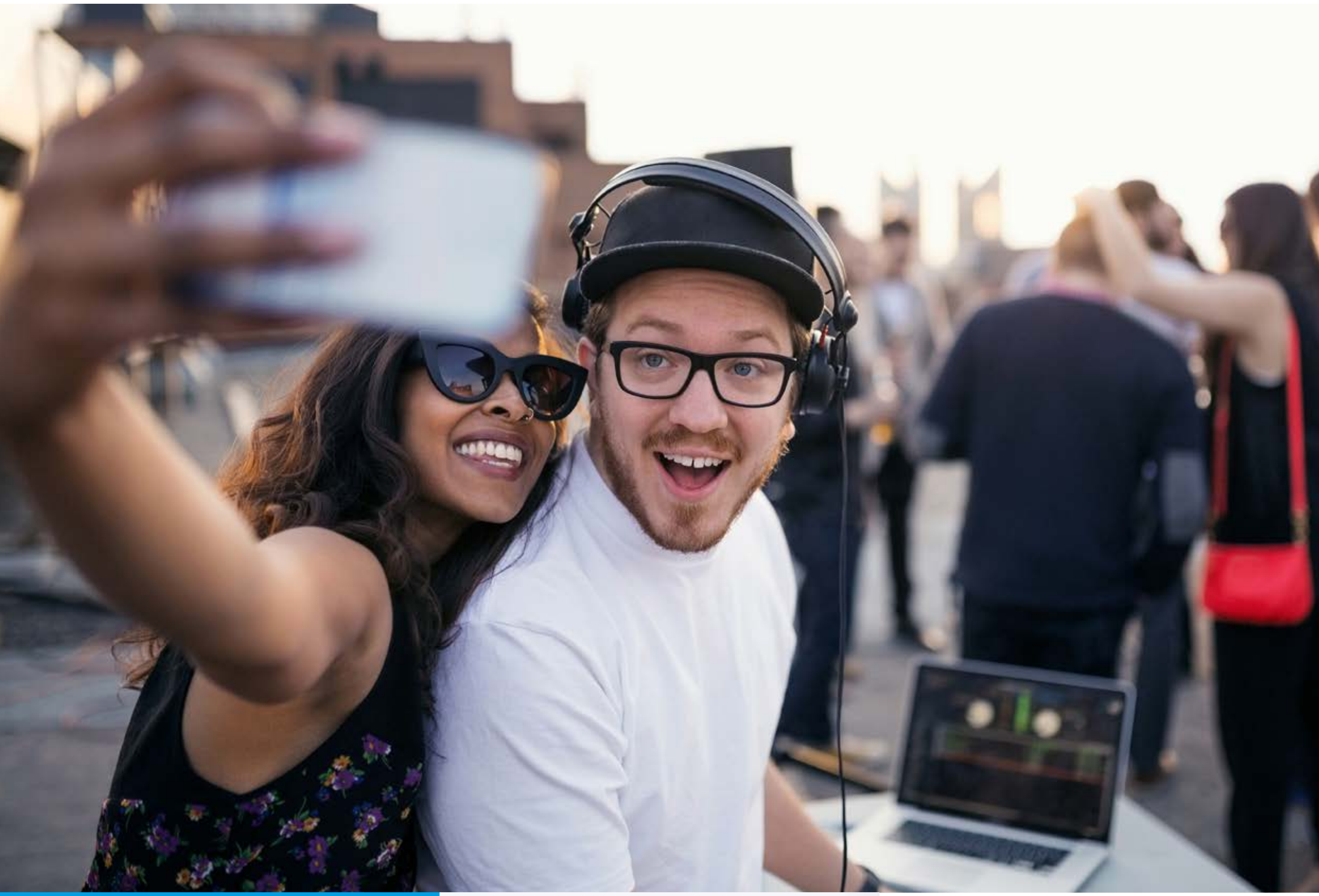
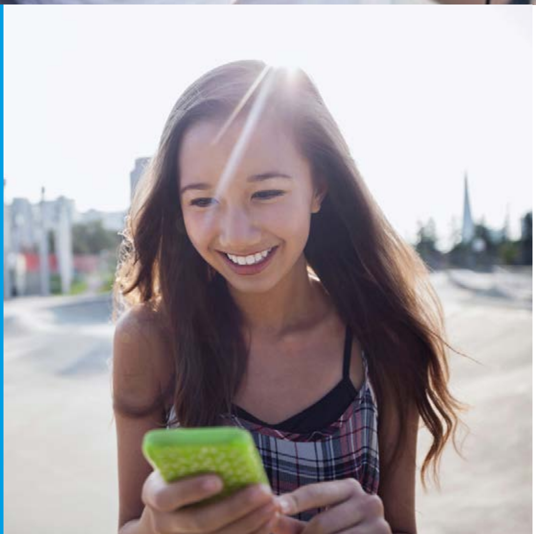


Annual Report 2017



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LETTER FROM THE CEO

CONNECTING YOU TO WHAT MATTERS MOST. EMPOWERING SOCIETIES.

Connecting people, business and societies have been the core of our business for more than 160 years. Today, we do so with more relevance and personalisation than ever. Delivering with efficiency requires continually exploring smarter and simpler ways of working, and this transformation remains our top priority. We're making sure that our customers are connected to what matters most in their everyday lives. To us, it's more than good business. It's empowering societies.

More similar than different

Close to 70 percent of the world's population are customers of a telecoms company. 20-30 billion things are expected in global networks by 2020. All of us spend more time on our smartphones, raising demand for data: from 3 to 22 GB/month in Europe, from 2 to 12 GB/month in Asia by 2022, some estimate. All of us – because we're no different from our customers – expect excellent connectivity, great coverage, speed and all the digital experiences the internet can offer. Digitalisation offers new and more efficient ways to deliver and capture this value.

Good traction on transformation

In 2017, we have been able to get good traction on our transformation agenda across all business units, realising efficiencies and simplifying both our portfolio and our business processes. This has resulted in easier and more engaging customer journeys and core operations that lend themselves even better to automation and digitalisation. Our efforts make Telenor more fit for the future and positions the company for further growth. We have streamlined our portfolio, preparing our exit from India and further reduced our holding in VEON, and focused our investments, for instance of online marketplaces, in Asia. Financially, 2017 was a year with outstanding performance in all our business units – with improved profitability and reduced costs. As a result, our shareholders have seen more than 40 per cent return on their investment during 2017. This is a testimony to the robustness of our transformation agenda.

Enabling and preparing for the future

Transformation is challenging because it means stopping doing some things we've excelled at in the past. A focused Telenor means we will be directly involved in a narrower set of activities. It means we shed legacy systems and embrace leaner, more software-based solutions. But prioritising and digitalising the core does not limit our impact or reach: digitalisation continues to impact all sectors the societies we serve. Together with global and local partners, we enable, develop and deliver innovations that turn digital life into life itself. Today, we're involved in making cities and transportation systems smarter, making healthcare more efficient and affordable, and even help count polar bears at Svalbard using drones. Doing this requires new ways of working, and updated skill sets and competences. We invest in reskilling and upskilling our workforce, for instance by mandating minimum 40 hours of learning for all employees per year. However, higher efficiency in operations

> "Connecting people, business and societies have been the core of our business for more than 160 years. Today, we do so with more relevance and personalisation than ever. We're making sure that our customers are connected to what matters most in their everyday lives. To us, it's more than good business. It's empowering societies.
>
> – Sigve Brekke, CEO

and reduced demand for some of our traditional services, for instance 20 per cent reduction in inbound call centre traffic over the last year, means that Telenor will have less direct employees in the years to come. We do not believe in digitalisation as a job killer: like previous technology advances, we believe new jobs and opportunities will come in its wake.

With focus and speed into 2018

Our industry, and the world, are moving faster and are more unpredictable than ever. We see and expect new challenges to emerge in and outside of our markets, from small and big players. We need to continuously explore and adapt across our global footprint. As a group, however, we maintain four key beliefs that are the driving forces behind our action plan:

We believe in internet access as the foundation of our business. We believe personalisation, based on responsible application of customer data, will stimulate customer engagement and capture value. We know that efficient operations will be a prerequisite for sustainable growth and competitiveness. And we believe we can take leading digital positions in selected markets.

Telenor continues to seek growth and renewal, to simplify and become more efficient. We do so with a global winning team bound together by a commitment to responsible business. This is how we continue to deliver what matters most to our customers. It is how we create value for shareholders and continue our policy of continually increasing dividends. And, it's how we in sum are empowering societies.

GROUP EXECUTIVE MANAGEMENT

Sigve Brekke
President and Chief Executive Officer

Wenche Agerup
EVP, General Counsel and Chief Corporate Affairs Officer

Ruza Sabanovic
EVP and Head of Technologies & Services

Alexandra Reich
EVP and Head of Central & Eastern Europe Cluster, CEO Hungary

Petter-Børre Furberg
EVP Emerging Asia Cluster, Acting EVP & Head of Digital Businesses*

** Up until 1.1.18 Jon Gravråk held the posistion as EVP & Head of Digital Businesses.*

Jørgen C. Arentz Rostrup
EVP and Chief Financial Officer

Morten Karlsen Sørby
EVP and Head of Transformation

Svein Henning Kirkeng
EVP and Head of Products and Marketing

Berit Svendsen
EVP and Head of Scandinavian Cluster, CEO Norway

Cecilie Blydt Heuch
EVP and Chief People Officer

On 14 March 2018 Lars-Åke Norling stepped down from Group Executive Management and as EVP and Head of Developed Asia Cluster.

LETTER FROM THE CHAIR

The year of 2017 was characterised by transformation and clarification of Telenor's strategic direction, and the Board of Directors expresses its acknowledgement to the employees of Telenor for their strong efforts and achievements.

