipment are made either when the equipment is delivered to the customer or on a monthly basis over the agreed contract period, either due to instalment plans related to customer equipment giving rise to a receivable and/or due to other differences between recognised revenue and amounts received or receivable from a customer resulting in contract assets in the Group accounts. For the Group, the main part of recognised contract assets relates to contracts where the transaction price allocated to the customer equipment is recovered by the Group through future service fee payments. The contract assets are transferred to receivables when rights to payment become unconditional.

Specification of provision for bad debt:

NOK in millions	2018	2017
Provision as of 1 January	**(1 897)**	**(1 567)**
Change during the year – continuing operations	(112)	(217)
Change during the year – discontinued operations	(24)	(37)
Reclassified to assets held for sale	913	60
Currency and other effects	1	(121)
Provision as of 31 December	**(1 119)**	**(1 882)**
Realised losses for the year – continuing operations	(525)	(526)
Realised losses for the year – discontinued operations	(23)	(115)
Recovered amounts previously provided for – continuing operations	84	96
Recovered amounts previously provided for – discontinued operations	-	14

Specification of the age distribution of trade receivables:

			Past due on the reporting date in the following periods:					
NOK in millions	Carrying amount	Not past 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 2018								
Trade receivables	15 650	11 970	1 488	387	220	359	454	772
Provision for bad debt	(1 119)	(20)	(46)	(60)	(57)	(154)	(287)	(495)
Total trade receivables	**14 531**	**11 950**	**1 442**	**327**	**163**	**205**	**167**	**277**
As of 31 December 2017								
Trade receivables	18 728	13 481	1 784	505	407	494	669	1 389
Provision for bad debt	(1 882)	(23)	(38)	(70)	(98)	(197)	(385)	(1 071)
Total trade receivables	**16 846**	**13 458**	**1 746**	**435**	**308**	**296**	**284**	**318**

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 the debtors will not be able to meet their payment obligations.

NOTE 21 Other non-current assets and current financial assets

NOK in millions	Fair value level[5]	Category	2018	2017
Other non-current assets				
Equity investments	3	FVTOCI[1]	863	708
Equity investments	1	FVTOCI[1]	5 219	8 088
Financial derivatives	2	FVTPL[2]	223	538
Financial derivatives designated for net investment hedge	2		21	210
Other financial non-current non-interest-bearing assets		FAAC[3]	395	307
Fair value hedge instruments	2		1 492	1 682
Other financial non-current interest-bearing assets		FAAC[3]	4 833	1 125
Total non-current financial assets as of 31 December			**13 048**	**12 660**
Contract costs			3 237	-
Governmental taxes and duties			1 083	414
Prepayments			424	224
Total non-current non-financial assets		NF[4]	**4 744**	**638**
Total other non-current assets as of 31 December			**17 792**	**13 297**
Other current financial assets				
Assets held for trading	2	FVTPL[2]	59	67
Bonds and commercial papers > 3 months		FAAC[3]	332	849
Financial derivatives	2	FVTPL[2]	201	1
Financial derivatives designated for net investment hedge	2		86	611
Fair value hedge instruments	2		-	95
Total other current financial assets as of 31 December			**678**	**1 622**

[1] FVTOCI: Fair value through other comprehensive income
[2] FVTPL: Fair value through profit and loss
[3] FAAC: Financial assets at amortised cost
[4] NF: Non-financial assets
[5] For information about the fair value level of financial instruments, see note 29

Equity investments

Equity investments (FVTOCI) include capital contribution to Telenor Pension Fund of NOK 298 million and other equity investments of NOK 5.8 billion (NOK 298 million and NOK 8.5 billion in 2017, respectively).

The Group's equity investment in VEON ADSs is classified as fair value through other comprehensive income. Unrealised gains and losses arising from changes in fair value are recognised directly in other comprehensive income until the investment is disposed of, at which time the cumulative gain or loss is reclassified within equity from other reserves to retained earnings. The carrying amount and fair value of 14.6% of the shares in VEON is NOK 5.2 billion as of 31 December 2018 (NOK 8.1 billion as of 31 December 2017). During 2018, a loss of NOK 2.9 billion was recognised in other comprehensive income. The loss was related to decrease in quoted share price of VEON from USD 3.84 to USD 2.34 partially offset by depreciation of NOK against USD. In 2017 a total loss of NOK 0.9 billion was recognised in other comprehensive income. As cumulative gains and losses previously were required to be reclassified through the income statement upon disposal, a loss of NOK 0.2 billion was in 2017 reclassified to income statement upon disposal of ADSs and common shares. The loss was related to the appreciation of the Norwegian kroner against USD. See note 27 relating to exchangeable bond into VEON ADSs.

Other financial interest bearing non-current assets

Other financial interest bearing non-current assets include NOK 4 billion (EUR 400 million) deferred sale consideration receivable from PPF Group for the sale of shares in Telenor Serbia. The receivable may be repaid in one installment with a discount or is otherwise repayable in four equal installments plus interest.

Contract costs

Contract costs include incremental costs of obtaining and fulfilling contracts with customers. Costs of obtaining a contract typically include sales commissions incurred at the time of entering into a sales contract with a customer. The cost of obtaining and fulfilling a contract was under the previous accounting policy charged to income statement as incurred. IFRS 15 requires capitalisation of such costs if the amortisation period is more than 12 months. The amortisation period is the expected contract period, including expected renewals.

The below table sets forth the costs capitalised and amortised during the year:

NOK in millions	As of 31 December 2017	Effect of IFRS 15 implementation	Costs capitalised during the year	Disposal of companies	Amortisation - continued operations	Amortisation -discontinued operations	Translation Differences	As of 31 December 2018
Contract acquisition costs	-	3 454	1 984	(227)	(1 924)	(65)	(62)	3 159
Contract fulfilment costs	-	104	35	-	(52)	-	(8)	79
Total contract costs	**-**	**3 558**	**2 019**	**(227)**	**(1 976)**	**(65)**	**(71)**	**3 237**

NOTE 22 Additional cash flow information

Changes in net operating working capital

Changes in net operating working capital include changes in accounts receivable and accounts payable related to operating activities, and inventory.

NOK in millions	2018	2017
Inventory	(204)	101
Trade and other receivables	(1 375)	(163)
Trade payables	(1 221)	(468)
Changes in net operating working capital	**(2 799)**	**(530)**

Property, plant and equipment and intangible assets reconciliation of additions and purchases

The table below explains the difference between property, plant and equipment and intangible assets additions and purchases:

NOK in millions	2018	2017
Additions to property plant and equipment and intangible assets (see note 17 and 18)	**(33 085)**	**(21 656)**
Capital expenditure incurred as part of assets held for sale	(539)	-
Licence obligations[1]	9 610	528
Asset retirement obligation additions	1 682	370
Changes in accounts payable and prepayments	1 347	45
Other adjustments	(26)	(13)
Purchases of property plant and equipment and intangible assets (cash flow from investing activities)	**(21 011)**	**(20 726)**

[1] Payments are classified as cash flow from financing activities.

Licence obligations in 2018 are related to licence acquisition in dtac, Grameenphone and Myanmar while in 2017 it mainly related to licence acquisition in Denmark and Myanmar. Changes in accounts payable and prepayments in 2018 are mainly related to capex payables in dtac and Sweden.

Acquisitions and disposals of subsidiaries, associated companies and joint ventures

The table below shows the effects on the consolidated statement of financial position from disposals of subsidiaries, associated companies and joint ventures.

NOK in millions	2018	2017
Disposals of subsidiaries, associated companies and joint ventures		
Associated companies and joint ventures	3	3 700
Other non-current assets	21 720	223
Current assets	9 673	109
Liabilities	(8 939)	(60)
Gains (losses) adjusted for translation differences on disposals[1]	6 042	4 202
Sales price	**28 499**	**8 175**
- of which non-cash	(5 706)	(737)
Proceeds received as sale consideration	22 796	7 437
Cash in subsidiaries disposed of	(2 392)	(45)
Proceeds from disposal of subsidiaries and associated companies net of cash disposed of	**20 404**	**7 392**

[1] Adjusted for NOK 2.5 billion relating to reclassification of translation differences from other comprehensive income to the income statement upon disposal of operations in Central and Eastern Europe and Telenor Microfinance Bank in 2018, see note 4 and note 23 for further information. In 2017, NOK 8.6 billion related to reclassification of accumulated loss from other comprehensive income to the income statement upon disposal of VEON and SnT Classifieds, see note 19 for further information.

During 2018, the Group sold its operations in Central and Eastern Europe, Telenor India and 33.7% in Telenor Microfinance Bank for a total cash consideration of NOK 22.8 billion. See note 21 for information relating to deferred consideration for sale of shares in Telenor Serbia and note 19 for recognition of investment in Telenor Microfinance Bank as a joint venture.

During 2017, the Group sold its 50% share in SnT Classifieds for a cash consideration of NOK 4.3 billion and a portion of its ownership in VEON for a cash consideration of NOK 2.2 billion. See note 19 for further information. During 2017, the Group also sold real estate for a cash consideration of NOK 0.8 billion and its ownership in ABC Startsiden for a cash consideration of NOK 0.1 billion.

The table below shows the effects on the consolidated statement of financial position from acquisition of subsidiaries, associated companies and joint ventures.

NOK in millions	2018	2017
Purchases of subsidiaries associated companies and joint ventures		
Investments in associated companies and joint ventures	1 964	24
Other non-current assets	4	2 819
Current assets	2	223
Liabilities	(2)	(265)
Non-controlling interests	-	(6)
Total purchase price and capital injections	**1 968**	**2 794**
- of which non-cash	(1 931)	(710)
Cash payments related to acquisitions	(37)	(2 084)
Cash in subsidiaries acquired	-	84
Purchases of subsidiaries associated companies and joint ventures net of cash acquired	**(37)**	**(2 000)**

During 2018, investments in associated companies and joint ventures in 2018 are mainly related to conversion of Telenor Microfinance Bank from subsidiary to joint venture. See note 19 for further information. During 2017, the Group acquired Schibsted's and Singapore Press Holding's stakes of 66.7% in the joint venture 701Search Pte. Ltd for a cash consideration of NOK 1.8 billion. The fair value of the Group's previously owned 33.3% interest was NOK 698 million. See note 19 for further information. In addition, the Group acquired Network Services Nordic AB in Sweden and Ucom AS in Norway for a cash consideration of NOK 0.3 billion.

Dividends paid to non-controlling interests

During 2018, dividends paid to non-controlling interests in subsidiaries amounted to NOK 3.1 billion (NOK 1.6 billion in Digi, NOK 1.3 billion in Grameenphone and NOK 0.3 billion in Dtac).

During 2017, dividends paid to non-controlling interests in subsidiaries amounted to NOK 2.6 billion (NOK 1.4 billion in Digi and NOK 1.2 billion in Grameenphone).

Cash and cash equivalents as of 31 December

NOK in millions	2018	2017
Cash and cash equivalents in the Group's cash pool systems[1]	2 115	1 985
Cash and cash equivalents outside the Group's cash pool systems[1]	16 377	20 562
Total cash and cash equivalents in statement of financial position	**18 492**	**22 546**
Bank overdraft (part of cash in statement of cash flows)	(571)	(590)
Total cash and cash equivalents in statement of cash flows	**17 921**	**21 957**

[1] The figures for 2017 have been restated due to a reclassification of bank accounts between outside and within cash pool systems by a net amount of NOK 3.9 billion.

Cash and cash equivalents include restricted cash related to regulatory requirements in Financial Services of NOK 389 million as of 31 December 2018 (NOK 610 million as of 31 December 2017).

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 2018 and 2017 the major part of the cash and cash equivalents outside the Group's cash pool systems relates to dtac, Digi, Grameenphone, Telenor India, Telenor Myanmar, and Telenor Pakistan.

NOTE 23 Additional equity information

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 31 December 2017	**1 501 458 030**	**9 009**	**69**	**(52)**	**9 025**
Share buyback	-	-	-	(208)	(208)
Cancellation of shares	(29 999 999)	(180)	-	180	-
Equity as of 31 December 2018	**1 471 458 031**	**8 829**	**69**	**(80)**	**8 818**

Nominal value per share is NOK 6.

Other reserves

NOK in millions	Net unrealised gains/(losses) reserve	Employee equity benefits reserve	Pension remeasurement reserve	Transactions with non-controlling interests	Share of equity adjustments and other comprehensive income in associated companies	Other equity transactions	Total other reserves
Equity as of 1 January 2017	**(29)**	**387**	**355**	**476**	**(9 927)**	**(7 606)**	**(16 343)**
Other comprehensive income (loss), net of taxes	(633)	-	(61)	-	11 941	-	11 247
Share-based payment	-	52	-	-	-	-	52
Share buyback	-	-	-	-	-	(1 424)	(1 424)
Other changes in other reserves during 2017	-	-	-	-	(539)	-	(539)
Equity as of 31 December 2017	**(662)**	**439**	**294**	**476**	**1 475**	**(9 030)**	**(7 006)**
Change in accounting principle	-	164	-	-	-	-	164
Equity as of 1 January 2018	**(662)**	**603**	**294**	**476**	**1 475**	**(9 030)**	**(6 842)**
Other comprehensive income (loss), net of taxes	(2 809)	-	(252)	-	-	-	(3 061)
Share-based payment	-	(166)	-	-	-	-	(166)
Share buyback	-	-	-	-	-	(5 560)	(5 560)
Equity as of 31 December 2018	**(3 471)**	**437**	**42**	**476**	**1475**	**(14 590)**	**(15 630)**

Net unrealised gains/losses reserve

This reserve includes fair value changes on equity investments resulting in a net loss of NOK 2.8 billion (NOK 633 million in 2017). Unrealised gains and losses arising from changes in fair value of equity investments are recognised directly in other comprehensive income until the investment is disposed of, at which time the cumulative gain or loss is reclassified within equity from other reserves to retained earnings.

During 2018, a loss of NOK 2.9 billion related to VEON was recognised in other comprehensive income (NOK 650 million in 2017). The loss on VEON is related to decline in the share price of VEON partially offset by currency gain due to depreciation of NOK against USD. See note 21 for further information.

Employee equity benefits reserve

Share-based payments represent cost charged to income statement over the vesting period based on the fair value measured at grant date for equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. In 2018, the Group paid NOK 303 million for the payments related to the equity-settled share-based program and during 2017, there was no payments related to the equity-settled share-based program.

As of 1 January 2018, the Group applied amended IFRS 2. The amendment changes the accounting for share-based payment arrangements where the Group is obliged to withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount, normally in cash, to the tax authority on the employee's behalf. This part of the share-based payment arrangements, which previously has been recognised as cash settled share-based payment transactions, is from 1 January 2018 accounted for as equity-settled share-based payment transactions. The liability of NOK 164 million as of 31 December 2017 has been reclassified to other reserves in equity as of 1 January 2018.

Refer to note 34 for further details on these programmes.

Pension re-measurement

This reserve includes the effect of remeasurement of pension obligations arising due to change in assumptions, such as discount rate and long term demographic trends.

NOK in millions	Pension remeasurement	Income taxes	Net pension remeasurement
Equity as of 1 January 2017	**482**	**(127)**	**356**
Other comprehensive income (loss)	(61)	-	(61)
Equity as of 31 December 2017	**421**	**(127)**	**294**
Other comprehensive income (loss)	(336)	84	(252)
Equity as of 31 December 2018	**85**	**(43)**	**41**

Refer to note 25 for further details relating to pension obligations.

Transactions with non-controlling interests

This reserve includes effects from transactions with non-controlling interests. There were no transactions with non-controlling interests during 2018 or 2017.

Share of equity adjustments and other comprehensive income in associated companies

This reserve includes underlying adjustments to equity in associated companies, such as other comprehensive income, share buybacks and transactions with non-controlling interests.

NOK in millions	Share of equity adjustments and other comprehensive income in associated companies
Equity as of 1 January 2017	**(9 927)**
Other comprehensive income (loss), excluding effects of disposal	(342)
Amount reclassified from other comprehensive income to income statement on disposal	12 282
Other comprehensive income, net of taxes	**11 941**
Other changes in other reserves	47
Share of equity adjustments transferred to retained earnings	(586)
Equity as of 31 December 2017	**1 475**
Other comprehensive income (loss), excluding effects of disposal	2
Amount reclassified from other comprehensive income to income statement on disposal	(2)
Other comprehensive income, net of taxes	**-**
Equity as of 31 December 2018	1 475

Other comprehensive income during 2017 primarily related to the Group's share of VEON's translation differences reclassified to income statement upon completion of the transaction resulting in WIND Italy, a subsidiary of VEON, becoming a joint venture of VEON.

Other changes in other reserves during 2017 primarily related to the Group's share of VEON's transactions with its non-controlling interests. During 2017, the accumulated balance of share of equity adjustments in VEON and SnT Classifieds amounting to NOK 586 million was transferred to retained earnings upon disposal of these two companies as associated company and joint venture respectively.

During 2017, a loss of NOK 12.2 billion was reclassified to income statement upon disposal of VEON as an associated company and loss of NOK 60 million was reclassified to income statement upon disposal of ownership interest in SnT Classifieds. See note 19 for further information.

Other equity transactions

This includes the decrease in other reserves as a result of acquisition and sale/cancellation of treasury shares and the increase as a result of transfers from other paid-in capital, including transfers from other paid-in capital related to cancellation of treasury shares. The price paid in excess of the nominal value of the shares reduces this reserve.

Cumulative translation differences

NOK in millions	Foreign currency translation	Net investment hedge	Income taxes	Net translation differences
Equity as of 1 January 2017	**4 920**	**(6 112)**	**1 335**	**144**
Changes during 2017, excluding effects of disposal	2 312	(1 426)	342	1 228
Amount reclassified from other comprehensive income to income statement on disposal	(7 744)	4 094	(1 119)	(4 769)
Net changes during 2017	**(5 432)**	**2 668**	**(777)**	**(3 542)**
Equity as of 31 December 2017	**(512)**	**(3 444)**	**558**	**(3 398)**
Changes during 2018, excluding effects of disposal	(1 390)	316	(73)	(1 147)
Amount reclassified from other comprehensive income to income statement on disposal	1 584	1090	(298)	2 377
Net changes during 2018	**194**	**1 407**	**(370)**	**1 230**
Equity as of 31 December 2018	**(318)**	**(2 038)**	**188**	**(2 168)**

During 2018, a total loss of NOK 2.4 billion was reclassified from other comprehensive income to income statement upon disposal of subsidiaries in Central and Eastern Europe (CEE), Telenor India and Telenor Microfinance Bank in Pakistan. The following amounts which were earlier recognised in other comprehensive income were reclassified to the income statement in 2018:

NOK in millions	Foreign currency translation	Net investment hedge	Income taxes	Total amount reclassified to the income statement net of income taxes
CEE	(1 648)	(1 090)	298	(2 441)
Telenor India	165	-	-	165
Telenor Microfinance Bank	(102)	-	-	(102)
Others	2	-	-	2
Total	**(1 584)**	**(1 090)**	**298**	**(2 377)**

The amount reclassified from other comprehensive income to the income statement in 2017 was related to disposal of VEON as an associated company. The following amounts which were earlier recognised in other comprehensive income were reclassified to the income statement in 2017:

NOK in millions	Foreign currency translation	Net investment hedge	Income taxes	Total amount reclassified to the income statement net of income taxes
VEON partial disposal	(7 742)	4 094	(1 119)	(4 768)
Others	(2)	-	-	(2)
Total	**(7 744)**	**4 094**	**(1 119)**	**(4 769)**

Upon reclassification from other comprehensive income to the income statement, a gain of NOK 3,648 million related to VEON was included in total loss on disposal of associated companies. The total net loss before tax reclassified from other comprehensive income to the income statement related to the disposal of VEON as an associated company was NOK 8.6 billion.

In 2018, the translation difference loss on net investment in foreign operations was caused by appreciation of the Norwegian Krone against all the functional currencies of the Group's investments except the Thai Baht, the Bangladeshi Taka, Malaysian Ringgit and Danish Krone. The depreciation of the Pakistani Rupee by 16%, the Myanmar Kyat by 7%, and the Swedish Krone by 3% against Norwegian Krone had the most significant impact.

In 2017, the translation difference gain on net investment in foreign operations was caused by depreciation of the Norwegian Krone against all the functional currencies of the Group's investments except the U.S. Dollar, the Pakistani Rupee, the Bangladeshi Taka and the Myanmar Kyat. The appreciation of the Serbian Dinar by 12%, the Hungarian Forint by 8%, and the Swedish Krone by 5% against Norwegian Krone had the most significant impact.

Dividends paid and proposed

	2018	2017
Special dividend per share in NOK – paid	**4.40**	-
Ordinary dividend per share in NOK – paid	**8.10**	7.80
Ordinary dividend per share in NOK – proposed by the Board of Directors	**8.40**	8.10

Total dividend of NOK 18.4 billion has been charged to equity in 2018 (NOK 11.7 billion in 2017), of which NOK 18.4 billion has been paid (NOK 11.9 billion in 2017). In addition to the ordinary dividend of NOK 11.9 billion, the Annual General Meeting authorised the Board of Directors to decide further distribution of dividends if the agreement for the divestment of Telenor's mobile business in Central Eastern Europe announced on 21 March 2018 is completed, limited to a maximum aggregate amount of NOK 7 billion. Pursuant to completion of the transaction on 31 July 2018, on 18 September 2018 the Board of Directors resolved to distribute special dividend of NOK 4.40 per share with ex-dividend date of 20 September 2018. The total amount paid out on 2 October 2018 was NOK 6.4 billion.