In 2017, the Board of Directors focused on implementing the strategy set in December 2016. We entered the year with a clear roadmap on how to create and capture value for our shareholders, customers, employees and society. Portfolio simplification, digitalisation, innovation and governance are key elements of the new strategic direction. Digitalisation of processes to foster strong and engaging relationships with customers, while at the same time capturing efficiency opportunities, have been pivotal to achieve the results in 2017 - as it will be also going forward. Changes in customer behaviour and preferences, as well as opportunities embedded in the use of new technologies are constant motivators and inspiration to Telenor's innovative capabilities.

Last year was also a year for a further strengthening of the governance framework. To support Telenor's business integrity, risk management and performance in our diverse markets, we have strengthened the processes and structures connected to internal audit, investigation and compliance.

Looking ahead, our focus will be on continued value creation. Telenor's strategy towards 2020 is based on driving and capturing growth and becoming even more efficient in how Telenor operates, delivers services and how customers experience the company. To be the trusted partner to our customers in their digital life is the very essence.

Telenor's ambition is to be a top performing company delivering long term value for shareholders, customers, employees and society.

"Telenor's strategy towards 2020 is based on driving and capturing growth and becoming even more efficient in how Telenor operates, delivers services and how customers experience the company. To be the trusted partner to our customers in their digital life is the very essence.

– Gunn Wærsted, Chair

BOARD OF DIRECTORS' REPORT

KEY FINANCIAL PARAMETERS

Financial priorities

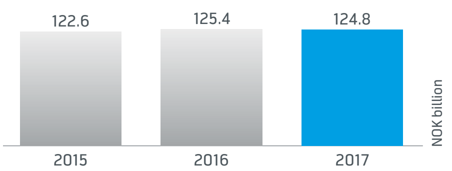
Telenor Group's financial strategy and financial ambitions are linked to our corporate strategy, focusing on continued growth, efficiency and simplification as key value drivers for the coming years. Entering 2017, we communicated our financial ambitions towards 2020 to the financial market, summarised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

For 2017, we set out the ambition of 1-2% organic revenue growth, flat development in operating expenditures, EBITDA margin around 36% and capex-to-sales ratio of 15-16%. The outlook was adjusted in the first quarter to reflect the new Group structure with India presented as discontinued operation, with EBITDA margin lifted to 37%. As our efficiency agenda started to gain traction, we lifted our efficiency ambition to NOK 1 billion in net opex reductions and the EBITDA margin outlook was correspondingly lifted to 38-39%. All the communicated financial ambitions for 2017 were met, and the free cash flow for 2017 was one of the strongest in the Group's history.

Maintaining a solid balance sheet, defined by keeping the net debt to EBITDA ratio below 2.0, as well as delivering a year-on-year growth in dividend, are key elements in our approach to capital allocation. Also on these parameters, the Telenor Group is well in-line with stated ambitions. In addition to a growing dividend, parts of the proceeds from disposal of VEON and online classifieds assets were distributed to shareholders through a 2% share buyback programme, of which the market part was finalised on 28 February 2018. The Board's proposal of a dividend of NOK 8.10 per share for 2017 confirms our commitment towards shareholders, and marks the 10th consecutive year with dividend growth.

Revenues

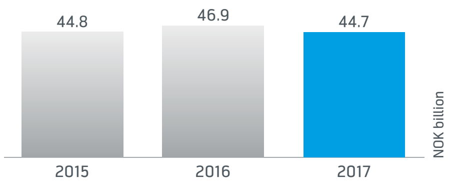
Revenues in 2017 were NOK 124.8 billion; slightly below the reported revenues of NOK 125.4 billion in 2016. The organic revenue growth was 1%[1)], mainly a result of strong performance in Bangladesh, Pakistan and Myanmar. The reported revenue growth was lower than the organic revenue growth, due to the appreciation of the Norwegian Krone towards most of the business units' reporting currencies. Negative currency effects on revenues amounted to NOK 1.8 billion.



[1)] Please refer to page 135 for descriptions and reconciliations of alternative performance measures.

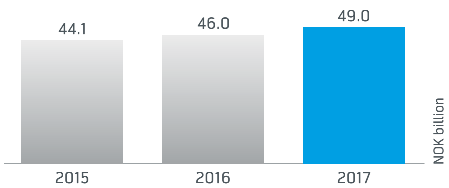
Operating expenditure[1]

In 2017, operating expenditures (opex) decreased by NOK 2.2 billion to NOK 44.7 billion, of which NOK 0.6 billion was related to positive currency development. On a currency adjusted basis, opex decreased by 3%. We see positive efficiency effects across the Group, but the largest opex reductions were attributable to Thailand, Norway, Sweden and Pakistan.



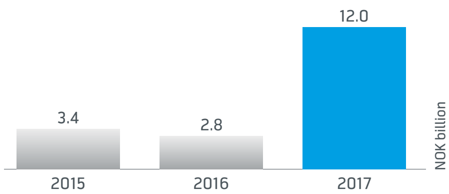
EBITDA before other income and other expenses[2]

EBITDA before other income and other expenses increased by NOK 3.0 billion to NOK 49.0 billion, negatively impacted by currency effects of NOK 0.9 billion. Organic EBITDA[1] increased by 9%, to which Bangladesh, Pakistan, Sweden and Thailand were the main contributors. The EBITDA margin[1] improved by 3 percentage point to 39% from 2016.



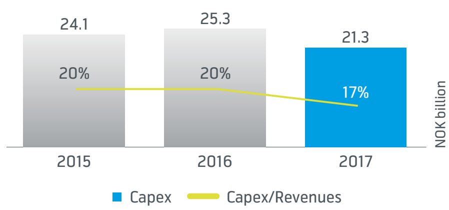
Net income

The net income to equity holders of Telenor ASA was NOK 12.0 billion, compared to 2.8 billion last year. Net income for 2017 was impacted by effects related to the disposal of shares in VEON. The improvement in net income in 2017 was primarily a result of lower losses from discontinued operations of NOK 7.4 billion and improved operating profit of NOK 2.4 billion. Net income attributable to shareholders of Telenor ASA in 2017 was NOK 12.0 billion, or NOK 7.99 per share. The corresponding figure for 2016 was a net income of NOK 2.8 billion, or NOK 1.89 per share.



Capital expenditure[1]

Total investments in 2017 amounted to NOK 23.6 billion, of which NOK 21.3 billion were capital expenditure (capex) and NOK 2.3 billion were investments in businesses. Capex not including spectrum licences amounted to NOK 18.2 billion, down from NOK 21.8 billion in 2016 mainly explained by reductions in Asia. Capex for spectrum licences amounted to NOK 3.1 billion in 2017, a decrease of NOK 0.5 billion compared to 2016. Capex as a proportion of revenues, excluding licences and spectrum, decreased from 17.4% in 2016 to 14.6% in 2017.



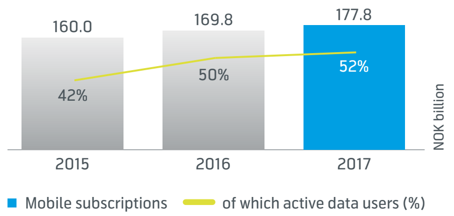
1) Please refer to page 135 for descriptions and reconciliations of alternative performance measures

2) Please refer to note 5 in the financial statements for reconciliations and page 135 for definition and descriptions of alternative performance indicators

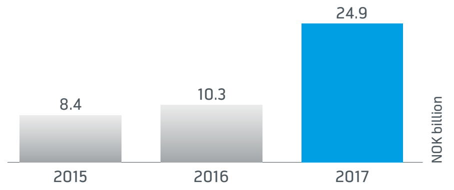
Mobile subscription development

During 2017, the total number of mobile subscriptions increased by 8 million aided by strong growth in the Asian operations.

The share of active data users increased from 49% to 52% during the year.



Free cash flow[1)]



Full year free cash flow amounted to NOK 24.9 billion, which was an increase of NOK 14.6 billion compared to last year. This was mainly a result of higher EBITDA, lower capex and spectrum payments and proceeds from the sale of online classifieds, as well as the acquisition of Tapad in the previous year.

Net cash inflow from operating activities during 2017 was NOK 42.0 billion, an increase of NOK 2.3 billion compared to 2016. The increase was mainly explained by higher EBITDA in Grameenphone, dtac, Sweden and Pakistan as well as dividends from VEON which was partly offset by changes in working capital, higher taxes paid and negative currency translation effects.

Net cash outflow to investing activities during 2017 was NOK 9.7 billion, a decrease of NOK 11.4 billion compared to 2016. This is mainly due to lower cash outflows related to purchases of PPE, intangible assets and licence investments of NOK 5.4 billion and acquisitions of subsidiaries of NOK 1.0 billion (NOK 1.8 billion for the acquisition of 701Search Pte. Ltd in 2017 and NOK 2.7 billion for the acquisition of Tapad Inc. in 2016), coupled with proceeds sale of SnT Classifieds (NOK 4.3 billion), sale of property (NOK 0.9 billion) and higher proceeds from sale of VEON shares (NOK 0.4 billion) in 2017.

Net cash outflow to financing activities during 2017 was NOK 33.4 billion. This is explained by net payments of borrowings of NOK 12.6 billion, dividends paid to Telenor ASA shareholders and share buyback of NOK 13.3 billion, payments to minority interest of NOK 2.6 billion and payments under supply chain financing of NOK 3.9 billion.

Cash and cash equivalents decreased by NOK 0.6 billion during 2017 to NOK 22.3 billion as of 31 December 2017.

Financial position

During 2017, total assets decreased by NOK 4.6 billion to NOK 201.8 billion.

Net debt[1)] decreased by NOK 7.5 billion to NOK 46.9 billion. Interest-bearing liabilities excluding licence obligations decreased by NOK 9.4 billion, partially offset by the decrease in cash and cash equivalents of NOK 0.6 billion, fair value hedge instruments of NOK 0.6 billion and fixed income investments of NOK 0.8 billion.

Total equity increased by NOK 6.9 billion to NOK 62.3 billion. This was mainly due to positive net income from operations of NOK 14.9 billion reduced by negative translation differences concerning VEON reclassified from other comprehensive income to the income statement of NOK 7.5 billion, with no net effect on equity, offset by dividends to equity holders of Telenor ASA and non-controlling interests of NOK 14.3 billion and share buyback of NOK 1.5 billion.

In the Board's view, Telenor Group has a satisfactory 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 2018

For 2018, we expect an organic subscription and traffic revenue growth of 1-2%, an organic EBITDA growth of 1-3% and capex excluding licences and spectrum of NOK 18-19 billion.[1)]

[1)] Please refer to page 135 for descriptions and reconciliations of alternative performance measures

Annual Results and allocation

Telenor ASA's net income for the year 2017 was NOK 48 593 million, after receipts of group contribution and dividends of NOK 51 813 million. The Board proposes the following allocation: Transferred to retained earnings: NOK 48 593 million. After this allocation, Telenor ASA's equity, after deduction of share capital, is NOK 65 459 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 aims to maintain a solid balance sheet through keeping net debt/EBITDA[1)] below 2.0x. As of 31 December 2017 the reported net debt ratio was 1.0x.

Dividends of 2017

Based on the performance during the year, the Board of Directors proposes a dividend of NOK 8.10 per share for 2017, to be declared by the Annual General Meeting (AGM) on 2 May 2018. The dividend shall be split into two tranches of NOK 4.20 and NOK 3.90 per share, to be paid in May and November 2018, respectively.

Events after reporting period

Acquisition of 4G license and 5MHz frequency in the 1800 MHz band in Bangladesh
Grameenphone acquired 5 MHz spectrum in the 1800 MHz band for 15 years at the spectrum auction held by the Bangladesh Telecommunications Regulatory Commission (BTRC) on 13 February 2018, and an approval for converting existing 22 MHz 2G spectrum to technology neutral spectrum for 8.75 years for NOK 1.2 billion and NOK 0.4 billion, respectively. Grameenphone also obtained a 4G/LTE Cellular Mobile Phone Services Operator License effective from 19 February 2018 from BTRC for NOK 9 million. The above fees are subject to 5% VAT.

Strategic partnership agreement with Ant Financial Services Group
On 13 March 2018 the Group reached a strategic partnership agreement with Ant Financial Services Group ("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 ("TMB"), a subsidiary of Telenor Group. The investment will be partly capital injection and partly consideration for sale of shares.

The first part of the transaction is expected to close within 12 months and result in a joint venture between Ant Financial and Telenor. With effect from first quarter 2018, Telenor Microfinance Bank will be classified as held for sale in the Group's statement of financial position. Telenor Microfinance Bank together with Telenor Banka, which was classified as held for sale from third quarter 2017, will be classified as discontinued operations in our income statement and comparative numbers will be represented. Telenor Microfinance Bank and Telenor Banka are the main contributors to the operational segment Financial Services, disclosed as part of other units in the Group's segment reporting.

Agreement to sell Central and Eastern European assets to PPF Group
On 20 March 2018 Telenor entered into an agreement to sell its assets in Central and Eastern Europe (CEE) to PPF Group for EUR 2.8 billion (around NOK 27 billion) on an enterprise value basis.

The transaction includes Telenor's wholly-owned mobile operations in Hungary, Bulgaria, Montenegro and Serbia and the technology service provider Telenor Common Operation. The CEE operations contributed approximately NOK 11.8 billion or 9% of Telenor Group's revenues and NOK 4.1 billion or 8% of EBITDA in 2017, and have more than 9 million customers and around 3,500 employees.

The transaction requires necessary regulatory approval. The transaction is expected to be completed within Q3 2018. As of first quarter 2018, the CEE operations will be treated as an asset held for sale and discontinued operations in Telenor Group's financial reporting. The transaction is estimated to result in an accounting gain after tax of around 3 NOK billion to be booked after the completion of the transaction.

[1)] Please refer to page 135 for descriptions and reconciliations of alternative performance measures

KEY ACHIEVEMENTS IN 2017

As part of the overall strategic ambitions towards 2020, Telenor delivered on value creation through continued revenue growth and improved efficiency, driven by transforming the company and digitising the core business; and by focusing on simplification and prioritisation of resources and portfolio. These achievements are underpinned by engaged employees and responsible business conduct.

Delivering internet access and connectivity is the foundation of what Telenor does, with the customers at the centre. This enables Telenor's customers to connect to their digital lives and what matters most.

Value Creation

Towards 2020, Telenor sees three key drivers for value creation: growth, efficiency and simplification. A key enabler for this is digital transformation. 2017 was a year of growing revenues, implementation of more efficient ways of working within all areas of operation, and simplification of internal processes and Telenor's asset portfolio.

Revenue growth and renewal

Telenor has a strong record of revenue growth stemming from continued mobile growth and high-speed fixed broadband, supported by selected adjacent digital businesses.

STRENGTHENING EXISTING CORE SERVICES

In 2017, Telenor continued to grow its revenues by using its solid market position based on strong networks and local presence with large retail distribution networks. Organic subscription and traffic revenues grew by 2.2 per cent in 2017[1]. In Emerging Asia markets, revenue growth continued with increased mobile penetration and traffic use.

In the other, more mature markets, revenue renewal is key. In Norway and Sweden, this was done through fibre replacing legacy fixed revenues, while the developed Asian markets of Thailand and Malaysia focused on migrating pre-paid subscriptions to post-paid.

ADJACENT DIGITAL BUSINESSES

Telenor continues to strengthen its position within selected adjacent digital businesses within mobile financial services, online classifieds and the Internet of Things. Revenues from this area, including from ad tech, account for two per cent of total revenues.

In 2017, Telenor strengthened its Online Classifieds portfolio in Asia, an attractive region with room for growth, broad reach and increasing user engagement. Within mobile financial services, Telenor Microfinance Bank Ltd. in Pakistan (formerly Tameer Microfinance Bank Ltd.) via Easypaisa has over 20 million active customers utilising mobile money services. Furthermore, Wave Money in Myanmar has more than doubled its distribution network. Valyou in Malaysia was the country's first player to introduce mobile remittances. During 2017, Telenor has manifested its position as a leading provider of Internet of Things connectivity in Europe. Telenor Connexion shipped more than 3 million SIMs, and Telenor Norway has taken a leading position within areas such as welfare technology and mobility analytics.

Efficiency

A top priority in 2017 for Telenor was to improve efficiency and reduce costs. Important steps were taken in 2017 on the efficiency agenda, relating to digitalising customer journeys and transforming network and IT infrastructure and operating models, in addition to simplification and improved prioritisation across Telenor's operations. During the year, Telenor reduced operating expenditures by three per cent as a result of efficiency initiatives across its operations, with the largest reductions attributable to Thailand, Norway, Denmark and Pakistan. Further efficiency gains will be made going forward.

DIGITAL AND PERSONALISED CUSTOMER JOURNEYS

Across Telenor's markets, customer service calls dropped significantly in 2017. This is due to reduced product and pricing complexity, more robust networks, combined with the shift in customer preferences for digital customer self-care. This development enables Telenor to leverage efficiencies in digital customer care across its operations, exploring common technologies.

A key example of digital customer care is MyTelenor, the company's digital interaction channel. It became available in all 12 markets in 2017, and the app experienced a doubling in monthly active users throughout the year. Furthermore, the global project aiming to drive and strengthen personalised sales and marketing capabilities utilising data and analytical tools, has been rolled out in five additional business units (six in total), showing strong improvement in customer awareness, conversion and gross adds.

GLOBAL SCALE AND STANDARDISATION

With customer behaviours across Telenor's markets becoming more similar, and customers demanding close to identical services, Telenor can leverage its global scale. Technological developments such as software defined networks and cloud-based network and IT platforms are key enablers. Global operating models within products, network and IT are fundamental to leverage standardisation and enable e.g. global sourcing and global security operations.

In 2017, Telenor Procurement Company was established in Singapore; with a mandate to optimise external spend on behalf of Telenor Group through standardisation, scale and automation.

[1] Please refer to page 135 for descriptions and reconciliations of alternative performance measures

Rollout of 4G and network quality experience were priorities in 2017, and Telenor launched 4G in Myanmar and accelerated rollout in other markets, while continuing preparations for 5G in selected markets. API gateways have been implemented in all business units, to enable improved flexibility in Telenor's customer facing IT system and creating new third party revenue streams.

DIGITISING TELENOR'S CORE

Telenor's main strategic activity towards 2020 is digitising its core through accelerating the technology shift in Telenor's IT- and network solutions. The benefits new technology offers also enable increasing digital interaction with customers for sales, distribution and support, thus improving customer experience. By implementing scalable and efficient infrastructure, Telenor continues to simplify, automate and reduce cost.

One example is the transition to cloud infrastructure, for Telenor's mobile core functions and IT applications. Another is standardisation of APIs providing the fundamental architecture that supports digital business; it is employed to create efficient gateways to internal systems and facilitate functions like customer interaction more efficiently. Further, cloud-based software platforms continue to be important to deliver globally engaging products to Telenor's customers across its footprint.

Simplification

Creating a leaner, more agile Telenor through simplifying the portfolio in addition to organisational changes was a key priority in 2017. New, collaborative and simplified ways of working, besides reducing product and pricing complexity for customers and simplification of IT systems are examples of how Telenor is continuously making everyday life easier for its customers and employees.

LEVERAGING GLOBAL SCALE WITH CLUSTER ORGANISATION

In order to transform into a more integrated global company, and to deliver on its digital strategy, Telenor established a cluster organisation early in the year. The clusters are grouped by geography as well as market maturity and complexity in offerings: Scandinavia, Central and Eastern Europe, Emerging Asia and Developed Asia. Additionally, the support functions and global units at group level supporting business units, and driving group-wide projects, were reorganised to streamline operations. By implementing the new structure, Telenor is further leveraging economies of scale and driving coordination and standardisation across the company. Telenor will continue to look for ways to simplify work processes and streamline procedures, to enable becoming a more agile organisation.