In respect of 2018, the Board of Directors will propose an ordinary dividend of NOK 8.40 for 2018, to be resolved by the Annual General Meeting on 7 May 2019. The total amount of dividend is estimated to be NOK 12.2 billion based on the outstanding number of shares as of 31 December 2018. The dividend will be split into two tranches of NOK 4.40 and NOK 4.00 per share to be paid out in May 2019 and October 2019, respectively.

Non-controlling interests

NOK in millions	Country of incorporation and operation	Non-controlling interests share of net income (loss) 2018	Non-controlling interests share of net income (loss) 2017	Non-controlling interests in the statement of financial position 31.12.18	Non-controlling interests in the statement of financial position 31.12.17	Non-controlling interests share of dividend in 2018	Non-controlling interests share of dividend in 2017
Digi.Com Bhd	Malaysia	**1 583**	1 449	**728**	542	**1 533**	1 442
Grameenphone Ltd.	Bangladesh	**1 509**	1 239	**1 945**	1 518	**1 281**	1 190
Total Access Communications Plc (dtac)	Thailand	**(386)**	244	**2 233**	2 677	**252**	-
Others		**4**	(17)	**103**	103	**7**	9
Total		**2 711**	2 915	**5 009**	4 839	**3 073**	2 642

Summarised financial information for subsidiaries with significant non-controlling interests

Summarised statement of financial position as of 31 December:

	2018			2017		
NOK in millions	Digi.Com Bhd	Grameenphone Ltd	Total Access Communications Plc (dtac)	Digi.Com Bhd	Grameenphone Ltd	Total Access Communications Plc (dtac)
Current assets	**4 510**	**1 390**	**8 464**	3 834	2 050	10 518
Non-current assets	**9 178**	**13 028**	**35 817**	9 076	10 869	21 353
Current liabilities	**(5 687)**	**(8 048)**	**(12 277)**	(4 628)	(7 395)	(9 081)
Non-current liabilities	**(5 971)**	**(2 099)**	**(22 839)**	(6 639)	(2 123)	(12 612)
Total equity	**2 030**	**4 271**	**9 165**	**1 643**	**3 400**	**10 178**
Attributable to:						
Equity holders of Telenor ASA	**1 303**	**2 326**	**6 932**	1 102	1 882	7 501
Non-controlling interests	**728**	**1 945**	**2 233**	542	1 518	2 677

Summarised comprehensive income information 1 January – 31 December:

	2018			2017		
NOK in millions	Digi.Com Bhd	Grameenphone Ltd	Total Access Communications Plc (dtac)	Digi.Com Bhd	Grameenphone Ltd	Total Access Communications Plc (dtac)
Revenues	13 149	12 910	18 908	12 188	13 156	19 089
Net income	3 104	3 387	(1 141)	2 839	2 796	661
Total comprehensive income	**3 144**	**3 520**	**(441)**	**2 912**	**2 502**	**1 080**
Attributable to non-controlling interests	1 592	1 591	(247)	1 471	1 085	353

Summarised cash flow information 1 January – 31 December:

	2018			2017		
NOK in millions	Digi.Com Bhd	Grameenphone Ltd	Total Access Communications Plc (dtac)	Digi.Com Bhd	Grameenphone Ltd	Total Access Communications Plc (dtac)
Operating activities	4 498	5 700	4 520	3 810	5 756	6 590
Investing activities	(1 725)	(2 931)	(6 334)	(1 399)	(1 323)	(4 606)
Financing activities	(3 058)	(3 398)	(1 193)	(2 030)	(3 461)	(2)
Effect of exchange rate changes on cash and cash equivalents	31	14	238	61	(59)	256
Net increase/(decrease) in cash and cash equivalents	**(255)**	**(615)**	**(2 769)**	**442**	**913**	**2 239**

NOTE 24 Provisions and obligations

Non-current

NOK in millions	2018	2017
Provision for workforce reductions, onerous (loss) contracts and legal disputes	217	166
Asset retirement obligations	5 024	3 531
Other provisions	244	435
Total non-current provisions and obligations as of 31 December	**5 485**	**4 132**

Current

NOK in millions	2018	2017
Provisions for workforce reduction, onerous (loss) contracts and legal disputes	3 173	1 054
Asset retirement obligations	24	33
Other provisions	614	690
Total current provisions and obligations as of 31 December	**3 811**	**1 777**

Development

	2018		2017	
NOK in millions	Workforce reduction, onerous (loss) contracts and legal disputes	Asset retirement obligations	Workforce reduction, onerous (loss) contracts and legal disputes	Asset retirement obligations
As of 1 January	**1 221**	**3 562**	1 106	3 181
Obligations arising during the year and effects of changes in estimates – continuing operations	2 986	1 658	921	397
Obligations arising during the year and effects of changes in estimates – discontinued operations	51	2	366	6
Accretion expense	-	97	2	79
Amounts utilised	(842)	(53)	(979)	(55)
Other changes and translation difference	386	(9)	(59)	81
Reclassified as held for sale	(411)	(208)	(137)	(126)
As of 31 December	**3 390**	**5 048**	1 221	3 562

Legal disputes
On 10 January 2019 CAT and dtac entered into a settlement agreement covering all legal disputes between the parties regarding the concession agreement, including the dispute related to porting of dtac's subscribers to its subsidiary dtac TriNet. The settlement does not comprise the industry cases related to revenue sharing concerning excise tax and interconnection charges (see note 33). A provision of NOK 2.1 billion was recognised in 2018.

Workforce reduction
Provisions for workforce reductions included approximately 720 employees as of 31 December 2018 and approximately 960 employees as of 31 December 2017.

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 assets 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 asset retirement obligations. The increase in asset retirement obligations in 2018 mainly relates to fixed line infrastructure in Telenor Norway.

In most situations, the timing of asset removals will be well into the future and there is uncertainty as to whether and when the obligation will be paid. The actual gross removal costs that the Group will incur 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 obligations. The actual timing of the removals may also differ significantly from the estimated timing.

NOTE 25 Pension obligations

The pension schemes of the Norwegian companies in the Group follow the requirements in the Act on Mandatory company pensions.

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, covering the defined benefit plans offered to all employees in Norway, was closed to new members during 2006 and replaced by defined contribution plans with insurance companies.

3,252 of the Group's employees were members of the contribution plan in Norway as of 31 December 2018 (3,512 as of 31 December 2017). In 2018, 1,595 of the Group's employees were covered by the defined benefit plans funded through Telenor Pension Fund (1,788 in 2017). In addition Telenor Pension Fund paid out pensions to 2,343 persons in 2018 (2,324 in 2017). Telenor Sweden has a defined benefit plan with 668 active members in 2018 (718 in 2017). Other companies outside Norway and Sweden primarily offer contribution plans.

The funded defined benefit plans in Norway have a net benefit liability of NOK 646 million as of 31 December 2018 (NOK 650 million as of 31 December 2017). The current service cost was NOK 203 million in 2018 (NOK 206 million in 2017). Net interest cost was NOK 11 million (NOK 17 million in 2017).

Unfunded defined benefit plans have previously been offered to executive employees. As of 31 December 2018 the net defined benefit liability recognised in the statement of financial position was NOK 633 million (NOK 603 million as of 31 December 2017). The service cost was NOK 13 million in 2018 (NOK 13 million in 2017). Net interest cost was NOK 14 million (NOK 13 million in 2017).

In Norway, the Group is a member of an agreement-based early retirement plan (new AFP). Essentially all of the Norwegian employees are entitled to life-long benefits from the age of 62 from this plan, in addition to other plans. The plan is financed through a pooled arrangement, where private sector employers cover 2/3 of the funding requirements and the Norwegian government covers 1/3. For 2018, the contribution was 2.5% of total salaries between 1 and 7.1 times the base amount (G) (2.5% for 2017). For 2019 the contribution is set to 2.5%. The plan is considered to be a defined benefit multi-employer plan with limited funding and where plan assets are not segregated. The information required to calculate a proportionate share of the plan, and account for the plan as a defined benefit plan, is not available from the plan administrator. Consequently, the plan is accounted for as a defined contribution plan.

The defined benefit plan in Sweden has a net benefit liability of NOK 1,117 million as of 31 December 2018 (NOK 1,001 million as of 31 December 2017). The service cost was NOK 53 million and net interest cost was NOK 25 million in 2018 (NOK 58 million and NOK 24 million in 2017, respectively). The discount rate used for the pension calculations as of 31 December 2018 was 2.5% (2.75% in 2017) and expected salary increase was set to 3.0% (3.0% in 2017).

For the Norwegian defined benefit plans, the Group applies the K2013 risk table for mortality and a risk table for disability based on historical figures in Telenor Pension Fund (both implemented in 2013). The average expected lifetime in the risk tables is 87 years for men and 91 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.

	Mortality %		Disability %		Expected lifetime	
Age	Men	Women	Men	Women	Men	Women
40	0.05	0.03	0.06	0.09	87.88	91.63
50	0.13	0.09	0.22	0.33	87.14	90.67
60	0.39	0.27	0.78	1.23	86.75	90.17
70	1.23	0.86	-	-	87.25	90.30
80	4.03	2.78	-	-	89.47	91.89

The plan assets were measured at fair value 31 December 2018 and 31 December 2017. The calculation of the projected benefit obligations (PBO) as of 31 December 2018 was based on the member base at 15 December 2018 (at 4 November 2017).

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 Group 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 the Group. At the time of issuance of a paid-up policy, the Group is relieved of any further obligations towards the receiver. The funds and obligations are valued at the time of issuance of paid-up policies, and are derecognised from pension obligations and plan assets.

Changes in the defined benefit obligation and fair value of plan assets

	2018			2017		
NOK in millions	Defined benefit obligation	Fair value plan assets	Benefit liability	Defined benefit obligation	Fair value plan assets	Benefit liability
As of 1 January	**(9 117)**	**6 565**	**(2 552)**	(9 114)	6 542	(2 572)
Current service cost	(363)	-	(363)	(370)	-	(370)
Past service cost	1	-	1	14	-	14
Net interest	(236)	179	(57)	(259)	194	(65)
Discontinued operations	(4)	-	(4)	-	-	-
Sub-total included in Income Statement	**(602)**	**179**	**(423)**	(615)	194	(422)
Return on plan assets (excluding amounts included in net interest expense)	-	(256)	(256)	-	(354)	(354)
Actuarial changes arising from changes in demographic assumptions	(5)	-	(5)	22	-	22
Actuarial changes arising from changes in financial assumptions	(157)	-	(157)	(290)	-	(290)
Experience adjustments	83	-	83	559	-	559
Sub-total in Other Comprehensive Income	**(79)**	**(256)**	**(335)**	291	(354)	(63)
Effects of business combinations and disposals	32	(2)	30	68	(37)	31
Contributions by employer	-	429	429	-	451	451
Benefits paid	300	(273)	27	276	(209)	67
Translation differences	47	(38)	9	(23)	(21)	(44)
As of 31 December	**9 419**	**6 604**	**(2 815)**	(9 117)	6 565	(2 552)
Of which classified as:						
Pension obligations			(2 819)			(2 565)
Other non-current assets			4			14

Experience adjustments on benefit obligations 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

	2018	2017
Discount rate in %	**2.60**	2.40
Future salary increase in %	**2.50**	2.25
Future increase in the social security base amount in %	**2.50**	2.25
Future turnover in %	**4.00**	4.00
Expected average remaining service period in years	**8.00**	8.00
Future pension increases in %	**2.00**	1.75

The Group has used the Norwegian covered bonds (OMF – Obligasjoner med fortrinnsrett) as basis for the discount rate as of 31 December for both 2018 and 2017 for the Norwegian plans. OMFs are covered bonds issued by mortgage companies owned by Norwegian banks under a well-established legal framework. Generally, bonds with ratings better than AA are considered to be of high quality. Most OMFs have AAA rating.

Components of net periodic benefit cost

NOK in millions	2018	2017
Current service cost	**(363)**	(347)
Past service cost	**1**	14
Net interest cost	**(57)**	(65)
Net periodic benefit costs	**(419)**	**(398)**
Contribution plan costs	**(571)**	(600)
Total pension costs charged to the income statement for the year	**(990)**	**(998)**
of which reported as other expense (note 10)	**(23)**	67
of which reported as pension cost (note 8)	**(910)**	(1 000)
of which reported as net interest cost (note 12)	**(57)**	(65)

Sensitivity analysis

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 2018. 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%	-1%	+1%
Changes in:										
Increase (decrease) in benefit obligations	1 590	(1 181)	(604)	606	122	(196)	(887)	1 191	90	(145)

Asset categories

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

	2018	2017
Bonds %	64	57
Equity securities %	33	38
Real estate %	3	5
Other %	-	1
Total	**100**	100

The bond investments are in securities issued by the Norwegian government, Norwegian municipals, financial institutions and corporations. Bonds held in foreign currencies are to a large extent currency hedged. Equity investments are both in Norwegian and foreign securities. Currency hedging for foreign equity securities is evaluated per investment.

The Telenor Pension Fund owns real estate previously held by the Group. The values of these were set based on evaluations made by an independent project and construction management company. Approximately 45% of the buildings measured at market value are used by the Group through rental contracts.

The Group expects to contribute approximately NOK 426 million to the Telenor Pension Fund in 2019.

The following table shows expected benefits payment from the Norwegian defined benefit plans in future years:

NOK in millions	
Within the next 12 months (next annual reporting period)	143
Between 2 and 5 years	652
Next 5 years	1 276
Total expected payments next 10 years	**2 071**

The average duration of the Norwegian defined benefit plans at the end of the reporting period is 17.0 years.

NOTE 26 Trade and other payables and non-interest-bearing liabilities

Non-current non-interest-bearing liabilities

NOK in millions	Fair value level 4)	Category	2018	2017
Financial derivatives	2	FVTPL 1)	111	124
Financial derivatives designated for net investment hedge	2		1 585	829
Other non-current non-interest-bearing liabilities		FLAC 2)	113	152
Total non-current non-interest-bearing liabilities as of 31 December			**1 809**	**1 105**

Trade and other payables

NOK in millions	Fair value level 4)	Category	2018	2017
Trade payables			8 194	8 786
Accruals			18 661	19 607
Total trade payables and accruals as of 31 December		FLAC 2)	**26 855**	**28 393**
Contract liabilities			7 020	7 217
Other prepaid revenues			244	312
Government taxes, tax deductions etc.			3 609	4 372
Total other payables as of 31 December		NF 3)	**10 873**	**11 902**
Total trade and other payables as of 31 December			**37 728**	**40 295**

Current non-interest-bearing liabilities

NOK in millions	Fair value level 4)	Category	2018	2017
Financial derivatives	2	FVTPL 1)	217	1 452
Financial derivatives designated for net investment hedge	2		172	341
Other current non-interest-bearing liabilities		FLAC 2)	1 277	1 460
Total current non-interest-bearing liabilities as of 31 December			**1 666**	**3 253**

1) FVTPL: Fair value through profit and loss
2) FLAC: Financial liabilities at amortised cost
3) NF: Non-financial assets and liabilities
4) For information about the fair value level of financial instruments, see note 29.

Other current non-interest-bearing liabilities include liabilities to financing institutions under supply chain financing programs of NOK 690 million as of 31 December 2018 (NOK 647 million as of 31 December 2017).

Specification of contract liabilities:

NOK in millions	2018
Balance as of 1 January	**7 217**
IFRS 15 implementation effect	24
Revenue recognised that was included in opening balance	(5 545)
New contract liabilities less transfer to revenue	5 654
Change in measure of progress	(28)
Currency and other effects	(66)
Reclassified to assets held for sale	(236)
Balance as of 31 December	**7 020**

NOTE 27 Interest-bearing liabilities

NOK in millions	2018 Current interest-bearing liabilities	2018 Non-current interest-bearing liabilities	2018 Total	2017 Current interest-bearing liabilities	2017 Non-current interest-bearing liabilities	2017 Total
Interest-bearing liabilities measured at amortised cost						
Bank loans	1 537	8 577	10 115	1 410	9 065	10 475
Finance lease obligations	54	805	859	85	842	927
Bonds and Commercial Papers	13 175	34 949	48 124	17 538	39 693	57 230
Licence obligations[1]	876	10 971	11 847	799	1 458	2 257
Deposits from customers[2]	62	-	62	2 846	-	2 846
Other liabilities	36	623	659	32	530	562
Total interest-bearing liabilities	**15 740**	**55 926**	**71 666**	**22 710**	**51 587**	**74 296**
Fair value of debt			73 872			77 327
Of which fair value hierarchy level 1[3]			49 534			58 556
Of which fair value hierarchy level 2[3]			24 338			18 771

[1] Net present value of future payments for mobile licenses in dtac, Pakistan, Myanmar, Grameenphone and Denmark is recognised as interest-bearing liabilities.
[2] Includes deposits from customers mainly related to Telenor Microfinance Bank Ltd in Pakistan in 2017.
[3] For information about the fair value hierarchy for valuation of financial instruments, see note 29.

Non-current interest-bearing liabilities

NOK in millions	Currency	2018 Debt before the effect of currency swaps	2018 Debt adjusted for the effect of currency swaps[2]	2017 Debt before the effect of currency swaps	2017 Debt adjusted for the effect of currency swaps[2]
Company					
Telenor ASA	EUR	25 422	7 331	26 019	17 853
	NOK[1]	-	(9 269)	-	(12 977)
	SEK	-	3 068	3 396	8 496
	USD	-	25 602	823	13 207
	THB	-	-	-	1 610
	MYR	-	-	-	2 682
Total Telenor ASA		**25 422**	**26 732**	**30 238**	**30 871**
Digi	MYR	5 283	5 283	5 457	5 457
Grameenphone	BDT	848	848	489	489
Grameenphone	USD	301	301	847	847
Denmark	DKK	274	274	309	309
Sweden	SEK	179	179	198	198
Pakistan	USD	686	686	1 093	1 093
dtac	THB	22 030	22 030	12 032	12 032
Myanmar	USD	91	91	190	190
Other non-current interest-bearing liabilities		812	812	732	732
Total subsidiaries		**30 504**	**30 504**	**21 348**	**21 348**
Total non-current interest-bearing liabilities		**55 926**	**57 236**	**51 587**	**52 220**

[1] Telenor ASA's debt position in Norwegian Kroner is a net asset position when including currency swaps.
[2] Debt adjusted for currency swaps includes financial instruments that are not classified as interest-bearing liabilities in the statement of financial position.

Current interest-bearing liabilities

NOK in millions	Currency	2018 Debt before the effect of currency swaps	2018 Debt adjusted for the effect of currency swaps [2]	2017 Debt before the effect of currency swaps	2017 Debt adjusted for the effect of currency swaps [2]
Company					
Telenor ASA	NOK[1]	-	(5 826)	-	971
	EUR	-	-	4 920	1 530
	SEK	3 298	5 179	-	-
	MYR	-	2 781	-	-
	THB	-	1 719	-	-
	USD	869	386	4 103	5 328
	HUF	-	62	-	761
Total Telenor ASA		**4 167**	**4 301**	9 023	8 590
Telenor East Holding II AS	USD	8 605	8 605	8 007	8 007
Digi	MYR	413	413	54	54
Pakistan	USD	471	471	563	563
Pakistan	PKR	556	556	3 298	3 298
dtac	THB	403	403	508	508
India	INR	-	-	257	257
Grameenphone	BDT	158	158	48	48
Grameenphone	USD	599	599	563	563
Myanmar	USD	234	234	158	158
Other current interest-bearing liabilities		134	134	232	232
Total subsidiaries		**11 573**	**11 573**	13 687	13 687
Total current interest-bearing liabilities		**15 740**	**15 874**	22 709	22 277

1) Telenor ASA's debt position in Norwegian Kroner is a net asset position when including currency swaps.
2) Debt adjusted for currency swaps includes financial instruments that are not classified as interest-bearing liabilities in the statement of financial position.

Changes interest-bearing liabilities

NOK in millions	2018	2017
As of 1 January	**74 296**	86 361
Change in cash flow from financing activities	(12 244)	(13 546)
Change due to hedge accounting	(94)	(515)
Effects from changes in foreign exchange rates	2 111	2 484
Liabilities held for sale	(2 282)	(2 874)
Interest and deposits from customers in financial institutions[1]	22	1 428
Increase in licence liability[2]	9 610	579
Change in bank overdraft[3]	(19)	455
Other changes	267	(77)
As of 31 December	**71 666**	74 296

1) Classified as cash flow from operating activities.
2) Acquisition of licence with deferred payments. Instalment payments are included in cash flow from financing activities.
3) Cash flows are reported net of bank overdraft.

Debt issued under Telenor ASA's EMTN programme is based on documentation that is commonly used for investment grade issuers in the Eurobond market. This documentation contains provisions restricting the pledge of assets to secure future borrowings without granting a similar secured status to the existing lenders (negative pledges) and also contains covenants limiting disposals of assets.

Bonds issued under the 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 owns or acquires more than 50% of the issued ordinary share capital of Telenor ASA. If such Change of Control 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.

All outstanding debt issued by Telenor ASA is unsecured.

Debt in Telenor East Holding II AS is comprised of bonds exchangeable into VEON American Depository Shares (ADS's). The USD 1.000 million principal bonds initially had a maturity of 3 years (final maturity 20 September 2019) and a fixed coupon of 0.25% per annum, payable semi-annually. The exchangeable bond is in the statement of financial position split into a current interest-bearing liability recognised at amortised cost and a financial derivative recognised at fair value.

Each USD 200,000 bond is exchangeable for 49,202 VEON ADSs (adjusted for dividend and subject to further adjustments), which represents an exchange price of approximately USD 4.06 per ADS.