PORTFOLIO SIMPLIFICATION

Throughout 2017, Telenor simplified its asset portfolio. Firstly, it was announced that Bharti Airtel Limited (Airtel) will take ownership of Telenor's operations in India. The transaction is expected to close within first quarter of 2018, at which Airtel will take full ownership of Telenor India. Secondly, the partial disposal of VEON Ltd. (former VimpelCom) was completed in 2017, securing net proceeds of NOK 5.1 billion[1]. Thirdly, Telenor focused its Online Classifieds portfolio by exiting the joint venture with Schibsted ASA in Latin America, while simultaneously increasing the ownership of online classifieds services in Vietnam, Malaysia and Myanmar to 100 per cent. The net proceeds from this transaction were NOK 2.5 billion. Through these steps, Telenor is creating a leaner, more agile and efficient company, fit for the future.

New technologies and innovation in products and services

Telenor connect its customers to what matters most through digitalising the customer journey and by continuously providing innovative products and offerings to stay relevant for the customers. Furthermore, Telenor is committed to handling customer data in a responsible manner. Being a trusted partner to its customers is an essential part of the strategic work Telenor does.

Service and product innovation

Service innovation allows for differentiation and to target new market segments. 2017 showed strong growth on new, local end-user digital services especially in the Emerging Asia markets, some examples are GP Music in Grameenphone and mAgri in Pakistan. A third example is WowBox, a lifestyle app with more than five million monthly active users across Emerging Asia markets. While offering customers relevant and engaging content, Wowbox also drives upselling and new revenue streams for Telenor.

With these services, along with launch of the digital telco Line Mobile in Thailand and good development for existing digital Mobile Virtual Network Operators (MVNOs) such as Vimla in Sweden and Talkmore in Norway, Telenor is taking further steps to engage customers on the digital arena.

Innovating with partners and internally

Across our operations and markets, partnerships are an essential part of our business models. It enables companies to collaborate, learn from each other and innovate faster. In 2017, new and existing partnerships with major internet companies have been important to further develop Telenor's customer offering. A non-exclusive example is a new partnership with Google to enhance the native messaging experience through piloting Rich Communication Services (RCS).

The intrapreneurship programme Ignite ran for the second time; educating, inspiring and motivating employees, as well as adding positive brand effects. A

[1] For more details on VEON disposal, see note 19 on page 75.

third round of Ignite is initiated for 2018.

Together with Cisco, Telenor also explored creating a mobile cloud core network as a service and platform. This project will abstract the complexities of the mobile industry by offering a single, modern, API-based interface into multiple underlying radio networks. The aim is to radically increase product innovation and reduce time to market for new services to faster improve the company's customer offerings.

Exploring new technologies for the future

During 2017, Telenor's research unit continued to provide new knowledge and build competences in developing areas such as customer insight, new technologies, artificial intelligence, data analytics and organisational models. Telenor spent NOK 2.2 billion in 2017 on innovation, of which NOK 0.5 billion were costs related to R&D, compared to NOK 2.8 billion and NOK 0.6 billion in 2016.

Telenor continued to build relationships with leading research institutions in Norway and internationally. In collaboration with the Norwegian University of Science and Technology (NTNU), the Telenor-NTNU AI-Lab within Artificial Intelligence (AI) and Big Data was opened. Telenor rolled out an IoT pilot network in three cities in Norway, and launched the Start IoT offering for entrepreneurs, start-ups and students.

Telenor has contributed with several studies to prepare for tomorrow's communication market. Scientists have worked on how AI, machine learning and advanced analytics can be used in improving core telco operations and services, including mobility data for new digital services. Technology, business models and regulatory challenges in realising the 5G vision have been analysed. Telenor is also active in European research collaborations on 5G. Telenor continued to explore and verify solutions for improved customer experience, with special focus on digital customer behaviour. The future business models, competitive landscape and business environment have been studied, also including long term trends that have implications for Telenor's business.

Digitalisation impacting way-of-work

The ongoing digitalisation in Telenor's core business also affects its organisational set-up and culture, and triggers a need for shift in competence and way-of-work. In 2017, Telenor continued to focus on growth and transformation through organisational review, evolution of culture and enablement of this competence shift.

The rationale for organisational review stemmed from the need to continue becoming a more efficient Telenor. This required prioritisation, simplification and cost reduction. At the same time the company was able to evolve the culture by improvement in the areas of innovation, collaboration, integrity and enablement of employees. This was measured by Our Voice (Employee Engagement Survey). Towards the end of the year Telenor also initiated the renewal of our purpose and behaviours to support the transformation journey.

In accordance with its People Policy, Telenor strives for diversity, inclusion and equal employment opportunities. In 2017, gender balance amongst senior leaders significantly improved. Group Executive Management consists of 42 per cent women leaders, up from 26 per cent in 2016, and 26 per cent women in the senior leadership level, a three percentage points increase since year-end 2016. At year-end, Telenor Group had close to 31,000 employees, of which 37 per cent are women. This constitutes a four percentage point increase YoY as Telenor India exited the portfolio. The nationality split amongst senior leaders at year end 2017 was approximately 68 per cent Scandinavians, 13 per cent from rest of Europe, 16 per cent Asians, and 3 per cent others.

Attracting and retaining talents through learning and development opportunities, as well as career prospects, is fundamental to Telenor's continued competitiveness and growth. Throughout 2017, 7,000 leaders and experts were 'upskilled' through the global rollout of Strategy Execution Programme and the introduction of agile ways of working. In addition, 200 experts took part in personalised learning journeys to reskill their competence.

Responsible business

An integrated part of Telenor's business strategy is about exercising responsible business conduct. This includes mitigating critical business environment risks in addition to seizing opportunities to generate positive long-term value in the markets Telenor operates in.

Reducing inequalities

Internet connectivity is the great equalizer. It brings the power of knowledge, information and opportunity to individuals, communities and society. The core of Telenor's business helps reduce inequalities. Telenor aims to reduce inequalities 1) by improving access to services through leveraging digital services and connectivity in innovative ways to address social and economic challenges, and 2) by raising standards in employment and across the supply chain. In 2016, Telenor chose to focus its sustainability efforts on The United Nation's global Sustainable Development Goal number 10: Reduced Inequalities. Telenor has set out targets through 2020 to contribute towards this goal by continuing supply chain capacity building, training children in online safety and utilising mobile technology for birth registration.

Occupational health, safety and security

Telenor Group operates in markets with differences in risks and working environments for its employees, and different standards in the country infrastructure. The company continues to work with local Occupational Health, Safety and Security (OHS&S) processes, and seek common solutions and increased collaboration within the Group to ensure that Telenor is a safe and preferred employer. In 2017 there were no (0) reported fatalities among employees or in-house contractors; however, it is with great regret that during the year 2017, Telenor experienced seven fatalities in its supply chain in Pakistan, Bangladesh and India. The Global Lost Time Injury Frequency (per million worked hours) was 0.23 and the Global Sickness Absence Rate was 1.84 per cent. Telenor is committed to continuously learn from experience and improve its efforts within OHS&S and are currently reviewing procedures, policies and actions within this area.

A trusted partner in the customer's digital life

Cyber security is a global risk affecting the telecommunications industry, but is also a potential differentiator. In 2017, executing on a global security programme and establishing global capabilities and common standards were priorities. Experts have been recruited in global roles, and local security officers are in place in all business units.

Winning the customers' trust is important to Telenor. Personal data is handled with care and customer data is used to create value for the customer. In 2017, in addition to preparing for implementation of the new EU GDPR regulation, Telenor strengthened competencies and recruited for new internal privacy capabilities.

Compliance

Telenor continued the work of improving the company's corporate governance structures; the compliance unit was reorganised and the function strengthened during 2017. Increasing awareness and establishing clear expectations towards management on responsible business conduct throughout the organization were high on the agenda in 2017. The effects are monitored through the Integrity Index questionnaire amongst all employees and through clear management KPIs which include Anti-Corruption and Code of Conduct training. The Integrity Index continues to score high in all BUs.

Sustainability Report

Telenor publishes a separate Sustainability Report in accordance with reporting requirements. 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 considerations. 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 2017 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 24.

GROUP OPERATIONS

Telenor Group is one of the world's major mobile operators with 178 million mobile subscriptions and a strong footprint in 12 markets across Scandinavia, Central and Eastern Europe and Asia. The Group owns Telenor Broadcast and holds ownership positions in the ad tech industry through Tapad Inc. and the classifieds industry in South East Asia through Mudah, ChoTot and OneKyat.

All comments below are based on the development in local currency for 2017 compared to 2016, unless otherwise stated. EBITDA is EBITDA before other income and other expenses, unless otherwise stated.

Scandinavia:

NORWAY

The mobile subscription base fell by 3% to slightly below 3.0 million from fewer data cards and prepaid subscriptions. The share of active data users increased to 80% and the median data usage increased by 67%. Total revenues decreased slightly as a result of continued decline in legacy telephony and wholesale revenues, not being fully offset by growth in internet and data services. Mobile revenues remained stable due to a higher share of contract subscriptions, upselling to larger data buckets and higher handset sales offsetting effects of lower roaming rates. The EBITDA margin increased by 1 percentage point to 43%, as the declining contribution from high-margin mobile roaming and fixed legacy revenues was more than offset by reduced operating expenses. NOK 4.6 billion was invested in infrastructure for fixed and mobile services. The total number of high-speed fixed broadband connections increased by 34,000 to 631,000, whereas total fixed broadband connections decreased by 6,000 to 859,000.

SWEDEN

The mobile subscription base increased by 2% to 2.7 million while the share of active data users increased to 81% with a median usage increasing by 25%. Mobile revenues increased by 4% due to more subscribers with higher value tariffs offsetting reduced roaming revenues. In addition, revenue growth was positively impacted by a negative provision in 2016 for VAT items. Fixed revenues grew by

11% from investments in fibre and the inclusion of the acquired company Network Services Nordic AB. The fibre initiative helped grow the number of fixed high-speed broadband connections by 55,000, bringing the user base to 580,000 at year end. The EBITDA margin increased by 3 percentage points to 32%, positively impacted by the VAT adjustment mentioned above. Operating expenses decreased by 2% despite the acquisition of Network Services Nordic AB. Capex was mainly related to fibre rollout, mobile network investments and IT improvements.

DENMARK

The turnaround programme in Denmark continued in 2017 and resulted in a solid performance improvement, in a competitive market. Revenues increased slightly while material cost reductions resulted in a significant EBITDA improvement. The EBITDA margin increased from 12% to 17%. Due to the unfavourable market conditions, capex excluding license and spectrum fee was reduced further this year, with a reduction of 26% from 2016. Investments in network capacity and IT are prioritised.

Central Eastern Europe:

HUNGARY

Telenor Hungary ended 2017 with 3.1 million mobile subscriptions, of which 55% were active data users. Revenues increased by 3% following prepaid to postpaid migration in addition to general upselling within the consumer postpaid segment. Almost 9% of total revenues were related to the sale of mobile phones. The EBITDA margin increased by 2 percentage points to 32% following solid delivery on cost programmes. Capex was mainly related to 4G roll-out and upgrade of existing IT solution.

BULGARIA

In Bulgaria, Telenor's subscriber base ended at 3.2 million with the share of active data users having increased to 55%, aided by the 4G network launched in 2015 with further rollout in 2016 and 2017. Total revenues increased by 1% following increased handset revenues. The EBITDA margin decreased by 1 percentage point to 37% mainly due to increased traffic cost, partly offset by strong delivery on efficiency programme. Capex was mainly related to network roll-out supporting 4G coverage.

MONTENEGRO AND SERBIA

The combined operation in Montenegro and Serbia ended 2017 with 3.2 million mobile subscriptions, slightly less than the previous year. The share of active data users increased from 53% in 2016 to 56% in 2017. Total revenues remained stable as slightly lower mobile revenues were compensated by increased handset sales on instalment. The EBITDA margin increased by 1 percentage point to 37%, mainly driven by operational efficiencies. Capex was primarily related to network roll-out.

Developed Asia:

DTAC - THAILAND

Mobile data consumption almost doubled from the 2016 level; the average active data user in dtac now consumes nearly 8GB of data per month. By the end of 2017, 64% of dtac's 22.7 million subscribers were active data users. Continued migration from prepaid to postpaid resulted in subscription and traffic revenue growth for the first time in three years, and postpaid revenues surpassed prepaid. Total revenues decreased by 5% driven by lower interconnect rates and lower device sales. EBITDA increased by 9% driven by declining regulatory cost due to the transition from concession to license network and lower prepaid commissions. The concession agreement with CAT expires in September 2018[1]. Throughout the year, densification of the 3G and 4G networks continued and 4,600 new towers were built.

DIGI - MALAYSIA

In Malaysia, postpaid revenues increased by 12%, despite continued challenging market conditions. The smartphone penetration reached 73%, while 74% of the 11.7 million Digi subscribers are active internet users with an average usage of more than 7GB of data per month. This constitutes more than a doubling of the data traffic from 2016 level. Total revenues decreased by 4% caused by reduced prepaid revenues, offset by increased handset sales. The EBITDA margin improved by 1 percentage point to 46%, mainly caused by lower interconnect costs. Capex was prioritised towards network expansion, and the 4G population coverage reached 87% by year-end.

Emerging Asia:

GRAMEENPHONE - BANGLADESH

During 2017 the Bangladeshi telecom market continued its strong growth and Grameenphone added 7.5 million subscriptions, increasing the total to 65 million by year-end. With 4G licenses still waiting to be awarded, and the smartphone penetration below 30%, there is a substantial growth potential in Bangladesh. Grameenphone's data network position has been strengthened during 2017 and initiatives targeted towards the data hungry population of Bangladesh have secured a data growth in 2017 of 46%. More than 30 million subscribers are now active data users, utilising the data centric Grameenphone services like Wowbox, GP Music, and MyGP. Total revenues increased by 12%, and the EBITDA margin improved by 4 percentage points to 59% following strong cost control coupled with improved gross margins. Capex was prioritized towards strengthening Grameenphone's coverage and capacity position, whereby 3G population coverage was expanded to 93%.

PAKISTAN

Telenor Pakistan added 6% more subscriptions during 2017, reaching a total of 42 million at year-end. Following the launch of 4G services last year,

[1] For additional information on concession agreement, see section Regulatory under Risk Management on page 20.

Telenor Pakistan continued their journey of taking a premier digital position through services like Wowbox, MyTelenor, m-Agri and PocketTV. The number of active data users increased to 16 million and 32% of the subscription base now holds a smartphone. Revenues grew by 9%, primarily driven by higher data usage and increased handset sales. As a result of cost efficiency execution and structural network initiatives, the EBITDA improved by 25%, resulting in an improved EBITDA-margin of 7 percentage points to 51%. Capex was related to supporting the strong demand for data services and improving the quality and coverage of the network. At the end of 2017, 38% of the Pakistani population could experience 4G services from Telenor.

MYANMAR

Telenor Myanmar added 1.2 million mobile subscriptions in 2017, 19.5 million subscriptions at year-end, of which 56% were active data users. Total revenues were NOK 6.6 billion, an increase of 6% from 2016. Pressure on voice prices and use impacted the revenue trend for the second half of the year, while data consumption continued to increase. The EBITDA margin came in at 43% on the back of strong gross profit and disciplined cost management. 4x10MHz in the 1800 MHz frequency band was acquired for NOK 1.2 billion. Capex ended at NOK 2.5 billion, explained by continued roll-out of network coverage and capacity, with over 7,800 sites on air.

Other units:

BROADCAST

Revenues decreased by 5% following the shut-down of FM broadcasting in Norway and a settlement in Norkring in 2016. EBITDA decreased by 11%, despite 4% reduction in operating expenditure. Operating profit increased by 20% related to a financial lease for satellite transponders. Capex was mainly related to DAB network investments and customer driven installation in Norkring, as well as product development in Canal Digital. The subscriber base in Canal Digital Satellite fell by 3% to 838,000 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 44 per cent in 2017. The Oslo Stock Exchange Benchmark Index (OSEBX) increased by 19 per cent, whereas the benchmark index STOXX Europe 600 Telecommunications Index Gross Return (SXKGR) increased by one per cent. The telecom sector has been the worst performing sector in Europe in both 2016 and 2017.

The Telenor share closed at NOK 175.90 at year-end 2017, corresponding to an equity value of NOK 264 billion. In 2017, Telenor paid ordinary dividends of NOK 7.80 per share for the fiscal year 2016, an increase of four per cent compared to 2016. 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 May 2017 the Annual General Meeting gave the Board authorisation to purchase and cancel up to 30,000,000 treasury shares. Purchase and cancellation of treasury shares may be 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 2017 to initiate a share buyback programme for up to 30 million shares, representing around 2% of the outstanding shares.

As of 31 December 2017, Telenor had purchased 8,738,593 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% remains unchanged.

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

At year-end 2017, Telenor's share capital was NOK 9,008,748,180, divided into 1,501,458,030 shares. There were no changes in the share capital in 2017.

Telenor had approximately 39,600 shareholders at year-end, compared to about 42,300 at year-end 2016. The 20 largest shareholders held 75 per cent of the registered shares. Norwegian institutional investors, including the Norwegian state, held 64 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 14 per cent and 10 per cent of the shares, respectively. As of 31 December 2017, Telenor held 8,738,593 treasury shares related to the buy-back programme announced in July 2017.

Through active communication with the capital market and shareholders in 2017, Telenor ensured that significant information required for an external evaluation of the Telenor Group's securities was published in accordance with applicable rules and guidelines.

RISK MANAGEMENT

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. 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. Below are some key risks 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, financial derivatives and investment in Government debt securities. In 2017 Telenor Group had no credit losses due to defaults of financial institutions or Government securities.

The liquidity risk is low and financial flexibility is maintained through a diversified set of funding sources. As of 31 December 2017, Telenor's net debt/ EBITDA ratio was 1.0. This is well within the cap of 2.0x as stated in the financial policy. 77 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 2017. The risk is managed using both fixed and floating rate debt, as well as interest rate derivatives.

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. 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 introduction of, or increase in, sector specific taxes and levies may impact Telenor Group's business.

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. 2018 will be an important year for dtac with high risk related to its transfer from concession to license, spectrum allocation and spectrum prices. 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.

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.

The regulation of cross-border data transfer (in particular in our mobile licenses) and increased consumer and regulatory interest in privacy and data retention could impact the company's operations.

Transformation

The introduction of new technologies and changing consumer behaviours opens up for new business models in the telecom sector, 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, e.g. 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 and retain customers and drive usage.

Further, revenue growth is partly dependent on the development and deployment of new products, services, technologies and applications. 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.

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 cyber-attacks. Repeated, prolonged or catastrophic network or IT system failures could damage the Group's reputation and ability to attract and retain subscribers. Telenor Group depends on key suppliers and third-party providers for supply and maintenance of equipment and services. 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 enters into force in May '18 will at the same time introduce 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.

Safety, sustainability and compliance

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 and anticorruption. Engaging with and monitoring of suppliers to ensure long term risk reduction is a priority.

Safety is currently monitored by frequent reporting of Fatalities, Lost Time Injury Frequency (LTIF) and Sickness Absence Rate (SAR). For 2017 there were zero fatalities among employees; however, it is with great regret that during the year 2017, Telenor experienced seven fatalities in its supply chain in Pakistan, Bangladesh and India. The overall LTIF was 0.23 which equals 14 reported work related incidents. The SAR is reported to 1.84 per cent. With the aim to increase attention and awareness, relevant group functions have initiated a project to secure a more holistic and systematic work on safety for employees and also within our supply chain.

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.

Potential risks relating to respect for human rights are mostly applied to privacy and freedom of expression.

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 practices.