Upon the maturity of the Bonds, the Issuer may redeem each USD 200,000 bond that has not been previously exchanged, by paying cash, by transferring up to

73,803 ADSs (150% of 49,202 ADS underlying each bond), or by paying and transferring a mix of cash and ADSs, in each case with a market value of USD 200,000. Additionally, Telenor may redeem the bonds at their USD 200,000 principal amount, together with accrued interest, for cash at any time on or after 12 October 2018 provided that the market value of the 49,202 VEON ADSs underlying each Bond is at least USD 260,000.

Furthermore, debt in dtac is mainly comprised of licence liabilities (NOK 9.7 billion), issued bonds (NOK 8.0 billion) and debt to financial institutions (NOK 4.7 billion).

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.

NOTE 28 Financial risk management

Managing capital

Telenor Group's capital allocation priorities are:

1. Maintain a solid balance sheet
2. Offer competitive shareholder remuneration
3. Value driven investment approach

In January 2019 Telenor introduced a leverage target of 1.5-2.0x net debt/EBITDA, which replaced the previous cap of 2.0x. The revised targeted capital structure provides a good balance between shareholder return and a solid balance sheet with stable access to capital markets, while also supporting Telenor's strategic priorities. As of 31 December 2018, the reported net debt/EBITDA ratio was 0.9x (1.05x as of 31 December 2017 restated) and Telenor ASA's long term credit rating was "A3/stable outlook" by Moody's Investors Service and "A/stable outlook" by Standard & Poor's (S&P). The ratings were unchanged throughout the year.

The Group's capital structure consists of interest-bearing debt as disclosed in note 27, cash and cash equivalents and equity attributable to the shareholders of Telenor ASA as presented in the consolidated statement of changes in equity and in note 23.

In order to adjust the capital structure, the Group may acquire or sell own shares, distribute dividends to shareholders, return capital to shareholders or issue new shares. In 2018, Telenor's total shareholder remuneration was NOK 24.2 billion, comprised of NOK 12.0 billion of ordinary dividends paid out in May 2018 (NOK 4.20 per share) and November 2018 (NOK 3.90 per share), NOK 6.4 billion of special dividend paid out in October 2018 and NOK 5.8 billion of share buybacks.

For the 2018/2019 share buyback programme, Telenor ASA has an agreement with the Kingdom of Norway through the Ministry of Trade, Industry and Fisheries to carry out share buybacks with the purpose of cancelling these shares through write-down of the share capital in order to maintain its ownership interest. The cash effect of this agreement will occur in 2019. See notes 23, 32 and 35 for further description.

For the financial year 2018, the Telenor Board of Directors will propose an ordinary dividend of NOK 8.40 per share to be resolved by the Annual General Meeting in May 2019 and paid out in two tranches of NOK 4.40 and NOK 4.00 per share in May 2019 and October 2019, respectively. The net dividend amount to be paid out in 2019 is NOK 12.2 billion. The Board also intends to initiate a new share buyback programme of up to 3% of the registered shares, contingent upon approval from the Annual General Meeting. If approved, the programme will be initiated in 2019.

Telenor's shareholder remuneration policy is to aim for a year-on-year growth in dividend per share, where the annual dividends are paid in two instalments. Buyback of own shares or extraordinary dividend pay-outs might also be used as a measure in order to reach a targeted leverage.

Financial risk

Telenor Group Treasury is responsible for funding and financial risk management for the parent company and subsidiaries owned, directly or indirectly, more than 90% by Telenor ASA. Subsidiaries owned less than 90% normally have stand-alone financing and management of financial risks. The Group has limited activities related to interest rate and currency trading (other than hedging activities).

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. Debt issued in the international capital market is predominately issued under the existing EMTN programme (Euro Medium Term Note) to secure longer dated funding and under existing ECP programme (Euro Commercial Paper) to secure shorter dated funding up to 12 months. In addition to these uncommitted loan programmes the Norwegian domestic capital market is used from time to time. Telenor ASA has a committed syndicated revolving credit facility (RCF) of EUR 2.0 billion with maturity in 2021. The RCF was undrawn as of 31 December 2018.

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

Telenor ASA shall have sufficient sources of liquidity to cover expected needs during the next 12 months. Potential liquidity to fund acquisitions is 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 even over a time horizon of at least 10 years in order to reduce the Group's refinancing risk. The debt maturity profile is presented below. For information about duration please see chapter "Interest rate risk".

[1] Please refer to page 131 for description of alternative performance measures.

Maturity profile of the Group's liabilities (in nominal values)

NOK in millions	Total as of 31.12.18	< 1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years	>10 years	Not specified
Interest-bearing liabilities													
Financial Debt	57 696	14 177	14 213	1 636	8 314	1 002	6 761	8 091	282	2 523	12	685	-
Finance lease liabilities	859	54	54	59	71	84	292	85	102	58	-	-	-
Other interest-bearing liabilities, including license commitments	12 480	1 509	1 119	1 030	8 772	28	21	-	-	-	-	-	-
Sum of interest-bearing liabilities	**71 035**	**15 740**	**15 385**	**2 726**	**17 157**	**1 115**	**7 074**	**8 176**	**384**	**2 581**	**12**	**685**	**-**
Non-interest-bearing liabilities													
Trade and other payables	37 728	37 728	-	-	-	-	-	-	-	-	-	-	-
Other current non-interest-bearing liabilities	1 278	1 278	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	2 058	388	650	90	654	7	151	93	14	5	-	6	-
Other non-current non-interest-bearing liabilities	113	-	-	-	-	-	-	-	-	-	-	-	113
Sum of non-interest-bearing liabilities	**41 177**	**39 394**	**650**	**90**	**654**	**7**	**151**	**93**	**14**	**5**	**-**	**6**	**113**
Total	**112 212**	**55 135**	**16 035**	**2 816**	**17 811**	**1 122**	**7 225**	**8 269**	**398**	**2 585**	**12**	**690**	**113**
Future interest payments	**5 062**	**1 027**	**960**	**743**	**671**	**552**	**481**	**319**	**155**	**97**	**30**	**28**	**-**
Total including future interest payments	**117 274**	**56 162**	**16 995**	**3 559**	**18 483**	**1 674**	**7 706**	**8 588**	**553**	**2 683**	**42**	**718**	**113**

NOK in millions	Total as of 31.12.17	< 1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years	>10 years	Not specified
Interest-bearing liabilities													
Financial Debt	66 972	18 385	8 114	11 939	1 783	7 579	954	6 833	8 102	261	1 770	1 251	-
Finance lease liabilities	927	85	54	52	58	69	82	291	81	97	55	-	-
Other interest-bearing liabilities, including license commitments	5 697	4 240	620	436	352	28	21	-	-	-	-	-	-
Sum of interest-bearing liabilities	**73 596**	**22 710**	**8 789**	**12 427**	**2 193**	**7 677**	**1 058**	**7 124**	**8 184**	**359**	**1 825**	**1 251**	**-**
Non-interest-bearing liabilities													
Trade and other payables	40 295	40 295	-	-	-	-	-	-	-	-	-	-	-
Other current non-interest-bearing liabilities	1 460	1 460	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	2 746	1 793	173	462	-	317	-	-	-	-	-	-	-
Other non-current non-interest-bearing liabilities	152	-	-	-	-	-	-	-	-	-	-	-	152
Sum of non-interest-bearing liabilities	**44 653**	**43 548**	**173**	**462**	**-**	**317**	**-**	**-**	**-**	**-**	**-**	**-**	**152**
Total	**118 249**	**66 258**	**8 962**	**12 889**	**2 193**	**7 994**	**1 058**	**7 124**	**8 184**	**359**	**1 825**	**1 251**	**152**
Future interest payments	**7 570**	**1 438**	**1 399**	**1 176**	**961**	**858**	**636**	**506**	**305**	**145**	**95**	**52**	**-**
Total including future interest payments	**125 819**	**67 696**	**10 361**	**14 064**	**3 154**	**8 852**	**1 694**	**7 630**	**8 489**	**504**	**1 920**	**1 303**	**152**

Financial debt in the maturity table includes the VEON exchangeable bonds. Settlement details for these bonds are explained in note 27.

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. In 2018, the average reported interest cost for the Group was 3.4% on all interest-bearing liabilities, including licenses (3.3% in 2017).

The majority of debt issued by the Group is fixed rate debt. The Group uses interest rate derivatives to manage interest rate risk of the debt portfolio. This typically involves interest rate swaps, swapping floating interest rates to fixed interest rates and vice versa. Forward rate agreements are used to a lesser extent.

According to Group Policy, Telenor Group's portfolio of external debt instruments shall have interest rate duration between 0 and 5 years whereas subsidiaries shall have interest rate duration below 1 year. As of 31 December 2018, the duration of the Group's debt was 1.5 years (1.5 years as of 31 December 2017). Telenor ASA's duration was 2.2 years as of 31 December 2018 (1.9 years as of 31 December 2017).

Derivative instruments designated as fair value hedging instruments

The majority of debt is issued using fixed rate bonds. In order to manage interest rate risk a portion of the debt may be swapped to floating interest rate by using interest rate swaps. Fair value hedge accounting is applied when hedge accounting criteria are met.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the interest rate swaps match the terms of the fixed rate bonds (i.e., notional amount, maturity, payment and rate set dates).

Effectiveness testing is performed using the hypothetical derivative method, and compares changes in fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk. Hedge ineffectiveness in fair value hedges can arise from:

- Different interest rate curve applied to discount the hedged items and hedging instruments.
- Differences in timing of cash flows of the hedged items and hedging instruments.

The table below shows the effects of the Group's fair value hedges. The change in fair value of the hedging instrument and the hedged item is recognised on the line item Net change in fair value of financial instruments under financial items in the income statement.

Fair value hedging relationships

NOK in millions	2018	2017
Net gain / (loss) recognised in the income statement on hedged items	94	489
Net gain / (loss) recognised in the income statement on hedging instruments	(102)	(365)
Amount of hedge ineffectiveness	**(8)**	124

Financial instruments designated as hedging instruments in fair value hedges are classified on the line items Other non-current assets and Other current financial assets in the statement of financial position, see note 21:

	2018		2017	
NOK in millions	Assets	Liabilities	Assets	Liabilities
As of 31 December				
Nominal amounts fair value hedge instruments	21 382	-	28 762	-
Fair values of fair value hedge instruments	1 492	-	1 777	-

The following table shows the maturity profile of the Group's fair value hedge instruments (in nominal values):

NOK in millions	Total	< 1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years
As of 31 December 2018	2 036	444	459	302	316	188	186	123	12	6	-
As of 31 December 2017	2 540	542	437	452	297	311	184	182	120	11	5

The terms of the fixed rate receive leg of the interest rate swaps designated as fair value hedge instruments match the terms of the fixed rate pay leg of the hedged items. The average interest rate terms of the floating pay legs of the interest rate swaps are EURIBOR 3/6 months +84 basis points (+81 basis points in 2017) for EUR denominated swaps and BIBOR +130 basis points (+123 basis points in 2017) for THB denominated swaps.

The table below shows the carrying amounts of the Group's fair value hedge items, which are recognised on the line items Non-current interest-bearing liabilities and Current interest-bearing liabilities in the statement of financial position:

NOK in millions	2018	2017
Carrying amount of hedged items recognised in the statement of financial position	22 028	29 169
Fair value hedge adjustments included in the carrying amount of the hedged items	684	770

Interest rate risk sensitivity analysis

Effects on changes in fair value

The Group calculates the sensitivity on the change in fair value of assets and liabilities 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 significant interest-bearing positions. Due to debt instruments the net position is a liability. Since hedge accounting is applied and interest-bearing debt is measured at amortised cost, the full effect of change in fair value is not recognised in the income statement. This is shown in the table below:

	2018		2017	
NOK in millions	Yield curve increase 50 basis points	Yield curve decrease 50 basis points	Yield curve increase 50 basis points	Yield curve decrease 50 basis points
Reduction (increase) in fair value of net liabilities	473	(485)	559	(574)
Gain (loss) in the income statement	75	(75)	59	(58)

Sensitivity analysis of change in floating interest rates on net financial items in the income statement:

	2018		2017	
NOK in millions	Interest rates increase 50 basis points	Interest rates decrease 50 basis points	Interest rates increase 50 basis points	Interest rates decrease 50 basis points
Gain (loss) in the income statement	(324)	324	(280)	280

Exchange rate risk

The Group is exposed to changes in the value of NOK relative to other currencies. The carrying amount of the Group's net investments in foreign entities and proceeds from these investments varies with changes in the foreign exchange rate. The net income of the Group is also affected by currency fluctuations, as the profit and losses from foreign operations are translated into NOK using average exchange rates for the period. 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 exchange forward contracts and cross currency swaps) are used for this purpose. Short-term currency swaps are frequently used for liquidity management purposes. Net investment hedge accounting is applied when possible.

Exchange rate risk also arises when Telenor ASA or any of its subsidiaries enter into transactions or holds monetary items denominated in other currencies than their own functional currency. In accordance with Group Policy, committed cash flows in foreign currency equivalent to NOK 50 million or above are hedged with forward contracts.

Financial instruments designated as hedging instruments of net investment in foreign operations

As of 31 December 2018 and 2017, material hedging positions are designated as net investment hedges.

There is an economic relationship between the hedged items and the hedging instruments as the net investment creates a translation risk that will match the foreign exchange risk on the debt and derivatives designated as hedging instruments.

Net investment hedging is mainly applied in currencies that have well-functioning financial markets, but the Group may also designate debt in correlated currencies as hedging instruments to hedge foreign exchange risk.

The Group has established hedge ratios to match the underlying risk of the hedging instruments with the hedged risk component. Hedge ineffectiveness may arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the debt and derivatives designated as hedging instruments. There was no ineffectiveness in the years ending 31 December 2018 and 2017.

For additional information and a reconciliation of the net investment hedge balance in equity, see note 23.

Net investment hedging relationships

NOK in millions	2018	2017
Amount recognised directly to other comprehensive income (OCI)	**316**	(1 426)
Amount reclassified from OCI to the income statement on disposal	**1 090**	4 094

Net investment hedging was performed for the investment in Pakistan in 2018 using USD denominated instruments, but hedging was discontinued due to loss of economic relationship. As of 31 December 2018, the remaining balance included in the net investment hedge reserve was NOK 82 million.

Interest-bearing debt and derivatives designated as hedging instruments in net investment hedges (only effective part of instruments are included):

	2018		2017	
NOK in millions	Debt	Derivatives	Debt	Derivatives
As of 31 December				
Nominal amounts net investment hedge instruments	**(24 420)**	**4 428**	(28 455)	2 985
Fair value net investment hedge instruments	**(26 135)**	**(1 649)**	(30 854)	(349)

Debt designated as hedging instruments in net investment hedges are recognised on the line items Non-current interest-bearing liabilities and Current interest-bearing liabilities in the statement of financial position.

Classification of derivatives designated for net investment hedge in the consolidated statement of financial position:

NOK in millions	2018	2017
As of 31 December		
Other non-current assets	**21**	210
Other financial current assets	**86**	611
Non-current non-interest-bearing financial liabilities	**(1 584)**	(829)
Current non-interest-bearing liabilities	**(172)**	(341)
Fair value net investment hedge instruments	**(1 649)**	**(349)**

The following table shows the maturity profile (in nominal values) of the Group's net investment hedge instruments (only effective part of instruments are included):

NOK in millions	Total	< 1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years
As of 31 December 2018	(22 869)	(8 588)	(6 294)	(1 590)	(337)	(281)	(3 414)	(2 160)	(204)
As of 31 December 2017	(28 835)	(7 060)	(5 985)	(4 702)	(354)	376	(267)	(5 279)	(5 565)

Average currency rates in cross currency swaps designated as net investment hedge instruments were NOK/USD 8.54 (8.54 in 2017) and USD/EUR 1.24 (1.32 in 2017) in 2018, in addition to NOK/EUR 7.50 in 2017. In 2018, average currency rates in foreign exchange contracts designated as net investment hedge instruments were NOK/SEK 0.98 (1.00 in 2017), NOK/USD 7.64 (8.18 in 2017), USD/MYR 0.24 (0.23 in 2017) and USD/THB 0.03 (0.03 in 2017).

Exchange rate risk sensitivity analysis

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

Effects on net currency gains (losses)

Currency gains and losses on monetary items in foreign currency are recognised in the income statements of Telenor ASA and its subsidiaries. Net currency gains (losses) in foreign subsidiaries are translated to NOK in the consolidated income statement. The table below shows the effect on consolidated net currency losses of 10% depreciation in functional currencies in the Group, keeping other currencies constant (only significant exposures are included in the table):

	Monetary Item Currency									
	2018					2017				
NOK in millions	EUR	MYR	SEK	USD	Other	EUR	MYR	SEK	USD	Other
Depreciating Functional Currency										
NOK	**(248)**	**(148)**	**-**	**(3 649)**	**-**	(613)	(158)	(194)	(2 979)	-
BDT	**-**	**-**	**-**	**-**	**-**	-	-	-	(155)	-
PKR	**-**	**-**	**-**	**(152)**	**-**	-	-	-	(238)	-
INR	**-**	**-**	**-**	**-**	**-**	-	-	-	(238)	-
MMK	**-**	**-**	**-**	**-**	**-**	-	-	-	(123)	-

Effects due to foreign exchange translations on other comprehensive income
Translation of subsidiaries from their functional currencies into the presentation currency of the Group (NOK) will impact the Group's other comprehensive income (OCI) and equity. If NOK had weakened by 10% against all other functional currencies of the Group, the change in the carrying amount of consolidated equity as of 31 December 2018, including effects of net investment hedge, would have been an increase of approximately NOK 3.0 billion (increase of NOK 4.8 billion as of 31 December 2017).

The table below shows the impact on OCI of net investment hedge (NIH) instruments if the functional currency weakened by 10%.

	2018				2017			
NOK in millions	EUR	SEK	USD	Other	EUR	SEK	USD	Other
Currency effect on OCI (before tax) of NIH instruments								
NOK	**(640)**	**(825)**	**(232)**	**(302)**	(1 350)	(850)	-	(347)
Effect on other comprehensive income (OCI)				**(1 999)**				**(2 547)**

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's reported figures. The sensitivity analysis is only carried out for the Group's major subsidiaries. If the presentation currency (NOK) had weakened / strengthened by 10 % against all other currencies included in the analysis, net income for the Group would have been NOK 1.5 billion higher / lower in 2018 (NOK 728 million in 2017).

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	2018	2017
Cash and cash equivalents	**18 492**	22 546
Bonds and commercial papers > 3 months (note 21)	**332**	849
Financial derivatives (note 21)	**2 023**	3 137
Other financial non-current interest-bearing assets – deferred payment from disposal CEE (note 21)	**4 020**	-
Trade and other current financial receivables (note 20)	**17 369**	21 472

The Group's credit risks largely arise from trade receivables, financial derivatives and cash and cash equivalents.

Credit risk from cash and cash equivalents is managed by the Group's Treasury department in accordance with the Group Policy. Cash deposits are only made with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Risk and Audit Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Credit risk arising from financial derivatives and cash deposits is managed through diversification, internal risk assessment and credit scoring, as well as credit risk mitigation tools. The main risk mitigation tools include legal netting and collateral agreements.

Credit risk from other financial non-current interest-bearing assets regarding deferred payment of EUR 400 million from disposal of operations in Central Eastern Europe (CEE) is mitigated through received bank and parent company guarantees as well as covenants in the sales agreement.

Credit risk related to trade receivables is assessed to be limited due to the high number of customers in the Group's customer base. As such, no further credit risk provision is required in excess of the normal provision for bad and doubtful receivables. See note 20 for information on receivables in terms of age distribution and provision for bad debt. Credit risk related to sale of handsets on instalment plans, where the effect of discounting is considered material, is also assessed to be limited. Credit risk related to such arrangements are embedded in the discount rate and reflected as reduced revenue, see note 3 for information on the risk related to revenue recognised related to sale of handsets on instalment plans.

As of 31 December 2018, NOK 40 million was held as cash collateral (liability) and NOK 423 million was posted as cash collateral (receivable). As of 31 December 2017, NOK 841 million was held as cash collateral (liability) and NOK 190 million was posted as cash collateral (receivable).

NOTE 29 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. The estimated fair values of the Group's financial instruments are based on available 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 fair value.

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).

Interest-bearing liabilities
Fair values of interest-bearing liabilities as shown in note 27 are based on quoted prices where available. Interest-bearing liabilities that are not traded in an active market have been estimated using yield curves which incorporate estimates of the Telenor ASA credit spread. The credit curves have 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 carrying 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 carrying amount is assessed to be a reasonable approximation of fair value. The effect of not discounting is considered to be insignificant for this class of financial instruments.

Equity investments
Fair values for listed shares are based on quoted prices at the end of the reporting period. Fair value of unlisted shares is estimated 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.

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 interest rate curves, exchange rates and currency spreads as of 31 December 2018 and 2017, respectively.

Fair value of the embedded derivate in the VEON exchangeable bond is derived from the observed market price of the bond as a whole and other level 2 inputs.

NOTE 30 Pledges and guarantees

NOK in millions	2018	2017
Finance lease liabilities secured by assets pledged	**859**	927
Total liabilities secured by assets pledged as of 31 December	**859**	**927**
Carrying amount of assets pledged as security for finance lease liabilities	**822**	864
Total assets pledged as security for liabilities as of 31 December	**822**	**864**

There has been no major change in finance lease liabilities secured by assets pledged as of 31 December 2018.

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 2018 were mainly related to Telenor Sweden, Telenor Denmark, Digi and Grameenphone. See notes 18 and 27.

Guarantee obligations:

NOK in millions	2018	2017
Guarantee obligations as of 31 December	3 636	4 779

In relation to the licence issuance in Myanmar, a performance bond of NOK 0.5 billion (NOK 0.9 billion as of 31 December 2017) was issued to Myanmar authorities as a guarantee towards coverage and quality of services commitments until 2019.