Fornebu, 20 March 2018

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

Jon Erik Reinhardsen
Board member

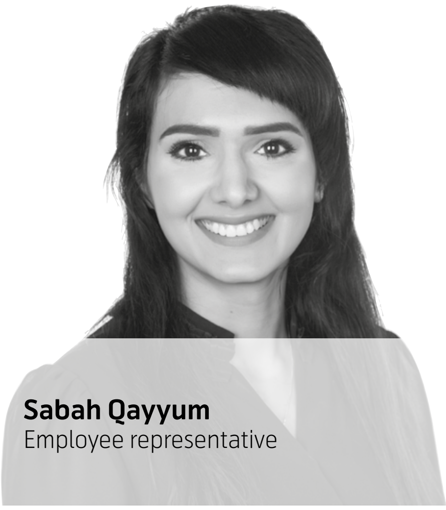
Jacob Aqraou
Board member

Sally Davis
Board member

René Richard Obermann
Board member

Roger Rønning
Employee representative

Harald Stavn
Employee representative



Sabah Qayyum
Employee representative

Grethe Viksaas
Board member

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 recommendations.

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) 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.

Telenor operates in accordance with the NCGB Code of Practice. However, as the Norwegian State holds a majority ownership of 53.97% of Telenor, one exception is made with respect to section 14 (Take-overs).

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.

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.

The Board believes that good corporate governance is a key factor for Telenor's ability to secure sustainable growth in a global, highly competitive and regulated market with ever-changing customer needs and technological advancements. As Telenor is moving towards becoming a more integrated global company through changes to the structure, processes and culture, maintaining a high standard of corporate governance across Telenor Group is one key factor for Telenor's business integrity and solid performance.

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 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. 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.

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. Telenor's governance framework is a key management tool and shall ensure operationalisation of good and efficient corporate governance throughout the Telenor Group.

Telenor's governing documents set one single standard which shall govern all business activities, regardless of where such activities take place. Telenor believes that taking a risk-based approach to address specific local risks and challenges is key to ensuring implementation of its ethical standard in all its markets.

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 has organised its operations into four 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. The Group Governing Principles also sets out key principles related to risk management, internal control and the governing documents.

The Group Policies contain key business principles and requirements set by Telenor on selected subject areas. Group Manuals provide more detailed and practical instructions on how to implement the principles in the Group Policies. Local Manuals can be developed in addition to Group Manuals.

The Code of Conduct is approved by the Board. The Code of Conduct is also adopted locally by the board of each Business Unit. The Group Policies are approved by the President and Group Chief Executive Officer (President and CEO) and, as part of the implementation process, by the boards of the Business Units. Each Business Unit board shall ensure that the Business Unit adheres to Telenor's corporate governance framework. The Business Unit CEO has overall responsibility for ensuring that the governing documents are properly implemented in the Business Unit and for the Business Unit's monitoring of and compliance with the governing documents.

The Governance Work Programme (GWP) is the annual process for updating/developing, implementing and monitoring the Group Governing Documents.

The GWP in 2017 has been focused on taking the first step to simplify Group Governing Documents by ensuring that the Group Policies:

- are risk based
- consist of clear and adequate requirements
- include requirements that are measurable and can be monitored

As a result of this, all Group Policies were amended.

In 2017, Telenor also rolled out a training program for employees serving as board members in both wholly and partly owned companies, including a one day training session and the distribution of a new board handbook. The training program is part of the implementation of the improvement efforts in the governance of subsidiaries that started in 2016.

Code of Conduct

The Telenor Group's commitment to integrity and transparency is clearly stated in Telenor's Code of Conduct. The Code of Conduct is owned and approved by the Board, and all employees are required to sign it.

Telenor's Code of Conduct defines legal and ethical standards for how Telenor conducts its business around the world. It is a personal responsibility of each board member, each employee and each leader in Telenor to understand the Code and the implications on their daily work. Leaders are particularly responsible for leading by example and for creating an ethical atmosphere where employees can share their dilemmas and where they can raise their voice and report on any breaches they observe.

The Code of Conduct sets Telenor's

ethical standards, promotes proper business practices and reflects relevant laws, regulations and internationally recognised standards. The Ethics & Compliance framework defines a set of design requirements that are vital to the effectiveness of the Ethics & Compliance function. The framework contributes to high quality and consistency in the handling of Compliance Incidents. It also contains a common model for disciplinary actions aiming at a uniform practice across the Telenor Group.

Anti-Corruption

Telenor's zero tolerance on corruption and its ethical standards are set out in its Code of Conduct (approved by the Board), Group Policy Anti-Corruption (approved by the President and CEO) and other governing documents, that are implemented in all Telenor's subsidiaries directly or indirectly controlled by Telenor ASA. Telenor has zero tolerance for corruption in all forms and is committed to doing business in accordance with the highest ethical standards.

Telenor's Group Anti-Corruption Policy states that Telenor shall make active efforts to ensure that corruption does not occur in Telenor's business activities. To this end, Telenor is working against corruption through a risk-based anti-corruption program.

Telenor's strategy, initiatives and reporting in relation to anti-corruption, including improvement initiatives going forward, are further described in the Sustainability Report 2017 and online at www.telenor.com/about-us/corporate-governance/anti-corruption. Information on Telenor's requirements, policies and procedures for the supply chain can be found online at www.telenor.com/about-us/corporate-governance/supplier-conduct-principles. Telenor's Anti-Corruption Handbook is available as a downloadable web-app at anti-corruption-handbook.telenor.com.

Sustainability

Responsible business conduct is one of the main elements of Telenor's business strategy and an essential part of all Telenor operations. Telenor has for many years had a focus on responsible contribution to economic, environmental and social development in the countries in which it operates, acting with accountability and transparency. Telenor's ambition is to responsibly contribute to economic, environmental and social development in the countries in which it operates, acting with accountability and transparency.

Telenor's requirements for sustainability are set out in Telenor's governance framework, which covers areas such as anti-corruption, human rights and labour rights, environment and climate, health, safety and security, supply chain sustainability as well as privacy and data protection.

Telenor is a long-time member and signatory to the UN Global Compact initiative. Telenor adheres to the UN's 10 principles on human rights, labour rights, environmental protection and anti-corruption. In 2017, Telenor set a new direction for its Sustainability ambitions, by focusing on three specific areas: changing the way it manages risk, creating digital services designed to empower societies and being firmly committed to the United Nation's Sustainable Development Goals. Telenor has chosen to focus on SDG#10: Reduced Inequalities by introducing specific 2020 targets and communicating progress on these.

Telenor is committed to the disclosure of its performance on material sustainability issues in line with stakeholder expectations. Following a thorough assessment process involving stakeholder consultations and desktop research, a number of material sustainability issues were identified for reporting in 2017 based on the GRI G4 principles of materiality, clarity and balance. Details can be viewed online at www.telenor.com/sustainability/reporting/our-performance.

The sustainability section in the Board of Directors Report for 2017 complies with the reporting requirements of the Norwegian Accounting Act §3-3c, which are to report on policies, actions, results and ambitions in the areas of human rights, labour rights and social conditions, environment and anti-corruption. Telenor's strategy, initiatives and reporting in relation to sustainable operations are described in more detail at www.telenor.com/sustainability and in the Sustainability Report 2017.

Health and safety

Maintaining a working environment and a culture that nurtures occupational health, safety and personnel security is important at Telenor. This approach covers employees as well as in-house contractors and suppliers. Telenor believes that health and safety of all people working for Telenor is vital to its business and makes a difference in employee engagement, thereby increasing productivity, e.g. by reducing absenteeism and thus reducing costs.

Our most fundamental responsibility as an employer is to keep all people who work for us safe from harm – and we do not differentiate between our own employees, in-house contractors or our suppliers' employees. There were no work related employee or in-house contractor fatalities reported in Telenor Group for 2017. It is with great regret that during the year 2017, we have experienced seven fatalities in our supply chain in Pakistan, Bangladesh and India. In all these incidents, our required reporting procedures were followed and each and one of the incidents were handled immediately and individually with mitigating actions. Risk re-assessment and plans for preventing similar incidents have been carried out. Employees' families have been followed-up and been given compensation.

In 2017, more than 21,000 employees and in-house contractors attended Health Safety Security & Environment related awareness training sessions. The Business Units further organised more than 26,000 man-hours of various capacity building initiatives in 2017 for suppliers and sub suppliers. Typical activities include on-site briefings, awareness sessions, workshops, forums, process support, online portals, etc. Some Business Units have also worked in industry and cross industry collaborations to synergise efforts in capacity building. As 70 per cent of all fatalities in Telenor's supply chain are road accidents, Telenor launched a road safety initiative in 2016 aimed at increasing awareness of road safety and reducing road accidents. This awareness work has continued in 2017.

Telenor carries out local inspections in all our markets in order to monitor compliance with the requirements on responsible business conduct. In 2017, Telenor carried out more than 5,000 supplier inspections (ranging from simple site visits to more comprehensive inspections or audits) across the Group. 85 per cent of the inspections were carried out unannounced. More than 560 major non-conformities were identified during the inspections across the business units and are followed up with mitigation plans and processes with aim to close these non-conformities.

Telenor's strategy, initiatives and reporting in relation health and safety are described in more detail in the Sustainability Report 2017.

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

Connecting you to what matters most. Empowering societies.
Telenor's Board of Directors has established clear objectives and strategic priorities towards 2020. The company has embarked on a transformation journey towards a leaner and more digitalized global telecommunications company. To deliver on the value creation ambitions Telenor has established five key focus areas towards 2020:

Drive the Digital Transformation through acceleration of technology efficiency and deployment of new operating models to transform Telenor's core processes. Telenor believes this is fundamental in order to compete efficiently going forward.

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

Drive efficiency and simplification 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, internal and external stakeholders. Telenor believes that strengthening standards relating to areas such as health and safety, security and data privacy it is fundamental to become a trusted partner and to reduce 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 Telenor's website: www.telenor.com/about-us/our-strategy.

Telenor's operations and important events during 2017 are described in the Board of Director's report in this Annual Report for 2017. Telenor updates the market through investor presentations, press releases and other information made available online: www.telenor.com/investors.

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 2017 is NOK 9,008,748,180 divided into 1,501,458,030 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.

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. With effect from 1 July 2013, the Public Limited Companies Act was amended to provide 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 10 May 2017 approved a dividend of in total NOK 7.80 per share in two tranches, one of NOK 4.30 and one of NOK 3.50. The total dividend paid out in 2017 was NOK 11.7 billion, an increase of 4 per cent compared to the previous year.