Telenor ASA has issued corporate guarantees of NOK 0.7 billion (NOK 1.3 billion as of 31 December 2017) as security for Telenor India's bank guarantee facilities. In addition, the exposure to claims from the Department of Telecommunications in India related to the period Telenor owned the business remains with Telenor. The fair value of this guarantee was recognised as of closing date, and as of 31 December 2018 the amount recognised was NOK 1.8 billion.

Purchased bank guarantees are not shown in the table.

NOTE 31 Contractual commitments

The Group has entered into agreements with fixed payments in respect of the following as of 31 December 2018 and as of 31 December 2017:

2018

NOK in millions	2019	2020	2021	2022	2023	After 2023
Minimum lease payments under non-cancellable operating leases (the Group as a lessee)						
Lease of premises	2 538	1 921	1 739	1 590	1 509	5 579
Lease of network lines	389	347	336	327	313	1 191
Other leases	44	23	15	1	-	-
Contractual purchase obligations						
IT-related agreements	314	23	1	1	1	-
Other contractual obligations	4 862	2 001	1 410	91	90	363
Committed investments						
Property plant and equipment and intangible assets	3 932	12	-	-	-	-
Total contractual obligations	**12 079**	**4 326**	**3 501**	**2 010**	**1 913**	**7 132**

2017

NOK in millions	2018	2019	2020	2021	2022	After 2022
Minimum lease payments under non-cancellable operating leases (the Group as a lessee)						
Lease of premises	2 934	2 082	1 882	1 392	1 085	4 598
Lease of network lines	845	430	349	326	297	835
Other leases	65	43	21	11	-	-
Contractual purchase obligations						
IT-related agreements	689	57	33	28	3	2
Other contractual obligations	4 906	501	147	117	86	558
Committed investments						
Property, plant and equipment and intangible assets	3 400	50	12	-	-	-
Total contractual obligations	**12 838**	**3 162**	**2 444**	**1 874**	**1 471**	**5 993**

The tables above do not include agreements under which the Group has no committed minimum purchase obligations. Tower leasing obligations in Myanmar and dtac (from CAT) are included in minimum lease payments under non-cancellable operating leases as lease of premises. As of 31 December 2018 the tower lease commitment in Myanmar was NOK 3.1 billion for the period of 2019-2023 and NOK 3.3 billion after 2023, dtac with NOK 2.6 billion for the period 2019-2023 and NOK 1.4 billion after 2023.

The table above has been updated with changes for 2017 related to minimum lease amounts and periods for leases from Grameenphone and Telenor Pakistan.

NOTE 32 Related parties

As of 19 March 2019, Telenor ASA was 53.97% owned by the Kingdom of Norway, represented through the Ministry of Trade, Industry and Fisheries (MTIF).

At the Annual General Meetings (AGM) in May 2018 and May 2017 respectively, authority was given to the Board of Telenor ASA to acquire treasury shares with the purpose to cancel these shares through reduction of share capital. The programmes comprise 29 million shares in 2018 and 30 million shares in 2017, of which 13.35 million shares in 2018 and 13.81 million shares in 2017 were repurchased in the market. The remaining shares will be purchased by Telenor through the agreement with MTIF, whereby it is agreed that the Ministry is committed to participation and voting at Telenor's general meeting for the cancellation of a proportionate number of its shares, so that its ownership interest in Telenor will remain unaffected if Telenor repurchase shares for the purpose of cancellation. For further information regarding share ownership, see note 35.

The Norwegian telecommunications market is governed by the Electronic Communications Act of 4 July 2003 and other regulations issued pursuant to this Act. The Group provides designated Universal Service Obligations (USO) 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 and basic access to internet to all households and companies. The Group is imposed USO obligations to provide text telephony services for the deaf and hearing impaired. The Group receives no compensation for providing USO services.

In addition, the Group was in 2018 and 2017 subject to Special Service Obligations (SSO), mainly related to security and emergency following an agreement between the Norwegian Ministry of Justice and Public Security and Telenor Coastal Radio. The Group receives compensation for providing SSO. In 2018 and 2017, the Group received NOK 86 million and NOK 84 million, respectively, under this agreement.

The Group may also receive compensation for the obligations to fulfill additional requirements on the network to serve national security issues and other statutory services. In 2018 and 2017, the Group received a refund related to such activities of NOK 65 million and NOK 58 million, respectively.

Furthermore, the Group may receive government grants in connection with construction of broadband networks in designated areas in Norway. In 2018 and 2017, the Group received refunds on such activities of NOK 52 million and NOK 100 million, respectively.

The Group pays an annual fee to Nkom and an annual levy to the Norwegian Ministry of Transport and Communications for delivering electronic communication services, including payments for frequencies and numbers. The fee/levy was NOK 167 million and NOK 160 million in 2018 and 2017, respectively.

In 2017, the Group paid NOK 396 million for spectrum in the 900 MHz band in Norway. The license is valid from 1 January 2018 until 31 December 2033.

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.

In addition, the Group sold transmission capacity and related services in the digital and analog terrestrial transmission network to Norsk Rikskringkasting AS of NOK 206 million in 2018 and NOK 238 million in 2017. The Group also provided rental of real estate and related services to Statsbygg for NOK 70 million in 2017.

Transactions with associated companies and joint ventures

	2018		2017	
NOK in millions	Sales to	Purchases from	Sales to	Purchases from
	488	(665)	575	(842)

Amounts receivable from and amounts due to associated companies and joint ventures

	2018		2017	
NOK in millions	Receivables	Payables	Receivables	Payables
	176	(32)	52	(21)

In 2018 and 2017, sales to associated companies include network access charges to Norges Televisjon AS of NOK 446 million and NOK 366 million, respectively. Sales to VEON Ltd. amounted to NOK 154 million in 2017. VEON Ltd. was deconsolidated as an associated company in April 2017.

Purchases from Strex AS regarding mobile content services were NOK 458 million in 2018 and NOK 420 million in 2017. In addition, a substantial part of the purchases in 2018 and 2017 from associated companies concerns sales and marketing support for distributors of the Group's products and services in Norway and Thailand. For 2017 VEON Ltd., which was deconsolidated as an associated company in April 2017, was included with NOK 151 million.

The Group has provided fulfilment guarantees of NOK 75 million in favour of the associated company Norges Television AS.

Transactions with subsidiaries have been eliminated on consolidation and do not represent related party transactions. See Note 14 Related parties and Note 15 Shares in subsidiaries in the financial statements of Telenor ASA for further details. The same applies to transactions with joint operations, see note 19.

For compensation to key management personnel, see note 34.

NOTE 33 Legal disputes and contingencies

The Group is subject to various legal proceedings, disputes and claims including regulatory discussions related to the Group's business, licences and investments, the outcomes of which are subject to significant uncertainty. While acknowledging the uncertainties of litigation, the management is of the opinion that based on the information currently available these matters will be resolved without any material adverse effect individually or in the aggregate on the Group's financial position. For legal disputes, in which the Group assesses 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 13 for uncertain tax positions.

Grameenphone

1) BTRC – Audit claim

In 2011, the Bangladesh Telecommunication Regulatory Commission (BTRC) audited Grameenphone. On 3 October 2011, Grameenphone received a claim amounting to approximately NOK 3.1 billion from BTRC, following the audit. The claim is based on allegations that Grameenphone has, amongst other things, underpaid various taxes, such as corporate taxes, SIM tax, VAT and revenue share from its mobile operation. Grameenphone has filed various court proceedings seeking an injunction to stop BTRC from claiming this amount. Grameenphone contended that acceptable audit standards and practices have not been followed during and after the audit and that the claims made by BTRC are unfounded, unsubstantiated and without merit. On 20 October 2011, the High Court Division of the Supreme Court of Bangladesh directed the parties (of the district court case) to maintain an 'as is situation' (status quo) in respect of the claim made by BTRC, which court direction has been extended until the conclusion of the appeal. The appeal is still pending.

In 2013, the High Court Division of the Supreme Court of Bangladesh declared the appointment of auditors by BTRC illegal. In September 2018, BTRC filed an application in the district court for dismissal of the case without going into the merit. The court has given Grameenphone time to file a written objection against the application by 19 May 2019.

In 2015, BTRC appointed a new auditor through a new appointment process and audited Grameenphone's information system for the period 1997 to 2014. Grameenphone was given the opportunity to provide input and feedback to the draft audit observations prepared by BTRC's new auditor during January 2018. On 26 August 2018 BTRC shared the final audit report with Grameenphone for response and by the end of September 2018, Grameenphone had provided its response to the report.

2) SIM tax on replacement SIM cards

On 16 May 2012, the National Board of Revenue (NBR) issued a notice to Grameenphone claiming SIM tax and interest of NOK 1.6 billion on the replacement of SIM cards issued during the period July 2007 to December 2011. Grameenphone challenged the demand in the High Court Division of the Supreme Court of Bangladesh.

In April 2014 a special commission appointed by the Government of Bangladesh reported their agreement with the amounts claimed by NBR. Grameenphone contested the report.

On 18 May 2015, the Commissioner Large Taxpayer Unit (LTU)-VAT issued a claim requiring Grameenphone to pay SIM tax in the principal amount of NOK 1.0 billion (excluding interest). The revised claim includes substantially all replacements of SIM cards completed by Grameenphone in the period from July 2007 to December 2011. On 13 August 2015, Grameenphone filed an appeal to the VAT Appellate Tribunal against the LTU-VAT claim. Even though Grameenphone believes that the claim against Grameenphone is not likely to be legally enforceable, 10% of the disputed amount had to be deposited at the time of appeal as part of the appeal procedure, as prescribed by law. Any payment related to this claim is likely to be adjusted upon the court's conclusion of the case in favour of Grameenphone. On 5 June 2017, the VAT Appellate Tribunal upheld the LTU-VAT demand. Grameenphone filed an appeal to the High Court Division of the Supreme Court of Bangladesh, which issued a stay on the Judgment of the VAT Appellate Tribunal. The order of stay remains in force.

In July 2017 LTU-VAT issued a claim to Grameenphone relating to SIM tax payable in respect of replacement SIMs, for the period July 2012 to June 2015.

To the extent these claims could lead to a final tax demand, the total demand for the period from July 2007 to June 2015 could be up to NOK 1.4 billion (excluding interest). On 20 February 2018, Grameenphone filed an appeal to the VAT Appellate Tribunal upon depositing 10% of the demand as part of the appeal procedure as prescribed by law.

In November 2017, the LTU-VAT issued a separate show-cause notice for a claim of NOK 85 million for a similar issue for the period January 2012 to June 2012.

dtac

1) Dispute between TOT, CAT and dtac regarding Access Charge/Interconnection

On 17 May 2006, the National Telecommunications Commission (NTC) (currently known as the National Broadcasting and Telecommunications Commission (NBTC) issued a notification (the Notification) – the Notification on Use and Interconnection of Telecommunications Network of 2006 - applicable to telecommunication licensees who have their own telecommunication networks. The Notification required the licensees to interconnect with each other on request, where an interconnection provider is entitled to apply an interconnection charge that reflects its costs.

On 17 November 2006, dtac issued a written notification informing TOT Public Company Limited (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 Agreements entered into with TOT. In dtac's view, the rate and the collection of access charge under the Access Charge Agreements were, in certain respects, contrary to the law. 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 agreement in accordance with the Notification. TOT has refused to enter into such agreement.

The matter has been through various administrative and court proceedings, which have concluded that TOT is obligated to commence negotiations with dtac. TOT continues to reject entering into an interconnection agreement and has appealed the matter to the Supreme Administrative Court in Thailand. The matter is now under consideration of such court.

On 9 May 2011, TOT filed a complaint with the Central Administrative Court in Thailand requiring the court to order dtac and CAT to jointly pay an access charge to TOT, together with the default interests, in the amount of approximately NOK 30.5 billion. dtac submitted its defence to the Central Administrative Court in Thailand on 26 January 2012.

On 10 October 2014, TOT increased its claim to dtac by NOK 35.6 billion (for the period from May 2011 to July 2014), to a total of approximately NOK 66.1 billion, including interest fee, penalty charge and VAT surcharge. Currently, this case remains under consideration of the Central Administrative Court in Thailand. The net effect (before income taxes) in ceasing to recognise the access charge under the Access Charge Agreements from 18 November 2006 to 31 December 2018 has been a reduction of dtac's expenses of approximately NOK 18.6 billion.

2) Disputes and settlements between dtac and CAT regarding revenue sharing payment under Concession Agreement

CAT and dtac have a number of disputes and disagreements relating to a concession agreement with CAT, which expired in September 2018, pursuant to which dtac operated and, among other things, offered services to its customers.

On 10 January 2019 CAT and dtac entered into a settlement agreement covering all legal disputes between the parties regarding the concession agreement, including the dispute related to porting of dtac's subscribers to its subsidiary dtac TriNet. The settlement does not comprise the industry cases related to revenue sharing concerning excise tax and interconnection charges (see below). The Agreement will bar the parties from bringing new claims pertaining to the concession regime. According to the settlement, dtac will pay a total amount of THB 9.51 billion (around NOK 2.5 billion) to CAT, subject to approval by dtac's Annual General Meeting in 2019. The payment will be made in installments. The first installment of THB 6.8 billion (around NOK 1.8 billion) will be made once the final approval from the Annual General Meeting is obtained. The remaining THB 2.7 billion (around NOK 0.7 billion) will be made in smaller installments as the various court cases are withdrawn from the courts.

Excise tax

On 11 January 2008, CAT submitted a claim to the Arbitration Institute in Thailand requesting dtac to make concession revenue sharing payments for the concession period 16 September 2002 to 15 September 2006 amounting to NOK 6.2 billion including VAT and penalties. The basis for the claim is that revenue share paid by dtac to CAT was made after deduction of excise tax. dtac's opinion is that it was entitled to deduct excise tax pursuant to resolutions made by the Thai Council of Ministers on 11 February 2003 and a letter issued by CAT on 27 March 2003. On 28 May 2012, the Thai Arbitral Tribunal rendered an award in favour of dtac and dismissed CAT's claim. However, on 31 August 2012, CAT filed a lawsuit with the Central Administrative Court in Thailand in order to revoke the Arbitral Tribunal's award. On 29 January 2016, dtac was notified by the Central Administrative Court in Thailand that the court had decided the case in dtac's favour. CAT has appealed the case to the Supreme Administrative Court in Thailand. These proceedings are pending.

Additional revenue sharing on interconnect

On 31 August 2011, CAT submitted several statements of claim to the Thai Arbitration Institute requesting dtac to pay additional revenue sharing payments on interconnection charges for the concession period 16 September 2006 to 15 September 2007. The claims are based on the grounds that dtac had no right to deduct any interconnect expenses from its revenue and had no right to exclude interconnect revenue from its revenue to be calculated for the revenue sharing (payment of concession fee) to CAT under the Concession Agreement. On 14 August 2014, the arbitrators dismissed certain parts of the claim from CAT. Both dtac and CAT filed objections with the Central Administrative Court in Thailand on 3 and 4 December 2014, respectively. These proceedings are pending in the Central Administrative Court in Thailand. CAT has filed an additional statement of claims to the Thai Arbitration Tribunal requesting additional revenue sharing payments for the concession period 16 September 2007 to 15 September 2011. CAT has further sent letters to dtac requesting for additional revenue sharing payments for the concession period 16 September 2011 to 15 September 2018. These proceedings are pending. The total amount of claims for the period 16 September 2006 to 15 September 2018 is NOK 9.0 billion (excluding interest of 15% p.a.).

3) Foreign ownership

One of dtac's competitors made a number of complaints to the Thai Police and the Thai Ministry of Commerce early in 2011 that dtac is in breach of the Foreign Business Act (FBA) limiting foreign ownership to 49% of the share capital without special governmental permission.

In addition, on 22 September 2011, one of dtac's minority shareholders (holding 100 shares in dtac) filed a complaint against the state agency, National Broadcasting and Telecommunication Commission (NBTC), with the Central Administrative Court in Thailand alleging that NBTC (as an administrative agency) has negligently failed to perform its duties in allowing dtac to operate its telecom business. The Central Administrative Court in Thailand has issued a summons requesting dtac to become a co-defendant in these proceedings. On 26 November 2015, the Central Administrative Court in Thailand ruled that the court cannot revoke dtac's right to operate. However, the court has ordered NBTC to investigate whether dtac is in breach of the FBA. Both NBTC and dtac have filed an appeal to the Supreme Administrative Court in Thailand.

Currently, these two cases are under the consideration of the Royal Thai Police and the Supreme Administrative Court in Thailand. Telenor believes that the Group's ownership structure in dtac was established, and is, in accordance with Thai law as well as established practices in Thailand.

Telenor in India

Telenor and the Indian Department of Telecommunications (DoT) have a number of disputes relating to Telenor's previous operations in India. Following the agreement with Bharti Airtel Limited, Telenor has issued a guarantee and recorded a liability of NOK 1.8 billion related to the exposure to the DoT claims.

On 2 February 2012, the Indian Supreme Court quashed all 122 2G licences awarded in 2008, including those granted to Unitech Wireless. The Indian Supreme Court ordered that all such 2G licences and spectrum should be auctioned. The spectrum auction was completed in November 2012 and the Group, through Telewings, secured spectrum licences in 6 circles. In February 2013, the Indian Supreme Court ordered the payment of retroactive spectrum fees for the licences quashed in February 2012. DoT issued a notice in November 2014 to Unitech Wireless seeking an explanation as to why retrospective spectrum fee payment of NOK 0.8 billion (plus interest) should not be recovered by DoT pursuant to the February 2013 order of the Indian Supreme Court. Telenor replied to the above notice in December 2014. However, on 25 September 2016 DoT issued a demand notice of NOK 1.0 billion (including interest), which on 14 February 2017 was adjusted to NOK 0.9 billion (including interest) by DoT. Telenor has challenged such demand and the interpretation by DoT of the Indian Supreme Court judgment before the Telecom Disputes Settlement and Appellate Tribunal in India. A stay order is currently in place.

There is also a dispute related to the basis for calculation of the license fee for the years 2008-2014 and Telenor has received claims from DoT amounting to NOK 0.7 billion. This matter, which is common to all industry participants, is currently pending at the Indian Supreme Court.

DoT has issued a notice to 8 entities of Unitech Wireless relating to a financial penalty of NOK 1.3 billion imposed, due to an alleged violation of a merger approval for the Unitech Wireless entities. Telenor is currently contesting the basis for the claim.

Telenor Pakistan

The Federal Board of Revenue (FBR) alleged that the Cellular Mobile Operators (CMOs) have, together, evaded Federal Excise Duty (FED) payable on interconnect charges. The alleged liability for Telenor Pakistan was approximately NOK 0.5 billion, excluding penalty and interests. The CMOs collectively challenged the FED decision on interconnect charges in the Islamabad High Court. The case was decided in favor of the CMOs in January 2014. The decision was appealed by the FBR in January 2014 and is still pending.

Telenor Norway

EFTA Surveillance Authority (ESA) and the Norwegian Competition Authority (NCA) initiated an inspection of Telenor Norge AS on 4 December 2012 based on the suspected abuse of a dominant position and/or anti-competitive collaboration in the Norwegian mobile market.

On 1 February 2016 the ESA sent a Statement of Objection to Telenor, setting out its preliminary views in respect of the possible abuse of Telenor's dominant position in the Norwegian mobile market in relation to margin squeeze in the segment mobile broadband standalone to consumers in Norway and lock-in agreements at a subscription level to business customers in Norway. ESA is considering imposing a fine, but has not suggested a fine amount.

On 23 November 2016, the NCA sent a Statement of Objection setting out its preliminary assessment of Telenor's behavior in the mobile market. The NCA issued on 21 June 2018 a decision where it imposes a fine of NOK 788 million. The case relates to a past (2010-2014) abuse of the prohibition against abuse of a dominant position for the pricing model in one mobile wholesale agreement. The NCA's concern relates to the roll-out of the third mobile network in Norway. Telenor Norge AS appealed the decision to the Competition Complaint Board on 20 December 2018.

In their statement of Objection, the NCA also notified of a possible fine for infringement in exclusivity provisions in 4 wholesale agreements. The NCA has changed its position and closed the investigation without finding an infringement of the competition rules.

Telenor's position in both cases is that it has not breached competition law. It will still take time before final conclusions are reached.

NOTE 34 Remuneration to the board and group excecutive management

The Board of Directors

Remuneration to the Board of Directors consists of an annual fee reflecting the role in the Board, and an additional fee for any board committee the respective director takes part in. Directors who are part of the People and Governance Committee and Risk and Audit Committee receive a fixed annual fee, whereas directors in the Sustainability and Compliance Committee and Technology and Innovation Committee receive a fixed fee per meeting they attend. Directors are neither entitled to remuneration in the event of termination or change of office, nor to other types of remuneration such as bonus, profit sharing or options. All board fees are set by the Corporate Assembly.

The aggregate remuneration to the Board of Directors and the Corporate Assembly recognised in 2018 was NOK 3.7 million and NOK 0.7 million respectively. In 2017 this was also NOK 3.7 million and NOK 0.7 million, respectively. In 2018 the aggregate remuneration to the board committees was NOK 1.7 million (NOK 1.6 million in 2017).

The number of shares owned by the members of the Board of Directors, deputy board members and the Corporate Assembly as of 31 December 2018 and 2017 is shown below. Shares owned by the Board of Directors and deputy members (deputy members are only elected for employee-elected board members) include shares owned by their related parties.

Board

NOK in thousands, except number of shares	Number of shares as of 31 December 2018	Board fee 2018	Fee for Board elected committees 2018	Number of shares as of 31 December 2017	Board fee 2017	Fee for Board elected committees 2017
Gunn Wærsted	12 000	655	150	12 000	623	103
Grethe Viksaas	-	330	200	-	211	58
Harald Stavn	6 667	330	218	6 213	312	159
Jacob Aqraou	10 000	330	225	10 000	397	108
Jon Erik Reinhardsen	1 500	330	267	1 500	312	122
Jørgen Kildahl	2 000	374	259	2 000	283	58
Roger Rønning	3 517	330	42	3 071	159	16
Sabah Qayyum	335	330	69	160	159	27
René Richard Obermann (from 1 January 2018)	-	330	104	-	-	-
Sally Davis	-	330	198	-	407	121

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

Deputy Board Members

	Number of shares as of 31 December 2018 [1]	Number of shares as of 31 December 2017
Esben Smistad	-	-
Hilde Caroline Rossland	-	-
Åse Selfjord (until 30 June 2018)	-	193
Irene Vold	4 720	4 720
Jan Otto Eriksen	4 967	4 201

[1] Shareholdings not included for representatives who are no longer deputy members as of 31 December 2018.

Corporate Assembly

	Number of shares as of 31 December 2018 [1]	Number of shares as of 31 December 2017
Anders Skjævestad (chairman)	100	100
Espen Egeberg Christiansen (deputy member)	846	423
Håkon Lønsethagen (deputy member)	801	801
Haakon Bratsberg (observer)	5	5
Hege Ottesen	519	519
Laila Fjelde Olsen (deputy member)	920	494
Magnhild Øvsthus Hanssen	2 736	2 329
May-Iren Arnøy	22	22
Pål Ligaard (deputy member)	224	231
Sune Johannes Jakobsson (deputy member)	2 961	8 625
Tom Westby	1 318	640
Swati Sharma (deputy member)	680	-

[1] Shareholdings not included for representatives who are no longer members as of 31 December 2018 or have not held shares during 2017 or 2018.

The President and CEO and the Group Executive Management

Remuneration policy and plans for the fiscal year 2019

The remuneration policy and plans shall help Telenor Group attract, engage and retain the right people to deliver results in accordance with Telenor behaviours and create sustainable value for shareholders. During 2018 a review of the executive incentive structure was conducted with the aim to improve the overall effectiveness, and specifically to simplify designs and improve transparency. The review resulted in some changes to the 2019 short-term incentive plan, and also to the long-term incentive plan for implementation in 2020.

Key remuneration principles:

- Reward for performance: Remuneration shall be based on a combination of company performance and individual impact as evaluated against objective and transparent criteria. Telenor puts significant weight on company results to foster collaboration and joint ownership of strategic priorities.
- Support holistic and sustainable results: Remuneration shall reflect financial results and operational performance including Telenor Groups' strong commitment to Responsible Business Conduct. At an individual level this implies that both "what" is being delivered and "how" results are delivered shall be considered when taking remuneration decisions.
- Offer competitive total remuneration: Remuneration shall be attractive and competitive, but not market-leading.

Key remuneration elements

The table below summarises the key remuneration elements that are applicable to the President and CEO and the Group Executive Management.

Remuneration element	Key objective	Level/annual earnings potential	Performance evaluation
Base salary	To help attract, engage and retain the right people and serve as a foundation for a competitive, but not market leading total remuneration	Moderate	Reviewed annually, determined based on various factors as described below.
Short-term incentive (STI)	To provide direction and motivation to deliver high performance in line with strategic ambitions and Telenor behaviours	Maximum 50% of annual base salary	Achievement of set annual performance measures, using a balanced scorecard focusing on group-wide priorities related to Finance, Customer, People and Responsible Business. See separate section for P&CEO STI.
Long-term incentive (LTI)	To align executives' interest with shareholders, contribute to long-term value creation and retain key leaders and experts	Maximum 30% of annual base salary	Achievement of a defined performance threshold based on generation of free cash flow for Telenor Group and relative Total Shareholder Return (planned from 2020).
Employee share plan (ESP)	To encourage alignment of employees' interest with shareholders, foster loyalty and offer an opportunity to take part in long-term value creation	Ref ESP section below	Performance of the Telenor ASA share vs. the STOXX 600 Telecommunications index measured over a 2-year period, results in matching of purchased shares ("bonus shares").
Pension and insurances	To offer competitive pension and insurance plans that provide security and support in different life situations	Ref separate table	Not applicable.
Other benefits	To ensure competitive remuneration and meet specific demands of a given temporary or permanent situation	Ref separate table	Not applicable.

Base salary

The base salary is the main element of the remuneration to all executives in Telenor Group. Hence, securing fair and competitive base salary levels is critical to help attract and retain leaders who are capable and motivated to drive the annual results and long-term value creation for Telenor Group and its shareholders. Base salaries are set to reflect market and business context, the scope of role and responsibilities, as well as the individual's experience and competence level relevant to the role. The salaries are normally reviewed on an annual basis, taking into consideration the following key aspects:

- Business performance
- Demonstrated leadership in accordance with Telenor behaviours
- Current salary level relative to market

Short-term incentive

The short-term incentive (STI) is designed to help provide direction and motivation to drive results in different areas of the business on an annual basis and in accordance with the Telenor behaviours. In particular the plan fosters collaboration across functions and markets, and joint ownership of strategic priorities by rewarding executives for results achieved together as a team.

It is a cash-based plan where the maximum annual earning is 50% of the annual base salary for the President and CEO and the Group Executive Management, in accordance with the guidelines for remuneration to executives in companies with Norwegian state ownership.

2019 key performance indicators:

Area	Strategic objectives
Finance	Key objectives and actions within this area are related to revenue growth, opex reduction and cash generation across the Telenor Group. Key performance indicators: Gross profit uplift (total revenues less total cost of goods sold), reduction in operating expenses and generation of underlying free cash flow.[1]
Customer and market	Key objectives and actions within this area are related to securing a strong market position, and providing personalised and digital customer experiences. Key performance indicators: Brand Net Promoter Score which gives an indication of customers' overall experience and loyalty towards the Telenor main brands in each of the markets and monthly active users of digital care applications.
People	It is the Telenor employees who enable Telenor Group to deliver what matters most for our customers. Hence, the focus on building a winning team with highly engaged and enabled people will remain in 2019. Key performance indicator: Engagement and Enablement Index measuring the level of engagement and enablement for Telenor Group overall and for employees in each of the markets.
Responsible Business	Responsible Business Conduct continues to be a key priority across the Telenor Group and the supply chain. For the coming year the following two key performance indicators will be linked to the short-term incentive: The Code of Conduct and the Employee Integrity Index. The Code of Conduct is at the core of the Telenor Group governance structure and defines the principles and ethical standards for how Telenor operates and creates value across all markets. The Integrity Index is a global measure of employees' views on key aspects related to ethics and integrity such as tolerance of ethical compromises to achieve business goals and how comfortable they feel to speak up if they observe a breach of the Code.

[1] Please refer to page 131 for description of alternative performance measures.

It should be noted that should a plan participant fail to comply with Telenor Group standards of business conduct and/ or local laws and regulations, the short-term incentive plan and payout may be forfeited altogether.

Performance assessment for the President and CEO

In addition to the strategic objectives described above which the President and CEO will share with the Group Executive Management, the 2019 performance evaluation for him will also be based on additional key priorities related to strategy communication and execution with specific focus on driving the growth agenda, as well as leadership development.

The Board can conduct a discretionary assessment to determine the President and CEO overall performance for the year.

Long-term incentive

The long-term incentive (LTI) is designed to align interest between executives and shareholders, contribute to long-term value creation and retain leaders across the Telenor Group. Dependent on the Telenor Group performance, the President and Chief Executive Officer and Group Executive Management can on an annual basis receive a maximum LTI grant (cash amount) of 30 percent of their annual base salary.

Telenor will on behalf of the participants invest the after tax grant amount in Telenor ASA shares. The shares will be subject to a four year lock-in period, and released for disposal provided the executive is still employed by Telenor Group. If the participant should leave Telenor Group during the lock-in period she/he will lose the right to any locked shares.

Going forward, the annual grants will continue to depend on Telenor Group financial performance. The Board has approved the following key changes to future LTI plans to take effect from 2020:

- Extend performance measurement period to 2 years prior to grant
- Implement a broader measure of financial performance including relative performance to telecommunication market. Two KPIs: Underlying Free Cash Flow and Total Shareholder Return (relative to the STOXX 600 Telecommunications index).
- Reduce the lock-in period from 4 to 3 years, to maintain a total plan length of 5 years and improve visibility for executives.

Employee share plan

Telenor Group offers all employees including executives the opportunity to purchase Telenor ASA shares at a discounted price to encourage alignment of interest between employees and shareholders, and give employees an opportunity to take part in the value creation. Employees can select different investment levels ranging from a minimum of NOK 2 000 up to 4% of their annual base salary. There is a discount of 25% (maximum NOK 2 000) on the share purchase to encourage employee to take part.

If the Telenor ASA Total Shareholder Return (TSR) outperforms the STOXX Europe 600 Telecommunication index (SXKGR) over the plan period, the participants will be granted ESP bonus shares.

- Telenor ASA TSR performance better than the index: 1xmatching
- Telenor ASA TSR performance of minimum 15% percent point above the index: 3xmatching

If the Telenor ASA TSR performs below the index, no bonus shares will be granted. To be eligible for any ESP bonus the participants must be employed in Telenor and hold the ESP shares for the entire plan period.

Pension

Pension terms for the Group Executive Management members vary due to members being employed in different countries (local and expatriate terms), as well as historically agreed individual pension terms that have been honoured.

New Group Executive Management members employed in Norway and hired externally have since 2006 been enrolled in the collective defined contribution scheme for employees in Norway where the pensionable income is capped at 12 G. G is the basic amount in the Norwegian National Insurance Scheme and was in 2018 equal to NOK 96,883. The pension contribution is 5% of the participant's annual base salary from 0 - 7.1 G, and 18% from 7.1–12 G. Individual pension agreements from before 2006 have been honoured for some existing Group Executive Management members (see separate table), however, with effect from 2017 any such individually agreed terms relating to pensionable salary above 12G has been discontinued for internal hires upon appointment to the Group Executive Management.

From 2016 the retirement age for all employees in Norway including executives has been 70 years. Some member of the Group Executive Management members employed in Norway are entitled to retire at the age of 62 or 65 years based on individual agreements, please see separate table.

Group Executive Management members employed outside of Norway have pension plans in accordance with legislation and practice in the respective markets. Employees on international assignments will normally remain in the home country pension plan, alternatively they will be enrolled either in a host country plan or an allowance will be provided in lieu of a pension plan.

Other benefits

The President and CEO and the Group Executive Management are entitled to additional benefits, as per local policies and country specific practices. These benefits can be of permanent or temporary character. Normally, such benefits are neither included in pensionable earnings, nor in the annual salary review. Please refer to the remuneration table for details.

Shareholding requirement

The President and CEO and Group Executive Management should as a minimum hold shares in Telenor ASA equivalent to the value of one annual base salary. To fulfil this requirement, the executives are required to invest up to 20% of the net short-term incentive pay-out in Telenor ASA shares.

Severance Pay

The President and CEO and Group Executive Management are entitled to severance pay equal to six months of their annual base salary from the expiry of the notice period. Severance pay is conditioned upon the employee waiving her/his employee protection rights.

Remuneration governance

The governance structure related to remuneration in Telenor Group is in accordance with the provisions of the Norwegian public limited liability companies act and the Board of Director's rules of procedure.

The Board of Directors approves the remuneration to the President and CEO and the overall Telenor Group remuneration policy and plans. The Board has appointed a designated committee to act as an advisor on people and governance related matters; the People and Governance Committee. The committee is responsible for reviewing and recommending remuneration matters to the Board for approval, and has no independent decision-making authority.

PGC key responsibilities:
- Review and recommend remuneration to the President and Chief Executive Officer.
- Review and recommend Telenor Group remuneration policies and plans including base salary, short-term and long-term incentive plans, employee share purchase programme and other remuneration elements such as pension and insurance plans.
- Review market trends and insight to advise the Board on remuneration decisions.
- Review the declaration regarding the determination of remuneration to executives pursuant to the public limited companies act.

The committee comprises of the Chair of the Board, two shareholder-elected board members and one employee-elected board member. The President and Chief Executive Officer and the Chief People Officer attend all committee meetings, whereas other management representatives attend based on invitation.

Implementation of the remuneration policy and plans in 2018

The key remuneration principles applied in 2018 are similar to those described above with the exception of the following:
- The 2018 short-term incentive payout was calculated based on achievement of set KPIs. In addition, a Total Shareholder Return (TSR) multiplier could increase the final result for each participant up to two times the KPI achievement, provided certain conditions were met. It should be noted that the final achievement for the President and CEO and Group Executive Management could under no circumstances result in annual earnings that would exceed 50% of their annual base salary. The TSR multiplier has been discontinued from 2019 onwards.
- Responsible Business Conduct was a holistic discretionary measure in the short-term incentive in 2018, and has been adapted to quantifiable measures in the 2019 plan.
- The final short-term incentive achievement for the President and CEO was subject to results on the Telenor Group scorecard and defined additional key priorities, related to strategy communication and execution and leadership development reflecting the 2018 Telenor Group strategic priorities. For 2019 plan, these focus areas have been adapted to reflect the current business context and priorities.
- The long-term incentive grant was contingent upon a single measure of financial performance; underlying free cash flow. A binary threshold of NOK 5 billion was approved by the Board of Directors meaning that an underlying free cash flow[1)] of NOK 5 billion or above will result in full grant. Performance below the threshold will result in no grant.

Individual terms for the President and CEO and Group Executive Management

Members of the Group Executive Management in 2018

Member	Position(s)
Sigve Brekke	President and Chief Executive Officer (P&CEO)
Jørgen C. Arentz Rostrup	EVP and Chief Financial Officer (CFO)
Anne Kvam	EVP and Chief Corporate Affairs Officer from 1 October
Cecilie Blydt Heuch	EVP and Chief People Officer
Ruza Sabanovic	EVP and Head of Technologies and Services
Svein Henning Kirkeng	EVP and Head of Products and Marketing
Albern Murty	EVP Developed Asia Cluster and CEO of Digi, Malaysia from 1 August
Morten Karlsen Sørby	EVP and acting Cluster Head Scandinavia from 4 September EVP and Chief Transformation Officer until 3 September
Petter Børre Furberg	EVP Emerging Asia Cluster
Alexandra Reich	EVP CEE Cluster and CEO of Telenor Hungary until 8 January
Berit Svendsen	EVP Scandinavia Cluster and CEO of Telenor Norway until 3 September
Håkon Bruaset Kjøl	EVP and Chief Corporate Affairs Officer (acting) from 1 July until 30 September
Lars-Åke Norling	EVP Developed Asia Cluster and CEO of dtac, Thailand until 14 March
Wenche Agerup	EVP General Counsel and Chief Corporate Affairs Officer until 30 June

Individual terms for Group Executive Management per 31 December 2018

Name	Contract type	Pension plan
Sigve Brekke	Local Norway	Defined benefit: 60% of annual pensionable salary until the age of 75, thereafter 58%. Pensionable salary is capped at NOK 5.315 thousand (subject to annual index regulation). Individually agreed retirement age of 65.
Jørgen C. Arentz Rostrup	Local Norway	Part of general Telenor ASA defined contribution scheme.
Anne Kvam	Local Norway	Part of general Telenor ASA defined contribution scheme.
Cecilie Blydt Heuch	Local Norway	Part of general Telenor ASA defined contribution scheme.
Ruza Sabanovic	Expatriate	Part of general Telenor ASA defined contribution scheme.
Svein Henning Kirkeng	Local Norway	Part of general Telenor ASA defined contribution scheme.
Albern Murty	Local Malaysia	Defined contribution: 15% on annual pensionable salary and 12% on annual and quarterly bonus. Individually agreed retirement age of 60.
Morten Karlsen Sørby	Local Norway	Defined benefit: 60% of annual pensionable salary until the age of 72, thereafter 58%. Individually agreed retirement age of 62.
Petter Børre Furberg	Expatriate	Maintaining home (Norway) pension scheme as described below. Defined benefit: 66% of annual pensionable salary up to 12 G. Defined contribution: 15% of annual pensionable salary above 12 G.

1) Please refer to page 131 for description of alternative performance measures.

Remuneration to the Group Executive Management

Total remuneration including pension cost for the Group Executive Management was NOK 79.7 million in 2018. The total remuneration including pension cost was NOK 114.8 million in 2017. The calculation is based on the individual's respective period in the Group Executive Management. The figures in the tables below are presented in NOK using average currency exchange rates for 2018 and 2017 respectively, where applicable.

Remuneration to Group Executive Management in 2018

NOK in thousands	Base salary[1]	Long Term Incentive (LTI) expensed[2]	Short-term incentive (STI)[3]	Other benefits[4]	Pension benefit[5]	Total remuneration
Sigve Brekke	6 666	1 430	3 108	1 233	3 181	15 619
Jørgen C. Arentz Rostrup	3 793	501	1 791	180	123	6 389
Anne Kvam (from 1 October 2018)	797	-	338	2	32	1 169
Cecilie Blydt Heuch	3 091	210	1 442	12	127	4 882
Ruza Sabanovic[6]	4 081	493	1 134	1 260	119	7 086
Svein Henning Kirkeng	3 201	217	1 494	180	124	5 216
Albern Murty[7] (from 1 August 2018)	1 754	217	1 053	141	277	3 442
Morten Karlsen Sørby	4 115	1 041	1 930	817	2 425	10 329
Petter Børre Furberg[6]	2 993	358	1 288	3 131	349	8 119
Alexandra Reich[6] (until 8 January 2018)	84	6	28	17	9	145
Berit Svendsen[8] (until 3 September 2018)	2 197	-	1 076	7 018	1 145	11 436
Håkon Bruaset Kjøl (from 1 July until 30 September 2018)	530	54	152	80	90	906
Lars-Åke Norling[6] (until 14 March 2018)	960	-	-	959	423	2 342
Wenche Agerup (until 30 June 2018)	1 480	307	700	90	58	2 636

Remuneration to Group Executive Management in 2017

NOK in thousands	Base salary[1]	Long Term Incentive (LTI) expensed[2]	Short-term incentive (STI)[3]	Other benefits[4]	Pension benefit[5]	Total remuneration
Sigve Brekke	6 570	1 174	3 021	180	3 155	14 100
Jørgen C. Arentz Rostrup	3 900	247	1 690	180	119	6 136
Cecilie Blydt Heuch (from 1 December 2017)	261	-	-	1	20	282
Jon Gravråk[6]	2 918	50	1 518	4 486	233	9 205
Morten Karlsen Sørby	4 068	914	1 874	184	2 342	9 382
Ruza Sabanovic[6]	3 954	359	1 986	1 406	121	7 826
Svein Henning Kirkeng (from 1 June 2017)	1 886	-	846	105	76	2 913
Wenche Agerup	3 181	390	1 500	191	119	5 381
Alexandra Reich[6]	3 790	103	1 521	1 805	417	7 636
Berit Svendsen	3 302	712	1 550	184	1 321	7 070
Lars-Åke Norling[6]	4 912	91	2 295	5 720	2 472	15 490
Petter Børre Furberg[6]	3 316	322	1 473	4 040	325	9 477
Jon Erik Haug[9] (until 30 November 2017)	2 781	-	1 283	5 281	466	9 812
Gunnar Sellæg (until 31 May 2017)	1 039	-	-	172	46	1 257
Albern Murty (until 1 March 2017)	474	66	229	62	85	916
Ingeborg Øfsthus[6] (until 1 March 2017)	381	18	178	302	38	916
Irfan Wahab Khan[6] (until 1 March 2017)	639	68	302	23	70	1 102
Jesper Hansen (until 1 March 2017)	464	39	229	30	44	806
Lars Erik Tellmann[6] (until 1 March 2017)	413	22	186	568	29	1 217
Michael Foley[6] (until 1 March 2017)	735	46	334	203	81	1 399
Patrik Hofbauer (until 1 March 2017)	572	55	270	12	221	1 130
Sharad Mehrotra[6] (until 1 March 2017)	581	53	291	404	64	1 393

1) Base salary includes holiday pay, if applicable.

2) LTI is reported on expensed basis, i.e. cost of all active programs in 2017 and 2018 for their tables respectively.

3) STI (annual bonus) reflects actual bonus amount and excludes holiday pay. Any applicable holiday pay is reported in 'Base salary' column.

4) Includes items such as insurance, company car benefit or car allowance, relocation costs, taxable bonus shares related to employee share programme etc.

5) The calculations of pension benefits earned are based on the same actuarial and other assumptions as used in the pension benefit calculations in note 25.

6) Individuals on international assignments have net entitlements to base salary, short-term incentive, allowance in lieu of pension and other benefits. 'Other benefits' includes remuneration not separately mentioned and benefits provided according to the international assignment policy, such as insurances, car or car allowance, accommodation, children's education, home travel, social security costs if the employee is maintained in home country social security scheme etc. Base salary, short-term incentive, allowance in lieu of pension and other benefits in 2018 table are reflected as gross amounts based on estimated taxes provided by external service provider. Reconciliation of the calculated taxes will occur when the tax return is settled, for most of our countries during 2019. Consequently, the actual taxes for 2018 will be reported as part of adjusted gross figures for base salary, short-term incentive, allowance in lieu of pension and other benefits in next year's annual report. Figures related to 2017 table have been updated according to the same method to reflect gross reconciled amounts, where applicable.