The Telenor Board of Directors will propose a total dividend of NOK 8.10 per share for the financial year 2017 to the Annual General Meeting in May 2018. The dividend will be split into two tranches of NOK 4.20 and NOK 3.90 per share to be paid in May and November 2018, respectively. The two tranches will have separate ex. dividend and record dates. The proposed dividend per share is 4% higher than the dividend per share paid out in 2017.

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 2017, the Board asked for, and was authorised, to repurchase up to 30,000,000 of the company's own shares, equalling around 2 per cent of the outstanding shares. On 17 July 2017, Telenor announced a share buyback programme based on such authorisation. By the end of 2017, Telenor had acquired 8,738,593 shares under the programme. 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% of the Telenor shares as of 31 December 2017. 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 limited by the Norwegian legislation for companies and by accepted principles for exercising good ownership. This implies 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 https://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 2017 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 will propose to Stortinget (the Norwegian Parliament) 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 2018.

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

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:

"Conflict of interest is when we have a personal or outside interest that conflicts with the best interest of our company. A personal interest could be a financial interest in another company or in a transaction, a personal relationship, including but not limited to immediate family, or any interest or relationship that could improperly affect our judgement and decision making."

An employee shall never take an active role or try to influence a decision if the employee has an actual or possible conflict of interest, or other circumstances exist which could give grounds to question the employee's judgement unless prior written approval has been granted by the employee's leader. Such approval can only be given if it is deemed to be in the best interest of the company. 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.

Requirements for Board members and the President and CEO

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.

Other transactions

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.

Transactions with related parties, including transactions with associated companies, are accounted for in note 32 to the financial statements for Telenor Group for 2017 in this Annual Report.

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

5. Freely Negotiable Shares

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.

The 2017 General Meeting of Telenor ASA was held on 10 May 2017. 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 2017 in this Annual Report.

At the General Meeting on 10 May 2017, the Chair of the Board presented the Board's declaration regarding the determination of executive salary and other remuneration, and the General Meeting adopted the following resolutions:

"The Annual General Meeting adheres to the Board of Directors' guidelines for the determination of salary and other remuneration to the executive management as described in Schedule 2 and note 34 to the annual accounts."

"The Annual General Meeting approves the Board of Directors' guidelines for the share based incentive arrangements as described in Schedule 2 and note 34 to the annual accounts."

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. At the General Meeting on 10 May 2017, the General Meeting adopted the following resolution:

"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: https://www.telenor.com/wp-content/uploads/2017/01/Telenor-ASA-GF-2017-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 shareholders 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 Board may provide guidelines for such 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: None.

MEMBERS OF THE NOMINATION COMMITTEE AT YEAR-END 2017

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

Olaug Svarva
Member
Elected from the corporate assembly: 2017

7. Nomination Committee

Establishment and Composition

The appointment of a nomination committee is not required by legislation. 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, so that 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 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.

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 28 meetings in 2017. Average attendance over the year at the Nomination Committee meetings was 96%.

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. At year-end 2017, the Corporate Assembly had 14 ordinary members due to the resignation of Anne Kvam on 1 September 2017. The vacancy will be filled by a replacement election in 2018.

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 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 four meetings in 2017. The average attendance over the year at the Corporate Assembly meetings was 95%.

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

THE CORPORATE ASSEMBLY AT YEAR-END 2017

Anders Skjævestad
Chair
Elected 2012 – member of the Corporate Assembly since 2009

Olaug Svarva
Deputy Chair
Elected 2007, re-elected 2017

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 2015

Didrik Munch
Elected 2013, re-elected 2015

Widar Salbuvik
Elected 2013, re-elected 2015

Jostein Christian Dalland
Elected 2017

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

Jeanine Lilleng
Elected 2017

OBSERVERS FOR THE EMPLOYEES:

Ronald Steen
Elected 2017

Vegard Aas
Elected 2017

DEPUTY MEMBERS ELECTED BY THE EMPLOYEES:

Laila Fjelde Olsen
Mona Irene Børøen
Hege Nøttestad
Tommy Dybdal
Pål Ligaard
Therese Nesseth Tørlen
Tarald Trønnes
Nicholas Struan Robertson
Haakon Bratsberg
Espen Egeberg Christiansen
Morten Fallstein
Sune Johannes Jakobsson
Håkon Lønsethagen

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 demerger 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 1 of January 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.

At the meeting of the Corporate Assembly on 10 May 2017, the Corporate Assembly elected Grethe Viksaas as a new member of the Board for a period of up to two years. Viksaas has had a long career in Northern European managed services provider Basefarm AS – first as founder, CEO and from 2016 as working chair. Prior to her career in Basefarm, Viksaas served as CEO for SOL System AS. Viksaas has experience from numerous board positions, including Zenitel Group. She currently serves as the Chair of the Board of Norsk Regnesentral, as well as on the board of IKT Norge, Inmeta and various startup companies. Viksaas has a master's degree in computer science from the University of Oslo.

The Corporate Assembly also elected Jørgen Kildahl as a new member of the Board for a period of up to two years. Kildahl is currently serving on the Board of Directors of Höegh LNG, eSmart Systems and Ørsted. Kildahl has previously served as a member of the Board of Management in E.ON SE, and as an Executive Vice President in Statkraft. He has also been a partner in the PR consulting group Geelmuyden Kiese. Kildahl holds a business degree (siviløkonom) and a MBA in Finance from the NHH Norwegian School of Economics in Bergen.

At the meeting of the Corporate Assembly on 16 November 2017, the Corporate Assembly elected René Obermann as a new member of the Board of Directors for a period of up to 16 months with effect from 1 January 2018. Obermann has broad experience from the telecom industry, most recently as the CEO of Ziggo, the largest cable telecom company in the Netherlands. Obermann has also been the CEO of Deutsche Telekom AG from 2006-2013. Obermann's career includes CEO roles in T-Mobile and Hutchison Mobilfunk and he founded ABC Telekom in 1986. He has also served as the Vice President of the German Federal Association for Information Technology, Telecommunications and New Media from 2007-2013. Mr. Obermann is currently Managing Director and Partner at Warburg Pincus, a leading private equity firm, a role he has held since 2015. Oberman started his working career with a commercial apprenticeship at BMW after high school and air force service.

The new members succeeded Dag Opedal, Siri Beate Hatlen, Regi Aalstad and Ashok Vaswani.

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 2017 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 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 Board and for the Chief Executive Officer on 14 March 2017.

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 2017, the Board visited Digi and Telenor Myanmar, Telenor's Business Units in Malaysia and Myanmar. In addition, the Chair of the Board conducted visits to Telenor's Business Units and offices in Thailand, Malaysia, Singapore, Bangladesh and Pakistan in February 2017.

Board meetings in 2017

Information about the attendance of each of the members of the Board at each of the 11 Board meetings held in 2017 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 as appropriate. 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 11 Board meetings in 2017 and adopted two resolutions by written procedure. The average attendance over the year at the Board meetings was 96%.

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 2017 was reviewed in a Board meeting on 29 January 2018 and discussed in the Nomination Committee on 31 January 2018.

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. 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 20 June 2017. 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 2017, 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 2017. The average attendance over the year at the Committee meetings was 97%.

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 2017, composed of the following members of the Board: Gunn Wærsted (Chair of the Committee), Jon Erik Reinhardsen, Jacob Aqraou and Harald Stavn (employee representative). The Committee held eight meetings in 2017. The average attendance over the year at the Committee meetings was 100%.

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, strategic human capital, diversity and culture development, physical and personnel security.

During 2017, the Committee has had a particular focus on corporate governance and organisation development, including leadership capabilities and succession planning. Furthermore, the Committee has handled remuneration to executives including fixed pay, short- and long-term incentive plans and other remuneration elements.

The Sustainability and Compliance Committee

The Sustainability and Compliance Committee was, by year-end 2017, composed of the following members of the Board: Sally Davis (Chair of the Committee), Jørgen Kildahl, Grethe Viksaas and Roger Rønning (employee representative). The Committee held five meetings in 2017. The average attendance over the year at the Committee meetings was 100%.

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 2017 the Committee has had a particular focus on compliance, anti-corruption, privacy, supply chain sustainability and alignment on key risk areas to follow up going forward.

The Innovation and Technology Committee

The Innovation and Technology Committee concluded its second year of operation in 2017 and was by year-end composed by the following members of the Board: Jacob Aqraou (Chair of the Committee), Sally Davis, Gunn Wærsted and Sabah Qayyum (employee representative). The Committee held five meetings in 2017. The average attendance over the year at the Committee meetings was 95%.

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.

Topics covered in 2017 were evolution of 5G (5th generation mobile system), embedded SIM, internet of things, Telenor hybrid cloud, analytics, digital sales & marketing, data and distribution platform and Telenor's innovation framework and processes. Further, the Committee has had a particular focus on Telenor's business security strategy and execution, including security governance, organisation, capability uplift, operations and incident handling.

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

TELENOR ASA BOARD OF DIRECTORS BY YEAR-END 2017

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

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

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

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) and Group Executive Committee (GEC)

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, CEE, 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. 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 2017.

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 2017.

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 (handling of the compliance hotline and fact finding in compliance cases were moved to Group Internal Audit & Investigation in 2017);
- ownership and implementation of the anti-corruption policy- and third party risk policy;
- design and implementation of compliance risk processes;
- responding to misconduct in a transparent and holistic way; and
- leading the GWP (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.

The Group Chief Compliance Officer reports functionally and administratively to the President and CEO along with functional reporting to the Sustainability and Compliance Committee of the Board. With effect from 1 January 2018, the local Head of Compliance in the Business Units' will report to the Group Chief Compliance Officer and local board/ board committee, as well as administratively to the local CEO.