7) The STI includes pay outs related to a local quarterly bonus program, which Albern Murty was already part of before joining GEM in August 2018. This bonus program applies to all local employees in Digi, and is based on business performance in the subsidiary and paid out quarterly. Such a local plan entered into before entering the GEM has been honoured.

8) The final settlement between Telenor and Berit Svendsen amounts to NOK 6.8 million, and is reflected in the 'Other Benefits' column of 2018 table.

9) The final settlement between Telenor and Jon Erik Haug amounted to NOK 5.1 million, and is reflected in the 'Other Benefits' column of 2017 table.

Shares held during 2018

Name	Shares held as of 1 January/ start date for new members	Granted	Net Additions/ (Disposal)	Shares held as of 31 December[1]	Shares held as of 31 December of which are restricted
Sigve Brekke	121 798	5 201	3 621	130 620	21 908
Jørgen C. Arentz Rostrup	8 019	2 909	756	11 684	6 466
Anne Kvam	–	–	–	–	–
Cecilie Blydt Heuch	–	2 458	626	3 084	2 458
Ruza Sabanovic	10 501	1 899	246	12 646	7 444
Svein Henning Kirkeng	3 000	2 546	649	6 195	3 478
Albern Murty	17 090	4 309	1 394	22 793	14 873
Morten Karlsen Sørby	88 104	3 226	1 771	93 101	10 517
Petter Børre Furberg	32 385	2 152	1 909	36 446	8 272

[1] Shareholdings not included for representatives who are no longer in GEM as of 31 December 2018.

Shares held during 2017

Name	Shares held as of 1 January/ start date for new members	Granted	Net Additions/ (Disposal)	Shares held as of 31 December[1]	Shares held as of 31 December of which are restricted
Sigve Brekke	114 490	6 878	430	121 798	19 595
Jørgen C. Arentz Rostrup	–	3 557	4 462	8 019	3 557
Cecilie Blydt Heuch	–	–	–	–	–
Jon Gravråk	2 776	2 749	455	5 980	5 525
Morten Karlsen Sørby	84 147	3 957	–	88 104	9 713
Ruza Sabanovic	7 642	2 379	480	10 501	6 355
Svein Henning Kirkeng	3 000	–	–	3 000	–
Wenche Agerup	3 692	2 802	758	7 252	5 631
Alexandra Reich	–	2 569	–	2 569	2 569
Berit Svendsen	35 171	3 225	201	38 597	10 768
Lars-Åke Norling	30 835	3 378	–	34 213	11 106
Petter Børre Furberg	29 164	2 419	802	32 385	7 536

[1] Shareholdings not included for representatives who are no longer in GEM as of 31 December 2017.

Loans to employees

Total loans to employees were NOK 2 million as of 31 December 2018 and NOK 23 million as of 31 December 2017.

Fees to the auditors

The table below summarises audit fees for 2018 and 2017 and fees for audit related services, tax services and other services incurred by the Group during 2018 and 2017. 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	2018	2017	2018	2017	2018	2017	2018	2017
Telenor ASA	**4.7**	4.9	**0.2**	0.2	**0.3**	3.7	**0.6**	4.0
Other Group companies	**25.6**	33.4	**1.8**	1.2	**2.7**	7.2	**14.3**	16.6
Total Group auditor	**30.3**	**38.3**	**1.9**	**1.3**	**3.0**	**10.8**	**14.9**	**20.7**
Other auditors in subsidiaries	**-**	0.4	**-**	0.1	**-**	-	**-**	-
Total	**30.3**	**38.7**	**1.9**	**1.4**	**3.0**	**10.8**	**14.9**	**20.7**

Fees for audit services include fees associated with the required statutory and financial audits. Further assurance services principally include other attestation services required by laws and regulations, attestations related to information system, audits, attestations and agreed upon procedures required by regulators and other third parties.

Fees for tax services include tax compliance and advice regarding tax rules and consequences, as well as tax due diligence services in connection with acquisitions, disposals and other transactions. Other fees relate primarily to process/system/project/supplier reviews, financial due diligence services and consultations in connection with acquisitions, disposals and other transactions.

NOTE 35 Number of shares, authorisations, ownership etc.

As of 31 December 2018, Telenor ASA had a share capital of NOK 8,828,748,186 divided into 1,471,458,031 ordinary shares with a nominal value of NOK 6 each. During 2018, the share capital was decreased by NOK 179,999,994 and the number of registered shares was decreased by 29,999,999. All ordinary Telenor shares have equal voting rights and the right to receive dividends. As of 31 December 2018, the company held 13,350,090 treasury shares.

At the AGM in May 2017, authority was given to the Board of Directors to acquire up to 30,000,000 treasury shares, corresponding to approximately 2% of the share capital, for the purpose of cancellation. Within this authorisation which was valid until AGM in May 2018, Telenor repurchased 13,810,438 own shares of which 8,738,593 were purchased in 2017 and 5,071,845 were purchased in 2018. Prior to the AGM, Telenor entered into an agreement with its largest shareholder, the Kingdom of Norway, represented through the Ministry of Trade, Industry and Fisheries. The agreement implied that the Kingdom of Norway was committed, through the Ministry of Trade, Industry and Fisheries' participation and voting in Telenor's general meeting, to sell a proportionate number of its shares so that the Kingdom of Norway's ownership interest in Telenor would remain unaffected if Telenor repurchased shares for the purpose of cancellation. The agreement was valid until AGM in 2018. Following AGM approval in May 2018, Telenor's share capital was decreased by NOK 179,999,994 by cancellation of the 13,810,438 repurchased shares under the authorisation from AGM in May 2017 and redemption of 16,186,561 shares owned by the Kingdom of Norway against payment of an amount of NOK 2,733,229,401.

At the AGM in May 2018, authority was given to the Board of Directors to acquire up to 29,000,000 own shares, corresponding to approximately 2% of the share capital, shares consisting of buy-backs in the open market and subsequently purchase of a pro rata number of shares from the Ministry of Trade, Industry and Fisheries. On 25 October 2018, Telenor completed the market part of share buyback programme where Telenor repurchased 13,350,090 shares in the open market at a weighted average price of NOK 159.48 per share.

Changes in treasury shares

	2018	2017
Balance as of 1 January	**8 738 593**	–
Purchase of treasury shares	18 421 935	8 738 593
Cancellation of treasury shares	(13 810 438)	-
Balance as of 31 December	**13 350 090**	8 738 593

As of 31 December 2018, Telenor ASA had about 39,800 registered shareholders, compared with about 39,600 as of 31 December 2017.

The 20 largest shareholders as of 31 December 2018 from the shareholder register[1)]

	Name of shareholders	Number of shares	%
1	Ministry of Trade, Industry and Fisheries, Kingdom of Norway	794 075 367	53.97
2	Folketrygdfondet	74 626 601	5.07
3	State Street Bank and Trust Company (nominee)	19 959 363	1.36
4	State Street Bank and Trust Company (nominee)	18 001 367	1.22
5	Clearstream Banking S.A. (nominee)	17 777 874	1.21
6	State Street Bank and Trust Company (nominee)	14 554 515	0.99
7	JPMorgan Chase Bank, N.A., London (nominee)	14 198 399	0.96
8	Telenor ASA	13 350 090	0.91
9	JPMorgan Chase Bank, N.A., London (nominee)	13 081 321	0.89
10	State Street Bank and Trust Company (nominee)	11 239 383	0.76
11	The Bank of New York Mellon SA/NV (nominee)	10 953 846	0.74
12	State Street Bank and Trust Company (nominee)	10 243 050	0.70
13	The Northern Trust Comp, London Br (nominee)	9 687 663	0.66
14	State Street Bank and Trust Company (nominee)	6 904 431	0.47
15	JPMorgan Chase Bank, N.A., London (nominee)	6 814 897	0.46
16	Verdipapirfondet DNB Norge (IV)	6 669 849	0.45
17	JPMorgan Chase Bank, N.A., London (nominee)	6 544 216	0.44
18	KLP Aksjenorge Indeks	6 448 847	0.44
19	Euroclear Bank S.A./N.V. (nominee)	6 175 630	0.42
20	Invesco Funds	5 736 082	0.39
	Total held by 20 largest shareholders	**1 067 042 791**	**72.52**
	Total all Telenor shares	**1 471 458 031**	**100.00**

The 20 largest shareholders as of 31 December 2018 beneficial ownership[2)]

	Name of shareholders	Number of shares	%
1	Ministry of Trade, Industry and Fisheries, Kingdom of Norway	794 075 367	53.97
2	Folketrygdfondet	74 626 601	5.07
3	BlackRock Institutional Trust Company, N.A.	27 060 212	1.84
4	DWS Investment GmbH	20 613 517	1.40
5	The Vanguard Group, Inc.	18 792 894	1.28
6	Lazard Asset Management, L.L.C.	18 382 125	1.25
7	JPMorgan Asset Management U.K. Limited	13 675 462	0.93
8	Storebrand Kapitalforvaltning AS	13 537 693	0.92
9	KLP Forsikring	11 875 716	0.81
10	Acadian Asset Management L.L.C.	11 569 609	0.79
11	DNB Asset Management AS	10 693 401	0.73
12	SAFE Investment Company Limited	9 371 171	0.64
13	APG Asset Management	8 854 291	0.60
14	State Street Global Advisors (U.S.)	8 116 429	0.55
15	Danske Capital (Norway)	7 794 355	0.53
16	Pyrford International Limited	7 172 993	0.49
17	Standard Life Investments Ltd.	6 709 353	0.46
18	Schroder Investment Management Ltd. (SIM)	6 220 871	0.42
19	Allianz Global Investors GmbH	5 954 958	0.40
20	BlackRock Advisors (UK) Limited	5 941 198	0.40
	Total held by 20 largest shareholders	**1 081 038 216**	**73.47**
	Total all Telenor shares	**1 471 458 031**	**100.00**

1) Source: VPS share register

2) The data is provided by Nasdaq Advisory Services 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 Nasdaq Advisory Services can guarantee the accuracy of the analysis.

INCOME STATEMENT

Telenor ASA 1 January – 31 December

NOK in millions	Note	2018	2017
Revenues	1	**1 134**	800
Operating expenses			
Salaries and personnel costs	2, 3	(728)	(824)
Other operating expenses	4	(1 076)	(1 310)
Depreciation, amortisation and impairment losses	8	(40)	(39)
Total operating expenses		**(1 844)**	(2 173)
Operating profit (loss)		**(710)**	(1 373)
Gains on disposal of operations	1	**-**	73
Financial income and expenses			
Financial income	6	62 227	52 179
Financial expenses	6	(1 302)	(1 311)
Net currency gains (losses)	6	(1 203)	752
Net change in fair value of financial instruments	6	(499)	(98)
Net gains (losses and impairment) of financial assets	6	(1 614)	(74)
Net financial income (expenses)		**57 609**	51 448
Profit before taxes		**56 899**	50 148
Income taxes	7	(1 044)	(1 555)
Net income		**55 855**	48 593

STATEMENT OF COMPREHENSIVE INCOME

Telenor ASA 1 January – 31 December

NOK in millions	2018	2017
Net income	**55 855**	48 593
Other comprehensive income (loss)		
Remeasurement of defined benefit pension plans	(50)	(51)
Income taxes	11	12
Items that will not be reclassified to income statement	**(39)**	**(39)**
Other comprehensive income (loss), net of taxes	**(39)**	**(39)**
Total comprehensive income (loss)	**55 816**	48 554

STATEMENT OF FINANCIAL POSITION

Telenor ASA as of 31 December

NOK in millions	Note	2018	2017 Restated
ASSETS			
Non-current assets			
Deferred tax assets	7	1 791	1 630
Goodwill		20	20
Intangible assets	8	81	102
Property, plant and equipment		49	62
Shares in subsidiaries	15	137 765	99 754
Non-current interest-bearing receivables from Group companies	14	4 871	11 955
Other non-current financial assets	9, 11	2 402	2 862
Total non-current assets		**146 979**	**116 385**
Current assets			
Trade receivables from Group companies		396	568
Trade receivables external		7	5
Other current financial assets	9, 11	2 211	21 315
Liquid assets and short-term placements[1]	11	8 890	8 245
Total current assets[1]		**11 504**	**30 133**
Total assets[1]		**158 483**	**146 518**
EQUITY AND LIABILITIES			
Equity	10	**106 138**	**74 468**
Non-current interest-bearing external liabilities	11	25 422	30 238
Non-current non-interest-bearing external liabilities	11	1 655	925
Pension obligations	3	526	487
Other provisions		18	48
Total non-current liabilities		**27 621**	**31 698**
Current interest-bearing liabilities to Group companies	11,14	9 127	16 980
Current interest-bearing external liabilities	11	4 167	9 023
Drawings on Group's cash pool[1]	11	8 699	9 922
Current non-interest-bearing liabilities to Group companies	11, 12	65	114
Current non-interest-bearing external liabilities	11, 12	2 666	4 313
Total current liabilities[1]		**24 724**	**40 352**
Total equity and liabilities[1]		**158 483**	**146 518**

[1] The figures for 2017 have been restated due to a reclassification of bank accounts between outside and within cash pool systems by a net amount of NOK 3.9 billion.

Fornebu, 19 March 2019

Gunn Wærsted
Chair

Jørgen Kildahl
Vice Chair of the Board

Jon Erik Reinhardsen
Board member

Jacob Aqraou
Board member

Grethe Viksaas
Board member

Sally Davis
Board member

Roger Rønning
Board member

René Richard Obermann
Board member

Sabah Qayyum
Board member

Harald Stavn
Board member

Sigve Brekke
President & CEO

STATEMENT OF CASH FLOWS

Telenor ASA 1 January – 31 December

NOK in millions	**2018**	2017
Profit before taxes	56 899	50 148
Income taxes paid	(796)	(730)
Net (gains) losses, impairment and change in fair value of financial assets and liabilities	1 932	99
Depreciation, amortisation and impairment losses	40	39
Net currency (gains) losses not relating to operating activities	1 273	501
Net changes in interest accruals against Group companies	2	12
Received dividend	31 491	22 055
Recognised dividend	(52 916)	(42 055)
Interest received	1 031	205
Interest paid	(2 116)	(1 396)
Net changes in other accruals	(2 234)	1 064
Net cash flow from operating activities	**34 606**	**29 942**
Disposals of operations	–	73
Purchases of property, plant and equipment and intangible assets	(6)	(18)
Net cash flow from investing activities	**(6)**	**55**
Proceeds from borrowings	18 402	2 332
Repayments of borrowings	(28 105)	(10 910)
Net change in Group's cash pool	1 253	(4 417)
Purchase of treasury shares	(5 809)	(1 435)
Dividends paid to equity holders of Telenor ASA	(18 381)	(11 944)
Net cash flow from financing activities	**(32 640)**	**(26 374)**
Effect on cash and cash equivalents of changes in foreign exchange rates	(92)	50
Net change in cash and cash equivalents	**1 868**	**3 673**
Cash and cash equivalents as of 1 January	(1 677)	(5 350)
Cash and cash equivalents as of 31 December	**191**	**(1 677)**
Specification of cash and cash equivalents:		
Liquid assets and short term placements[1)]	8 890	8 245
Drawing from Group's cash pool[1)]	(8 699)	(9 922)
Cash and cash equivalents as of 31 December	**191**	**(1 677)**

[1)] The figures for 2017 have been restated due to a reclassification of bank accounts between outside and within cash pool systems by a net amount of NOK 3.9 billion.

STATEMENT OF CHANGES IN EQUITY

Telenor ASA for the years ended 31 December 2017 and 2018

NOK in millions (except for number of shares)	Number of shares	Share capital	Treasury shares	Share premium	Pension re-measurement reserve	Other reserves	Retained earnings	Total equity
Equity as of 1 January 2017	**1 501 458 030**	**9 009**	**-**	**69**	**59**	**(2 609)**	**32 550**	**39 078**
Net income for the period	-	-	-	-	-	-	48 593	48 593
Other comprehensive income for the period	-	-	-	-	(39)	-	-	(39)
Total comprehensive income	**-**	**-**	**-**	**-**	**(39)**	**-**	**48 593**	**48 554**
Dividend	-	-	-	-	-	-	(11 694)	(11 694)
Share buyback	-	-	(52)	-	-	(1 424)	-	(1 476)
Share based payment	-	-	-	-	-	6	-	6
Equity as of 31 December 2017	**1 501 458 030**	**9 009**	**(52)**	**69**	**20**	**(4 027)**	**69 449**	**74 468**
Change in accounting principles – note 1	**-**	**-**	**-**	**-**	**-**	**24**	**-**	**24**
Equity as of 1 January 2018	**1 501 458 030**	**9 009**	**(52)**	**69**	**20**	**(4 003)**	**69 449**	**74 492**
Net income for the period	-	-	-	-	-	-	55 855	55 855
Other comprehensive income for the period	-	-	-	-	(39)	-	-	(39)
Total comprehensive income	**-**	**-**	**-**	**-**	**(39)**	**-**	**55 855**	**55 816**
Dividend	-	-	-	-	-	-	(18 382)	(18 382)
Share buyback	-	-	(208)	-	-	(5 560)	-	(5 768)
Cancellation of shares	(29 999 999)	(180)	180	-	-	-	-	-
Share-based payment, exercise of share options and distribution of shares	-	-	-	-	-	(20)	-	(20)
Equity as of 31 December 2018	**1 471 458 031**	**8 829**	**(80)**	**69**	**(19)**	**(9 583)**	**106 922**	**106 138**

NOTES TO THE FINANCIAL STATEMENTS

Telenor ASA

Contents notes

NOTE 1 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 with 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. Cash and cash equivalents consist of liquid assets, short-term placements and drawings from cash pool. 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.

Revenues are mainly sale of Group services 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.

In 2017, Telenor ASA sold the sourcing business to Telenor Procurement Company Pte.Ltd., which is 100% owned through the subsidiary Telenor Mobile Holding AS.

Telenor ASA conducts the main part of the external debt financing in the Group, and provides loan and guarantees to, and receives deposits from Group companies. See note 27 to the consolidated financial statements.

Shares in subsidiaries and loans provided to subsidiaries are evaluated at the lower of cost or fair value. Any impairment losses and reversal of impairment losses are classified as net gains (loss and impairment) on financial assets in the income statement.

Amendments to IFRS 2 Share-based Payments (effective from 1 January 2018). The amendment changes the accounting for share-based payment arrangements where the Group is obligated to withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount, normally in cash, to the tax authority on the employee's behalf. This part of the share-based payment arrangements, which previously has been recognised as a cash settled share-based payment transaction, is from 1 January 2018 accounted for as equity-settled share-based payment transactions. The liability of NOK 24 million as of 31 December 2017 has been reclassified to equity 1 January 2018 (see line. Change in accounting principles in Statement of changes in equity).

NOTE 2 Salaries and personnel costs

The Group's Chief Executive Officer and the Board of Directors have the same positions in Telenor ASA. See note 34 of the consolidated financial statements for further information about compensation to the Board of Directors, management and auditor .

NOK in millions	2018	2017
Salaries and holiday pay	**(532)**	(590)
Social security tax	**(77)**	(86)
Pension cost including social security tax (note 3)	**(74)**	(75)
Share-based payments[1)]	**(31)**	(50)
Other personnel costs	**(14)**	(23)
Total salaries and personnel costs	**(728)**	**(824)**
Number of labour-years employed, average	**402**	481

1) Share-based payments are costs related to Telenor's employees share program and Long Term Incentive plan (LTI) for senior executives and key personnel.

NOTE 3 Pension obligations

Telenor ASA is obliged to follow and complies with the Act on Mandatory Company Pensions. The company has a pension scheme according to the requirement set in the Act.

Changes in the defined benefit obligation and fair value of plan assets

	2018			2017		
NOK in millions	Defined benefit obligation	Fair value plan assets	Net liability defined benefit	Defined benefit obligation	Fair value plan assets	Net liability defined benefit
As of 1 January	**(1 291)**	**804**	**(487)**	(1 333)	862	(471)
Service cost	**(38)**		**(38)**	(29)	-	(29)
Net interest	**(31)**	**19**	**(11)**	(33)	22	(11)
Sub-total included in Income Statement	**(69)**	**19**	**(49)**	(62)	22	(40)
Return on plan assets (excluding amounts included in net interest expense)	**-**	**(20)**	**(20)**	-	(39)	(39)
Actuarial changes arising from changes in financial assumptions	**(13)**	**-**	**(13)**	(41)	-	(41)
Experience adjustments	**(17)**		**(17)**	29	-	29
Sub-total included in Other Comprehensive Income	**(30)**	**(20)**	**(50)**	(12)	(39)	(51)
Effects of business combinations and disposals	**(38)**	**28**	**(10)**	68	(60)	8
Contributions by employer		**53**	**53**	-	48	48
Benefits paid	**49**	**(31)**	**18**	48	(29)	19
As of 31 December	**(1 379)**	**853**	**(526)**	(1 291)	804	(487)

Telenor ASA expects to contribute approximately NOK 54 million to the Telenor Pension Fund in 2018.

131 employees were covered by defined benefit plan of the Telenor Pension Fund. Telenor Pension Fund paid out pensions to 364 persons.

Components of net periodic benefit cost

NOK in millions	2018	2017
Service cost	**(38)**	(33)
One time effect following downsizing	**-**	4
Net interest cost	**(11)**	(11)
Contribution plan costs	**(36)**	(42)
Total pension costs recognised in the income statement	**(85)**	**(82)**
Of which reported as other expense (note 4)	**-**	4
Of which reported as pension cost (note 2)	**(74)**	(75)
Of which reported as net interest cost (note 6)	**(11)**	(11)

NOTE 4 Other operating expenses

NOK in millions	2018	2017
Operating expenses related to country offices and services from shared service centres	**(220)**	(341)
Cost of premises, vehicles, office equipment, operation and maintenance etc.	**(154)**	(166)
Marketing, representation and sales commission	**(38)**	(89)
Workforce reductions and onerous contracts	**(82)**	(124)
Other operating expenses[1)]	**(582)**	(590)
Total other operating expenses	**(1 076)**	**(1 310)**

1) Other operating expenses are primarily related to safeguarding of interests, assessment of new market opportunities and loss of receivables related to Telenor India. In addition, audit fees and other fees to the auditor are included, see note 34 in the consolidated financial statements.

NOTE 5 Research and development costs

Research and development expenses in Telenor ASA were NOK 155 million in 2018 and NOK 206 million in 2017. Research and development activities relate to new technologies and secure full utilisation of existing technologies and network.

NOTE 6 Financial income and expenses

NOK in millions	2018	2017
Interest income from Group companies	314	220
Group contribution and dividends from subsidiaries	60 566	51 813
Other financial income	119	72
Other financial income from Group companies[1]	1	74
Reversal of losses on guarantees and recourse against subsidiaries	1 227	-
Total financial income	**62 227**	**52 179**
Interest expenses to Group companies	(180)	(122)
Interest expenses (external)	(1 105)	(1 138)
Other financial expenses	(16)	(51)
Total financial expenses	**(1 302)**	**(1 311)**
Foreign currency gain	41	843
Foreign currency loss	(1 244)	(91)
Net foreign currency gains (losses)	**(1 203)**	**752**
Net change in fair value of financial instruments at fair value through profit or loss	(484)	(222)
Net change in fair value of hedging instruments and hedged items	(15)	124
Net change in fair value of financial instruments	**(499)**	**(98)**
Impairment on receivables from Group Companies[2]	-	(74)
Impairment losses on shares in subsidiaries[3]	(1 614)	-
Net gains (losses and impairment) on financial assets	**(1 614)**	**(74)**
Net financial income (expenses)	**57 609**	**51 448**

[1] Other financial income from Group Companies of NOK 74 million in 2017 was mainly related to commissions for guarantees given, see note 13.

[2] Provisions for losses on guarantee fee income from Unitech Wireless Private Ltd. in India of NOK 74 million were recognised in 2017, see note 13.

[3] Impairment of shares in subsidiaries relate to investments in Telenor Eiendom Holding AS and Telenor Communications II AS, see note 15.

Group contribution and dividends received from Group companies 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 and dividends. In 2018, Telenor ASA received and recognised NOK 6.3 billion in taxable Group contribution, which relates to the financial year 2017 and NOK 1.35 billion in tax free Group contribution. Telenor ASA also received dividends of NOK 45 billion from Telenor Mobile Holding AS and dividends from other Group companies of NOK 7.9 billion. Dividends from Telenor Mobile Holding AS were partly settled by the transfer of receivable from Telenor Networks Holding AS following the sale of shares in Telenor Norge AS described below, see also note 15. Telenor Mobile Holding AS has also distributed dividends recieved from its subsidiaries. This included dividends received from Telenor Mobile Communications AS partly financed by the proceeds from the sale of shares in Telenor Hungary and Telenor Bulgaria.

In 2017, Telenor received NOK 5.4 billion in taxable group contribution related to 2016. In addition Telenor ASA received group contribution of 4.3 billion and dividends of NOK 42.1 million from Telenor Mobile Holding AS. NOK 20 billion of the dividend from Telenor Mobile Holding AS was approved subsequent to a reorganisation for the owner structure of Telenor Norge AS. Telenor Mobile Holding AS sold their 50,4% ownership in Telenor Norge AS to Telenor Networks Holding AS and Telenor Networks Holding AS became hereby the 100% owner of the company. The Group contribution for the financial year 2018 is estimated to be NOK 6.4 billion and this will be recognised in 2019.

NOTE 7 Income taxes

NOK in millions	2018	2017
Profit before taxes	**56 899**	**50 148**
Current taxes	**(909)**	(704)
Resolution of disputed items and adjustment in previous years' current income tax	**(285)**	(722)
Change in deferred taxes	**150**	(129)
Income tax	**(1 044)**	**(1 555)**
Tax basis:		
Profit before taxes	**56 899**	50 148
Effect of other comprehensive income and tax-free transfers	**(50)**	(51)
Non-deductible expenses and tax-free income	**315**	91
Group contribution previous year	**(6 300)**	(7 383)
Dividend – tax-free	**(52 916)**	(42 055)
Group contribution previous year – tax-free	**(1 350)**	(2 374)
Changes in temporary differences recognised in income statement	**953**	(1 744)
Group contribution current year	**6 400**	6 300
Tax basis for the year	**3 951**	**2 932**
Current taxes at nominal income tax rate in Norway (23% in 2018; 24% in 2017)	**909**	**704**
Effective tax rate		
Income tax expense at corporate income tax rate in Norway (23% in 2018; 24% in 2017)	**(13 087)**	(12 036)
Non-deductible expenses and tax-free income	**(61)**	(10)
Received Group contribution, tax-free	**311**	570
Tax effect of received tax-free dividend	**12 171**	10 093
Resolution and adjustments of disputed item	**(285)**	(65)
Other	**(11)**	(19)
Effect of changes in tax rates	**(81)**	(89)
Income tax	**(1 044)**	**(1 555)**
Effective tax rate in %	**1.83%**	**3.10%**

NOK in millions	2018	2017	Changes
Temporary differences as of 31 December			
Non-current assets	**19**	22	(3)
Interest element in connection with fair value hedges of liabilities	**(565)**	(649)	(84)
Financial derivatives	**(371)**	774	(1 145)
Losses on guarantees	**(280)**	(280)	-
Other accruals for liabilities	**(18)**	(168)	150
Pension liabilities	**(526)**	(487)	(39)
Group contribution	**(6 400)**	(6 300)	(100)
Total temporary differences as of 31 December	**(8 141)**	**(7 088)**	**(1 053)**
Tax rate	**22%**	23%	
Net deferred tax assets	**1 791**	**1 630**	**161**
Changes in net deferred tax assets:			
Effect after regulations on intercompany transfers			-
Recognised in other comprehensive income[1)]			11
Recognised in the income statement			150

[1)] Deferred taxes recognised in other comprehensive income is primarily related to tax on the change in fair value of derivatives that are designated as hedging instruments in cash flow hedges and re-measurement of defined benefit pension plans. Other comprehensive income elements are presented gross in the comprehensive income with the related tax effect on a separate line.

The general tax rate in Norway has changed from 23% to 22% with effect from 1 January 2019. In January 2018 tax rate changed from 24% to 23%.

Resolution of disputed items and adjustment in previous years' current income tax of NOK 285 million in 2018 concerns reassessment by Norwegian tax authorities for 2014 with tax effect of NOK 181 million and for 2015 and 2016 with tax effect of NOK 91 million together. Both reassessmentshave been appealed. Resoution of disputed items and adjustments in previous year's current income tax of NOK 722 million in 2017 primarily concerns increased group contributions from Telenor Mobile Holding AS with tax effect of NOK 486 million due to reassessment by Norwegian tax authorities and a reassessment of Telenor ASA for 2012 and 2013 with tax effect of NOK 65 million. Both reassessment rulings have been appealed. In addition, it concerns adjustment in previous years income tax with NOK 172 million due to increased group contributions not related to any dispute.

Non-taxable income in 2018 represents reversal of non-deductible expenses of NOK 1,299 million in 2016 primarily relate to provisions for loss on guarantees for liabilities in Telenor India. Non-taxable cost in 2018 are related to impairment of shares in Telenor Eiendom Holding AS and Telenor Communication II AS of NOK 1,614 million (see note 15).

In 2012, Telenor ASA recorded a loss on receivables on Unitech Wireless after having repaid, as guarantor, all of Unitech Wireless' interest-bearing borrowings, amounting to NOK 10.6 billion. A deferred tax asset of NOK 2.5 billion was recognised. In 2013, the business transfer from Unitech Wireless to Telenor India was completed, and Telenor ASA deducted NOK 9.3 billion as loss on receivables in its tax filing. In 2017 Telenor ASA has received a draft notice of possible reassessment. Telenor ASA disagrees with the arguments used by the tax authorities and has expressed comments.

NOTE 8 Intangible assets

2018

NOK in millions	Accumulated cost as of 1 January	Additions	Disposals	Amortisations and impairment losses	Accumulated amortisations and impairment losses	Carrying amount as of 31 December
Licences and legal rights (12–15 years)	214	-	-	(10)	(164)	50
Software purchased (5 years)	430	37	(56)	(12)	(386)	25
Work in progress	41	-	(35)	-	-	6
Total intangible assets	**685**	**37**	**(91)**	**(22)**	**(550)**	**81**

2017

NOK in millions	Accumulated cost as of 1 January	Additions	Disposals	Amortisations and impairment losses	Accumulated amortisations and impairment losses	Carrying amount as of 31 December
Licences and legal rights (12–15 years)	333	-	(119)	(29)	(154)	60
Software purchased (5 years)	429	1	-	(1)	(429)	1
Work in progress	8	33	-	-	-	41
Total intangible assets	**770**	**34**	**(119)**	**(30)**	**(583)**	**102**

NOTE 9 Other financial assets

NOK in millions	2018	2017
Capital contribution in Telenor Pension Fund[1)]	**298**	298
Derivatives financial instruments	**245**	748
Fair value hedging instruments	**1 411**	1 603
Other financial assets external	**448**	213
Total other non-current financial assets	**2 402**	**2 862**
Current interest-bearing receivables	**-**	95
Current interest-bearing receivables from Group companies	**-**	306
Receivables from Group companies[2)]	**1 952**	20 217
Other current financial assets external	**259**	697
Total other current financial assets	**2 211**	**21 315**

1) The amount capitalised in the statement of financial position is the cost price, which is considered an approximation of fair value. Telenor ASA holds the entire core capital in the Telenor Pension Fund. The capital contribution to Telenor Pension Fund is classified as financial instruments available for sale.

2) Of this, NOK 1.8 billion is approved dividend from Telenor Broadcast Holding AS which was settled on 1 January 2019. In 2017 the amount included NOK 20 billion approved dividend from Telenor Mobile hOlding AS which was settled 1 January 2018.

NOTE 10 Equity and dividends

Allocation of equity and dispositions over the last two years is shown in a separate table, see statement of changes in shareholders' equity.

Nominal value per share is NOK 6. As of 31 December 2018, Telenor ASA had 13,350,090 treasury shares.

Dividends paid and proposed

	2018	2017
Dividends per share in NOK – paid	12.50	7.80
Dividends per share in NOK – proposed by the Board of Directors	8.40	8.10

Dividend of NOK 18.4 billion has been recognised to equity in 2018 (NOK 11.7 billion in 2017). NOK 5.7 billion of the NOK 18.4 billion dividend was extraordinary dividend of NOK 4.4 pr share. Total paid dividend in 2017 was NOK 12 billion, which included withholding tax for dividend distribution in November 2016 of NOK 0.3 billion .

In respect of 2019, the Board of Directors will propose a dividend of NOK 8.40 per share (NOK 12.2 billion) to be resolved by the Annual General Meeting on 7 May 2019. The dividend will be split into two tranches of NOK 4.40 and NOK 4.00 per share to be paid out in May 2019 and October 2019, respectively.

At the Annual General Meeting 2 May 2018, the share buyback programme approved by the Annual General Meeting in 2017 was finalised by cancellation of 13,810,438 own shares and redemption of 16,189,561 shares owned by the Norwegian Government by the Ministry of Trade and Fisheries against a payment of an amount of NOK 2.7 billion to the Ministry of Trade and Fisheries.

2018-2019 buyback programme was announced on 21 June 2018. Telenor ASA has an agreement with the Norwegian State represented by the Ministry of Trade, Industry and Fisheries to buy back shares for the purpose of cancellation of shares and write-down of share capital in order to maintain the government proportion of the total shares. The buyback program from the government and market comprises in total up to 2% of the number of registered shares, corresponding to 29 million shares. The proposed cancellation is subject to approval by the Annual General Meeting on 7 May 2019 and if approved, the estimated effect on distributable equity is NOK 4.6 billion. The market part of the buyback programme was finalised in October 2018 following the repurchase of 13.35 million shares in the open market at a weighted average price of NOK 159.48.

NOTE 11 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 according to policies and procedures approved by the Board of Directors of Telenor ASA.

Telenor ASA issues debts in Norwegian and foreign capital market mainly through certificates and bonds. In addition, Telenor ASA has established a committed syndicated revolving credit facility of EUR 2.0 billion with maturity in 2021.

Financing of the Group's activities implies that Telenor ASA's income statement is exposed to changes in interest rates in the market. Fluctuation in interest rates also influences the fair value of assets and liabilities.

Telenor ASA holds debt in other currencies than Norwegian Kroner (NOK) and is exposed to currency risk related to changes in value of NOK compared to other currencies. Net investment hedge relationships are established to match currency fluctuation on debt instruments to currency fluctuations on foreign investments.

The Company is exposed to 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 and interest rate swaps 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. If the derivatives are designated for cash flow hedge accounting or as part of a hedge of net investment, the changes in fair value are recognised as other comprehensive income.

See also note 2 and note 28 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 statements, the financial instruments are grouped into the classes and categories described below. The estimated fair values of the financial instruments are based on market prices and the valuation methodologies per class are described below.

Fair value hierarchy

Telenor ASA measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in measuring fair value:

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).

Interest-bearing liabilities

Fair values of interest-bearing liabilities are based on quoted prices where available. Interest-bearing liabilities that are not traded in an active market 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.

Equity investments

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.

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.

Cash and cash equivalents

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

Derivatives

Fair values of currency swaps, foreign currency forward contracts and interest rate swaps are estimated based on calculating the net present value of future cash flows, using interest rate curves, exchange rates and currency spreads as of 31 December 2018 and 2017, respectively.

The table below shows the maturity profile for Telenor ASA's liabilities in nominal values:

2018

NOK in millions	Carrying amount	Total as of 31 December 2018	2019	2020-2022	2023-2027	2028->
Interest-bearing liabilities						
Bonds and Commercial Papers	29 549	29 038	4 167	12 435	12 435	-
Other interest-bearing liabilities	40	40	-	27	13	-
Total interest-bearing liabilities external	**29 589**	**29 078**	**4 167**	**12 463**	**12 448**	**-**
Other interest-bearing liabilities Group companies	9 127	9 127	9 127	-	-	-
Drawing on Group cash pools	8 699	8 699	-	-	-	8 699
Interest-bearing liabilities Telenor Group	**17 826**	**17 826**	**9 127**	**-**	**-**	**8 699**
Non-interest-bearing liabilities						
Trade and other payables external	761	761	761	-	-	-
Trade and other payables Group companies	65	65	65	-	-	-
Other current non-interest-bearing liabilities	1 517	1 517	1 517	-	-	-
Derivative financial instruments liabilities	2 043	2 043	388	1 392	263	-
Other non current non interest-bearing liabilities	18	18	-	18	-	-
Total non-interest-bearing liabilities	**4 404**	**4 404**	**2 731**	**1 410**	**263**	**-**
Total	**51 819**	**51 308**	**16 025**	**13 873**	**12 711**	**8 699**
Future interest payments	-	2 668	666	1 358	644	-
Total including future interest payments	**51 819**	**53 976**	**16 961**	**15 231**	**13 355**	**8 699**

2017

NOK in millions	Carrying amount	Total as of 31 December 2017	2018	2019-2021	2022-2026	2027->
Interest-bearing liabilities						
Bonds and Commercial Papers	38 421	37 843	9 023	11 599	17 221	-
Other interest-bearing liabilities	840	840	423	274	143	-
Total interest-bearing liabilities external	**39 261**	**38 683**	**9 446**	**11 873**	**17 364**	**-**
Other interest-bearing liabilities Group companies	16 980	16 980	16 980	-	-	-
Drawing on Group cash pools[1]	9 922	9 922	-	-	-	9 922
Interest-bearing liabilities Telenor Group[1]	**26 902**	**26 902**	**16 980**	**-**	**-**	**9 922**
Non-interest-bearing liabilities						
Trade and other payables external	890	890	890	-	-	-
Trade and other payables Group companies	114	114	114	-	-	-
Other current non-interest-bearing liabilities	2 484	2 484	2 484	-	-	-
Derivative financial instruments liabilities	1 864	1 864	939	608	317	-
Other non current non interest-bearing liabilities	48	48	-	48	-	-
Total non-interest-bearing liabilities	**5 400**	**5 400**	**4 427**	**656**	**317**	**-**
Total[1]	**71 563**	**70 985**	**30 853**	**12 529**	**17 681**	**9 922**
Future interest payments	-	3 927	916	1 966	1 045	-
Total including future interest payments[1]	**71 563**	**74 912**	**31 769**	**14 495**	**18 726**	**9 922**

[1] The figures for 2017 have been restated due to a reclassification of bank accounts between outside and within cash pool systems by a net amount of NOK 3.9 billion.

For specification regarding external interest-bearing liabilities in Telenor ASA, see note 27 in the consolidated financial statements.

Changes interest bearing liabilities

NOK in millions	2018	2017
As of 1 January	**39 261**	45 939
Change in cash flow from financing activities	**(9 703)**	(8 578)
Change due to hedge accounting	**(84)**	(592)
Effects from changes in foreign exchange rates	**87**	2 523
Interest[1]	**17**	57
Increase in licence liability	**-**	(16)
Other changes	**11**	(72)
As of 31 December	**29 589**	39 261

[1] Classified as cash flow from operating activities

NOTE 12 Current non-interest-bearing liabilities

NOK in millions	Category	2018	2017
Trade payables to Group companies	FLAC[1]	**65**	114
Current non-interest-bearing liabilities within the Group		**65**	**114**
Trade payables external	FLAC	**761**	890
Government taxes, tax deductions, holiday pay etc.	NF[2]	**136**	117
Income taxes payable	NF	**1 239**	842
Financial derivatives	FVTPL	**388**	939
Other current liabilities[3]	FLAC	**142**	1 525
Current non-interest-bearing external liabilities		**2 666**	**4 313**

[1] FLAC: Financial liabilities at amortised cost.
[2] NF: Non-financial assets and liabilities.
[3] Other current liabilities in 2017 included NOK 1.3 billion related to a guarantee issued by Telenor ASA on behalf of Telenor India.

NOTE 13 Guarantees

NOK in millions	2018	2017
Guarantee liabilities	2 358	2 564

Guarantee liabilities contain the unrecognised guarantee liabilities issued by Telenor ASA. The guarantee liabilities mainly consist of guarantees issued by Telenor ASA on behalf of subsidiaries.

In 2016 Telenor ASA recognised a liability of NOK 1.3 billion related to corporate guarantees issued as security for Telenor India's bank guarantee facilities. The liability was reversed in the financial statements in 2018, and the remaining unrecognised guarantee liabilities of NOK 0.7 billion are included in the table above for 2018.

In relation to the licence issuance in Myanmar, a performance bond of NOK 0.5 billion (NOK 0.9 billion as of 31 December 2017) was issued to Myanmar authorities as a guarantee towards coverage and quality of services commitments until 2019.

Purchased bank guarantees are not included in the table.

NOTE 14 Related parties

Telenor ASA's transactions with its major shareholder, the Norwegian State represented by the Ministry of Trade, Industry and Fisheries, are discussed in note 32 to the consolidated financial statements.

Telenor ASA's other related parties consist mainly of subsidiaries of the Group. Telenor ASA sells and buys services from these companies, see note 1 for further description, and provides loans and receives deposits from the companies. When permissible by local rules and regulations, subsidiaries owned 90% or more are part of Telenor ASA's cash pool systems and the internal bank in Group Treasury. Through the internal bank, the subsidiaries can get loans, place excess liquidity and make currency exchanges.

In addition, Telenor ASA receives dividends that are recognised as financial income, see note 6. Group contributions and dividends recognised in 2018 and 2017 of NOK 60,566 million and NOK 51,813 million, respectively, are received from companies within Other units and Broadcast. Dividends from Telenor Broadcast Holding AS of NOK 1,800 million are included in receivables on Broadcast . Dividends from Telenor Mobile Holding AS of NOK 20,000 million are included in Other units receivables. Changes against susbidiaries in Hungary, Serbia, Bulgaria, Montenegro and India are related to the sale of those companies in 2018.

Sales and purchases of services, receivables and liabilities

	2018				2017			
NOK in millions	Sales	Purchases	Receivables	Liabilities	Sales	Purchases	Receivables	Liabilities
Subsidiaries								
Norway	230	39	25	24	197	78	29	29
Sweden	100	9	7	1	72	6	20	(3)
Denmark	42	11	25	3	33	2	27	1
Hungary	26	7	-	-	36	7	15	3
Serbia	17	2	-	-	22	2	20	1
Bulgaria	18	1	-	-	25	1	15	-
Montenegro	3	-	-	-	4	1	1	-
dtac – Thailand	148	-	4	-	68	-	81	3
Digi – Malaysia	109	2	28	1	56	1	57	1
Grameenphone – Bangladesh	97	1	170	-	48	7	208	-
Pakistan	78	2	91	-	14	6	6	1
India	-	-	-	-	21	3	128	36
Broadcast	26	-	1 802	2	17	-	6	(12)
Myanmar	59	-	14	-	46	-	29	-
Other units	62	453	168	36	138	624	20 477	54
Total	**1 015**	**527**	**2 334**	**65**	**797**	**738**	**21 119**	**114**

Financial transactions, receivables and liabilities

NOK in millions	2018				2017			
	Financial income	Financial expense	Receivables	Liabilities	Financial income	Financial expense	Receivables	Liabilities
Subsidiaries								
Norway	276	130	3 599	1 941	181	97	8 937	12 104
Sweden	12	-	694	-	12	-	1 798	257
Denmark	2	-	-	-	12	-	815	44
Broadcast	18	8	571	-	7	10	368	1 034
Singapore	-	42	-	4 485	-	16	-	2 409
Myanmar	6	-	-	-	8	-	-	-
Netherlands	-	-	-	2 701				
Other units	-	-	7	-	-	-	6	1 050
Total	**314**	**180**	**4 871**	**9 127**	220	122	11 955	16 980

NOTE 15 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 financial statements.

Ownership interests correspond to voting interest if not otherwise stated.

Shares in subsidiaries

NOK in millions	Office	Ownership interest in % 2018	Ownership interest in % 2017	Carrying amount as of 31 December 2018	Carrying amount as of 31 December 2017
Telenor Networks Holding AS[1)]	Norway	100.0	100.0	52 749	13 124
Telenor International Centre AS[2)]	Norway	0.0	100.0	-	-
Telenor Global Shared Services AS	Norway	100.0	100.0	626	626
Telenor Communication II AS[4)]	Norway	100.0	100.0	2 806	3 571
Telenor Mobile Holding AS	Norway	100.0	100.0	70 977	70 977
Telenor Broadcast Holding AS	Norway	100.0	100.0	4 429	4 429
Telenor Eiendom Holding AS[4)]	Norway	100.0	100.0	3 311	4 159
Telenor KB AS	Norway	100.0	100.0	-	-
Telenor Forsikring AS	Norway	100.0	100.0	300	300
Telenor Maritime AS[3)]	Norway	98.9	98.9	172	172
Telenor GTI AS	Norway	100.0	100.0	1 850	1 850
Cinclus Technology AS	Norway	100.0	100.0	-	-
Telenor Digital AS	Norway	100.0	100.0	546	546
Telenor Global IOT AS[2)]	Norway	0.0	100.0	-	-
Digital Businesses AS[2)]	Norway	0.0	100.0	-	-
Total				**137 765**	**99 754**

1) Capital increase after loan conversion of NOK 39 625 million in 2018.
2) The companies are merged with Telenor Communication II AS in 2018.
3) The remaining 1.1% of shares in Telenor Maritime AS are owned by Telenor Communication II AS.
4) As a result of dividend payments from the subsidiaries, the shares in Telenor Eiendom Holding AS and Telenor Communications II AS were impaired in 2018 by NOK 848 million and NOK 766 to NOK 3,311 million and NOK 2,806 million respectively.

Shares in subsidiaries owned through subsidiaries

	Office	Ownership interest in % 2018	Ownership interest in % 2017
Telenor Networks Holding AS			
Telway 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	Norway	100.0	100.0
Telenor Inpli AS (earlier Datametrix AS)	Norway	100.0	100.0
Telenor International Centre AS			
Telenor Russia AS[5)]	Norway	0.0	100.0
Telenor India Private Ltd[3)]	India	0.0	99.9
Telenor Communication II AS			
Telenor Kapitalforvaltning AS	Norway	100.0	100.0
Telenor Media Invest AS[1)]	Norway	0.0	100.0
Telenor Online Partner AS[1)]	Norway	0.0	100.0
Telenor Common Operation Zrt[2)]	Hungary	0.0	100.0
Telenor Financial Services AS	Norway	100.0	100.0
Telenor Media Partner AS	Norway	100.0	100.0
Telenor GO Pte Ltd	Singapore	100.0	100.0
701 Search Pte. Ltd.	Singapore	100.0	100.0
SnT East Holding AS	Norway	100.0	100.0
Telenor India Private Ltd[3)]	India	99.9	0.0
Tapad Norway AS	Norway	95.0	0.0
Telenor Mobile Holding AS			
Telenor Mobile Communications AS	Norway	100.0	100.0
Nye Telenor Mobile Communications II AS	Norway	100.0	100.0
Nye Telenor Mobile Communications III AS	Norway	100.0	100.0
Telenor Danmark Holding A/S	Denmark	100.0	100.0
Telenor Sverige Holding AB[6)]	Sweden	0.0	100.0
Telenor Sverige AB[6)]	Sweden	100.0	0.0
Telenor East Holding II AS	Norway	100.0	100.0
Telenor Connexion Holding AB	Sweden	100.0	100.0
Telenor Broadcast Holding AS			
Telenor Satellite AS	Norway	100.0	100.0
Telenor UK Ltd.	Great Britain	100.0	100.0
Canal Digital AS	Norway	100.0	100.0
Norkring 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
Telenor Real Estate Hungary[2)]	Hungary	0.0	100.0
Frognerseterveien 23 AS	Norway	100.0	100.0
Grønnegata 55 AS	Norway	100.0	100.0
Ilderveien 9 AS	Norway	100.0	100.0
Kirkegata 45 Lillehammer AS	Norway	100.0	100.0
Kirkegata 59 AS	Norway	100.0	100.0
Nordbyveien 1 AS	Norway	100.0	100.0
Nygaten 4 AS	Norway	100.0	100.0
Skolegata 8 AS	Norway	100.0	100.0
Sælidveien 40 AS	Norway	100.0	100.0

Telenor Digital AS			
Telenor Digital TSM AS[4)]	Norway	**0.0**	100.0
Telenor Health AS	Norway	**100.0**	100.0
Telenor Capture AS (earlier Netlife Backup Solutions AS)	Norway	**100.0**	100.0
Telenor Digital Asia LTD	Thailand	**99.0**	99.0
Video Communication Services AS[2)]	Norway	**0.0**	100.0
Digital Businesses AS			
Tapad Norway AS[3)]	Norway	**0.0**	100.0

1) The companies are merged with Telenor Communication II AS in 2018
2) Sold in 2018
3) Ownership is transferred to Telenor Communication II AS in 2018
4) The company is merged with Telenor Digital AS
5) The company is merged with Telenor International Centre AS. See also footnote 1.
6) Telenor Sverige Holding AB was merged into Telenor Sverige AB in October 2018

Other significant subsidiaries (owned through holding companies)

	Office
Telenor A/S	Denmark
Digi.Com Bhd	Malaysia
Telenor Pakistan (Private) Ltd.	Pakistan
Total Access Communications Plc. (dtac)	Thailand
GrameenPhone Ltd.	Bangladesh
Unitech Wireless Private Limited	India
Telenor Myanmar Ltd.	Myanmar

RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with IFRS as adopted by the EU, that the financial statements for the parent company for the year ended 31 December 2018 have been prepared in accordance with the Norwegian Accounting Act and simplified IFRS in Norway, that they 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, 19 March 2019

Gunn Wærsted
Chair

Jørgen Kildahl
Vice Chair of the Board

Jon Erik Reinhardsen
Board member

Jacob Aqraou
Board member

Grethe Viksaas
Board member

Sally Davis
Board member

Roger Rønning
Board member

René Richard Obermann
Board member

Sabah Qayyum
Board member

Harald Stavn
Board member

Sigve Brekke
President & CEO

STATEMENT FROM THE CORPORATE ASSEMBLY OF TELENOR ASA

On 21 March 2019, the Corporate Assembly of Telenor ASA passed the following resolution:

The Corporate Assembly recommends that the Annual General Meeting approves the Board's proposal for Financial Statements for Telenor Group and Telenor ASA for 2018 as presented to the Corporate Assembly by transfer of NOK 55,855 million to retained earnings and a dividend payment of NOK 8.40 per share to be paid out in two instalments of NOK 4.40 per share and NOK 4.00 per share in May and October 2019, respectively.

AUDITOR'S REPORT

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Telenor ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Telenor ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the statement of financial position as at 31 December 2018, the income statement and statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the statement of financial position as at 31 December 2018, the income statement and the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

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Regulatory matters

The Telenor Group is involved in regulatory matters in a number of jurisdictions. These regulatory matters are uncertain in timing of resolutions and amount or consequences.

Regulatory matters were a key audit matter due to the amounts involved, potential consequences and the inherent difficulty in assessing the outcome of regulatory matters. The assessment of whether or not a liability should be recognized involves judgment from management.

We discussed the matters with local and Group management including Telenor's regulatory and legal departments and legal counsel. Furthermore, we obtained and reviewed lists of litigation and claims prepared by management, made enquiries to external legal counsel and evaluated the external opinions obtained by Telenor and compared these with management's information and note disclosures and information about other regulatory cases. Our audit procedures also included assessment of disclosures about risks and uncertainties and potential outcomes.

We refer to note 33 to the consolidated financial statements for further details.

Uncertain tax positions

As described in note 13 to the consolidated financial statements Telenor has uncertain tax positions in Pakistan and Norway that could eventually require payments of taxes and possible penalties. The assessment of uncertainty and risk of one or more unfavourable outcomes involves judgment from management.

These uncertain tax positions were a key audit matter because of the amounts involved and because of the uncertainty in estimating the final outcome of these matters.

The Group records provisions for uncertain liabilities, including tax contingencies, when it is more likely than not that a liability has been incurred, and the amount can be reliably estimated.

Our audit procedures included assessment of the companies' communication with the tax authorities, the companies' tax filings and relevant disclosures provided. We have also discussed the matter with management including Telenor's in-house tax department and evaluated external legal opinions obtained by management. We included our internal tax specialist in our team to assist us with these evaluations.

Our audit procedures also included assessment of disclosures made in note 13 to the consolidated financial statements and note 7 to the financial statements of Telenor ASA.

Revenue recognition

Telenor Group delivers goods and services which can be sold separately or bundled in promotional packages to millions of customers in multiple geographical locations. There is an inherent risk to revenue recognition because of the high volume of customer contracts and transactions, continuously changing business and price models (including tariff structures and options and incentives) and the complexity of the IT-systems. The application of the revenue recognition standard requires managements judgement. In addition, the new standard on revenue recognition, IFRS 15, was implemented with effect from 1 January 2018.

Revenue recognition was a key audit matter because of the transaction volume, the complexity of the IT-systems and the judgement involved in the application of accounting principles.

Our audit procedures included test of controls and substantive procedures, including

- assessment of the appropriateness of accounting principles implemented under the revenue recognition standard.
- test of the design and operating effectiveness of controls over the revenue processes, including test of general IT controls and application controls over the main IT-systems and applications.
- test of application of the new revenue recognition accounting principles including test of a sample of contracts, test of stand-alone selling prices and challenging management's judgment and estimates

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- test of end-to-end reconciliation from billing system to accounting system
- test of accruals for deferred and unbilled revenue
- test of cash receipts for a sample of customers back to customer invoices
- assessment of completeness and accuracy of note disclosures on revenue and the effects of implementation of IFRS 15

We refer to note 1 and note 6 to the consolidated financial statements for further details.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is 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 International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's internal control

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- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the reports on corporate governance and sustainability

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the reports on corporate governance and sustainability concerning the financial statements, the going concern assumption and 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 management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 19 March 2019
ERNST & YOUNG AS

Erik Mamelund
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

DEFINITIONS

Alternative performance measures

Telenor Group's financial information is prepared in accordance with International Financial Reporting Standards (IFRS). In addition it is management's intent to provide alternative performance measures that are regularly reviewed by management to enhance the understanding of Telenor's performance, but not instead of, the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies.

The principles for measurement of the alternative performance measures are in accordance with the principles used both for segment reporting in note 5 in the consolidated financial statements and internal reporting to Group Executive Management (chief operating decision makers) and are consistent with financial information used for assessing performance and allocating resources.

To enable comparison between periods, the accounting principles applied are consistent with those applied by the Group before implementing IFRS 15 *Revenue from Contracts with Customers*. For the effects of implementing IFRS 15 and reconciliation per financial statement line item in 2018 with the previous IFRS standards and interpretations, see note 1.

Organic revenue growth

Organic revenue is defined as revenue adjusted for the effects of acquisition and disposal of operations and currency effects. We believe that the measure provides useful and necessary information to investors and other stakeholders for the following reasons:

- it provides additional information on underlying growth of the business without the effect of certain factors unrelated to its operating performance;
- it is used for internal performance analysis; and
- it facilitates comparability of underlying growth with other companies (although the term "organic" is not a defined term under IFRS and, therefore, may not be comparable with similarly titled measures reported by other companies).

Reconciliation

NOK in millions	2018	2017	Change whole year	Change YoY
Segment revenue growth[1]	110 396	112 069	(1 673)	(1.5%)
Impact using exchange rates for 2018		(1 393)	1 393	
M&A	(416)	(40)	(376)	
Organic revenue growth	**109 980**	**110 636**	**(656)**	**(0.6%)**

NOK in millions	2017	2016	Change whole year	Change YoY
Reported revenue growth	112 069	113 139	(1 070)	(0.9%)
Impact using exchange rates for 2017		(1 842)	1 842	
M&A	(459)	(171)	(288)	
Organic revenue growth	**111 610**	**111 126**	**484**	**0.4%**

[1] See note 5.

Organic subscription and traffic revenue growth

Subscription and traffic revenues consist of revenues from mobile subscription and traffic, fixed telephony, fixed Internet/TV, fixed data services and Canal Digital DTH.

Organic subscription and traffic revenues are defined as subscription and traffic revenues adjusted for the effects of acquisition and disposal of operations and currency effects. We believe that the measure provides useful and necessary information to investors and other stakeholders for the following reasons:

- it refers to the core revenue streams of the business making up more than 75% of total revenues and almost the entire gross profit for the Group;
- it provides additional information on underlying growth of the business within these core revenue streams, without the effect of certain factors unrelated to its operating performance;
- it is used for internal performance analysis; and
- it facilitates comparability of underlying growth with other companies (although neither "subscription and traffic revenues" nor the term "organic" are defined terms under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies).

Reconciliation

NOK in millions	2018	2017	Change whole year	Change YoY
Subscription and traffic revenue growth[1]	85 362	86 314	(952)	(1.1%)
Impact using exchange rates for 2018		(1 143)	1 143	
M&A	-	-	-	
Organic subscription and traffic revenue growth	**85 362**	**85 171**	**191**	**0.2%**

1) See note 6.

NOK in millions	2017	2016	Change whole year	Change YoY
Reported subscription and traffic revenue growth	86 314	85 889	426	0.5%
Impact using exchange rates for 2017		(1 609)	1 609	
M&A	-	-	-	
Organic subscription and traffic revenue growth	**86 314**	**84 280**	**2 035**	**2.4%**

Subscription and traffic revenues[1]

NOK in millions	2018	2017
Mobile subscription and traffic	69 768	70 290
Fixed telephony	1 559	1 942
Fixed Internet/TV	8 919	8 873
Fixed data services	663	697
Canal Digital DTH	4 454	4 513
Subscription and traffic revenues	**85 362**	**86 314**
Other revenues[1]	25 034	25 755
Total revenues[1]	**110 396**	**112 069**

1) See note 6.

Operating expenses (opex)

Operating expenses (opex) is a key financial parameter for Telenor and is derived directly from the income statement, consisting of salaries and personnel cost and other operating expenses. Telenor's continuous effort to improve efficiencies makes opex a key financial parameter to follow. It is also used for internal performance analysis.

Reconciliation

NOK in millions	2018	2017
Salaries and personnel cost[1]	(10 780)	(11 412)
Other operating expenses[1]	(27 982)	(29 034)
Operating expenses	**(38 762)**	**(40 446)**

1) See note 1.

EBITDA before other income and other expenses and EBITDA margin

Earnings before interest, tax, depreciations and amortizations (EBITDA) is a key financial parameter for Telenor. EBITDA before other income and other expenses is defined as EBITDA less gains and losses on disposals of fixed assets and operations, workforce reductions, onerous contracts and one-time pension costs, see note 10. EBITDA margin is defined as EBITDA before other income and other expenses divided by total revenues. These measures are useful to investors and other stakeholders in evaluating operating profitability on a more variable cost basis, as they exclude depreciations and amortisation expense related primarily to capital expenditures and acquisitions that occurred in the past as well as non-recurring items, and when evaluating operating performance in relation to Telenor's competitors. EBITDA margin enables comparison between segments and other operators.

Reconciliation

NOK in millions	2018	2017
EBITDA[1]	42 115	44 828
Other income	63	1 306
Other expenses	(3 267)	(1 172)
EBITDA before other income and other expenses	**45 319**	**44 694**

1) See note 1.

EBITDA margin

NOK in millions	2018	2017
Total revenues	110 396	112 069
EBITDA before other income and other expenses	45 319	44 694
EBITDA margin	**41%**	**40%**

Organic EBITDA growth

Organic EBITDA growth is defined as EBITDA (before other income and other expenses) adjusted for the effects of acquisition and disposal of operations and currency effects. We believe that the measure provides useful and necessary information to investors, and other stakeholders for the following reasons:

- it provides additional information on underlying growth of the business without the effect of certain factors unrelated to its operating performance;
- it is used for internal performance analysis.

Reconciliation

NOK in millions	2018	2017	Change whole year	Change YoY
EBITDA growth	**45 319**	44 694	625	1.4%
Impact using exchange rates for 2018		(808)	808	
M&A	**(19)**	(11)	(8)	
Organic EBITDA growth	**45 300**	**43 875**	**1 425**	**3.2%**

NOK in millions	2017	2016	Change whole year	Change YoY
Reported EBITDA growth	**44 694**	41 969	2 725	6.5%
Impact using exchange rates for 2017		(904)	904	
M&A	**66**	(14)	81	
Organic EBITDA growth	**44 761**	**41 050**	**3 710**	**9.0%**

Capital expenditure

Capital expenditure (capex) is investments in tangible and intangible assets, excluding business combinations and asset retirement obligations. Capex and capex as share of revenue (capex/revenues) are measures of investments made in the operations in the relevant period and are useful to investors and other stakeholders in evaluating the capital intensity of the operations. Capex and capex/revenues are deemed to better gauge the actual investments for the period than in the purchases of property, plant and equipment (PPE) and intangible assets line items in the cash flow statement.

Capex excluding licenses and spectrum is relevant to users to measure the level of underlying investments. Historically, license and spectrum investments have varied significantly between reporting periods.

Reconciliation

NOK in millions	2018	2017
Purchases of PPE and intangible assets (note 22)	**21 011**	20 726
Working capital movement in respect of capital expenditures and other	**782**	35
Deferred licence obligations	**9 610**	528
Less:		
Discontinued operations	**(158)**	(983)
Capex	**31 245**	**20 307**
Licence and spectrum fee - capitalised	**(14 469)**	(3 052)
Capex excl. license and spectrum	**16 776**	**17 255**
Revenue	**110 396**	112 069
Capex excl. license and spectrum/revenues (%)	**15.2%**	**15.4%**
Total capex/revenues (%)	**28.3%**	**18.1%**

Investments

Investments consist of capex and investments in businesses. Investments in businesses comprise acquisitions of shares and participations, including acquisitions of subsidiaries and businesses not organised as separate companies. Investments (or total investments) is deemed to better gauge the actual investments for the period than in the purchases of property, plant and equipment (PPE) and intangible assets line items in the cash flow statement.

Reconciliation

NOK in millions	2018	2017
Capital expenditures	**31 245**	20 307
Investments in businesses	**114**	2 252
Total investments	**31 359**	**22 558**

Net interest-bearing debt excluding licence obligations (Net debt)

Net debt consists of both current and non-current interest-bearing liabilities, excluding licence obligations, less related current and non-current hedging instruments, financial instruments such as debt instruments and derivatives, and cash and cash equivalents.

Net debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net debt is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate interest-bearing liabilities (both current and non-current) and cash and cash equivalents. Reconciliation from these to net debt is provided below.

Reconciliation

NOK in millions	2018	2017
Non-current interest bearing liabilities	55 926	51 587
Current interest-bearing liabilities	15 740	22 710
Less:		
Cash and cash equivalents	(18 492)	(22 546)
Adjustments:		
Licence obligations	(11 847)	(2 257)
Hedging instruments	(1 492)	(1 777)
Financial instruments	(350)	(849)
Net interest-bearing debt excluding licence obligations	**39 485**	**46 868**

Net debt/EBITDA

Telenor aims to maintain a solid balance sheet through keeping net debt/EBITDA below 2.0x in order to maintain financial flexibility and ensure cost efficient funding. The measure provides useful information about the strength of our financial position and is regularly reported internally.

Reconciliation

NOK in millions	2018	2017
Net debt	39 485	46 868
EBITDA	42 115	44 828
Net debt/EBITDA	**0.94**	**1.05**

Free cash flow

Telenor makes use of free cash flow and underlying free cash flow as important performance measures when presenting and discussing our reported results. We believe it is both useful and necessary to communicate free cash flow and underlying free cash flow for the following reasons:

- Free cash flow and underlying free cash flow allow us and investors to evaluate Telenor's liquidity and cash generated by our operations.
- Free cash flow excludes items that are deemed discretionary, such as financing activities. In addition, underlying free cash flow excludes cash flows relating to acquisitions and disposals of businesses.
- Free cash flow facilitates comparability with other companies, although our measure of free cash flow may not be directly comparable to similar titled measures used by other companies.
- These measures are used for management planning, reporting and incentive purposes.

A reconciliation of net cash flow from operating activities and investing activities, the closest equivalent GAAP measures, to free cash flow and underlying free cash flow are provided below:

Reconciliation

NOK in millions	2018	2017
Net cash flows from operating activities	36 394	40 723
Net cash flows from investing activities	(613)	(12 075)
Repayments of borrowings - licence obligations	(740)	(973)
Repayments of borrowings - supply chain financing	43	(221)
Dividends paid to and purchase of shares from non-controlling interest	(3 095)	(2 586)
Free cash flow	**31 989**	**24 867**
M&A activities	(20 298)	(8 502)
Underlying Free cash flow	**11 691**	**16 365**

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