GROUP EXECUTIVE MANAGEMENT BY YEAR-END 2017:

Sigve Brekke
President and Chief Executive Officer

Wenche Agerup
EVP, Group General Counsel and Chief Corporate Affairs Officer

Jørgen C. Arentz Rostrup
EVP, Group Financial Officer

Cecilie Blydt Heuch
EVP, Chief People Officer

Petter Børre Furberg
EVP Emerging Asia Cluster

Morten Karlsen Sørby
EVP, Chief Transformation Officer

Svein Henning Kirkeng
EVP, Head of Products and Marketing

Lars-Åke Norling
EVP Developed Asia Cluster, CEO dtac

Alexandra Reich
EVP CEE Cluster and CEO Telenor Hungary

Ruza Sabanovic
EVP, Head of Technologies and Services

Berit Svendsen
EVP Scandinavia Cluster, CEO Telenor Norway

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

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% 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.

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

The remuneration of the Board reflects the responsibilities of the members of the Board, their expertise, time commitment and the complexity of the company's activities. Remuneration of the Board members consists of a board fee, which is fixed for the year depending on the role on the Board, as well as compensation for other Board-elected committees (per meeting). The Board's fees are set by the Corporate Assembly.

The remuneration of the Board is not linked to the performance of Telenor. Telenor does not grant share options to Board members. Telenor does not provide loans to the Board members.

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 2017. In 2017, 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. These guidelines are made available to the General Meeting.

The Board's statement on the determination of salary and other remuneration elements to the executive management was approved by the General Meeting on 10 May 2017. 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: https://www.telenor.com/wp-content/uploads/2017/01/Telenor-ASA-GF-2017-signed-minutes-ENG.pdf

The guidelines describe the main principles applied in determining the salary and other remuneration elements to the executive management, and help to ensure convergence of the interests of the executive management and the shareholders.

Performance based remuneration to the executive management in the form of incentive programmes, or similar is linked to value creation for shareholders and results delivered in Telenor over time. Such arrangements aim to drive performance and be based on financial and operational measures the employee in question can impact.

Determination of salary and other remuneration

The People and Governance Committee of the Board 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 review 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 2017 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 10 May 2017 in accordance with the recommendation in the NCGB Code of Practice, Section 12 adopted on 30 October 2014: https://www.telenor.com/wp-content/uploads/2017/04/Statement-regarding-determination-of-salary-and-other-remuneration-to-executive-management-Telenor-ASA-AGM-2017.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% of Telenor. Any reduction in the stake by the state will require a special resolution of the Norwegian Parliament that will safeguard the intentions set down in the NCGB principles. For further information regarding the Norwegian State's ownership, see Section 4 above.

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 Audit Committee with an annual written confirmation of independence. The auditor presents to the 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 Audit Committee and reports interim and final results of the external auditor's work to the Audit Committee.

The external auditor attends all meetings of the 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 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 Audit Committee and the Board internal control weaknesses and improvement opportunities, if any. The external auditor meets with the 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.

Fornebu, 20 March 2018

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 INCOME STATEMENT

Telenor Group 1 January – 31 December

NOK in millions, except earnings per share	Note	**2017**	2016
Revenues	6	**124 756**	125 395
Cost of materials and traffic charges	7	(31 039)	(32 547)
Salaries and personnel costs	8	(12 802)	(12 690)
Other operating expenses	9	(31 923)	(34 192)
Other income	10	1 311	528
Other expenses	10	(1 412)	(1 446)
EBITDA		**48 891**	45 048
Depreciation and amortisation	17, 18	(21 257)	(19 583)
Impairment losses	15, 17, 18	(895)	(1 159)
Operating profit		**26 739**	24 307
Share of net income (loss) from associated companies and joint ventures	19	531	1 517
Gains (losses) on disposal of associated companies and joint ventures	19	(5 148)	(3 313)
Financial income and expenses			
Financial income	12	1 652	420
Financial expenses	12	(3 061)	(2 929)
Net currency gains (losses)	12	1 036	(143)
Net change in fair value of financial instruments	12	425	(557)
Net gains (losses and impairment) of financial assets and liabilities	12	(216)	-
Net financial income (expenses)		**(164)**	(3 209)
Profit before taxes		**21 959**	19 302
Income taxes	13	(6 854)	(5 924)
Profit from continuing operations		**15 105**	13 378
Profit (loss) from discontinued operations	4	(207)	(7 572)
Net income		**14 898**	5 806
Net income attributable to:			
Non-controlling interests		2 915	2 974
Equity holders of Telenor ASA		11 983	2 832
Earnings per share in NOK			
Basic/Diluted from continuing operations		8.13	6.93
Basic/Diluted from discontinued operations		(0.14)	(5.04)
Basic/Diluted from total operations	14	7.99	1.89

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Telenor Group 1 January – 31 December

NOK in millions	Note	2017	2016
Net income		**14 898**	5 806
Other comprehensive income (loss)			
Translation differences on net investments in foreign operations	23	2 296	(4 646)
Income taxes		-	(15)
Amount reclassified from other comprehensive income to income statement on partial disposal	23	(7 744)	(3 865)
Income taxes reclassified	23	-	256
Net gain (loss) on hedge of net investments	23, 28	(1 426)	2 734
Income taxes		342	(684)
Amount reclassified from other comprehensive income to income statement on partial disposal	23	4 094	2 969
Income taxes reclassified	23	(1 119)	(816)
Net gain (loss) on available-for-sale investments	23	(848)	(43)
Amount reclassified from other comprehensive income to income statement on disposal	23	214	-
Share of other comprehensive income (loss) from associated companies and joint ventures	23	(342)	631
Amount reclassified from other comprehensive income to income statement on disposal	23	12 282	4 783
Items that may be reclassified subsequently to income statement		**7 750**	**1 305**
Remeasurement of defined benefit pension plans	23, 25	(63)	(304)
Income taxes		-	55
Items that will not be reclassified to income statement		**(63)**	**(248)**
Other comprehensive income (loss), net of taxes		**7 687**	**1 056**
Total comprehensive income (loss)		**22 585**	**6 862**
Total comprehensive income (loss) attributable to:			
Non-controlling interests		2 897	2 824
Equity holders of Telenor ASA		19 688	4 038

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Telenor Group as of 31 December

NOK in millions	Note	2017	2016
ASSETS			
Deferred tax assets	13	1 917	2 163
Goodwill	15, 16	26 446	24 519
Intangible assets	17	30 601	33 057
Property, plant and equipment	18	75 557	72 016
Associated companies and joint ventures	19	480	15 773
Other non-current assets	21	13 297	5 800
Total non-current assets		**148 298**	**153 328**
Prepaid taxes		1 076	737
Inventories		1 773	1 802
Trade and other receivables	20	24 749	24 876
Other current financial assets	21	1 622	2 489
Assets classified as held for sale	4	1 701	2
Cash and cash equivalents	22	22 546	23 085
Total current assets		**53 468**	**52 991**
Total assets		**201 765**	**206 319**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of Telenor ASA	23	57 496	50 879
Non-controlling interests	23	4 839	4 517
Total equity		**62 335**	**55 396**
Liabilities			
Non-current interest-bearing liabilities	27	51 587	60 391
Non-current non-interest-bearing liabilities	26	1 105	3 816
Deferred tax liabilities	13	3 359	2 972
Pension obligations	25	2 565	2 585
Provisions and obligations	24	4 132	3 542
Total non-current liabilities		**62 747**	**73 305**
Current interest-bearing liabilities	27	22 710	25 970
Trade and other payables	26	40 295	42 890
Current tax payables		4 438	3 439
Current non-interest-bearing liabilities	26	3 253	3 642
Provisions and obligations	24	1 777	1 677
Liabilities classified as held for sale	4	4 210	-
Total current liabilities		**76 683**	**77 618**
Total equity and liabilities		**201 765**	**206 319**

Fornebu, 20 March 2018

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	2017	2016
Profit before taxes from continuing operations		21 959	19 302
Profit (loss) before taxes from discontinued operations		(207)	(7 572)
Profit before taxes		**21 751**	**11 731**
Income taxes paid		(6 100)	(5 760)
Net (gain) loss from disposals, impairments and change in fair value of financial assets and liabilities		(1 212)	574
Depreciation, amortisation and impairment losses		22 166	28 033
Share of net (income) loss and (gains) losses on disposal of associated companies and joint ventures		4 617	1 796
Dividends received from associated companies		24	130
Net interest expense		2 402	2 447
Changes in net operating working capital	22	793	972
Net currency (gains) losses not relating to operating activities		(1 072)	1 087
Interest received		443	306
Interest paid		(2 645)	(2 042)
Other adjustments		880	504
Net cash flow from operating activities		**42 046**	**39 778**
Proceeds from sale of property, plant and equipment and intangible assets		119	92
Purchases of property, plant and equipment and intangible assets	22	(18 361)	(23 727)
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed	22	7 392	5 319
Purchases of subsidiaries, associated companies and joint ventures, net of cash acquired	22	(2 000)	(2 971)
Proceeds from sale of other investments		3 481	607
Purchases of other investments		(341)	(425)
Net cash flow from investing activities		**(9 710)**	**(21 105)**
Proceeds from borrowings	27	9 052	26 280
Repayments of borrowings	27	(21 625)	(15 699)
Payments of licence obligations	27	(973)	(1 562)
Payments related to supply chain financing	22	(3 909)	(3 672)
Share buyback by Telenor ASA	28	(1 435)	-
Dividends paid to non-controlling interests in subsidiaries	22	(2 586)	(3 139)
Dividends paid to equity holders of Telenor ASA	23	(11 944)	(11 246)
Net cash flow from financing activities		**(33 421)**	**(9 037)**
Effects of exchange rate changes on cash and cash equivalents		454	(446)
Net change in cash and cash equivalents		**(632)**	**9 190**
Cash and cash equivalents as of 1 January		22 951	13 760
Cash and cash equivalents as of 31 December		**22 319**	**22 951**
Of which cash and cash equivalents in assets held for sale as of 31 December	4	362	-
Cash and cash equivalents excluding assets held for sale as of 31 December	22	**21 957**	**22 951**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Telenor Group – for the years ended 31 December 2016 and 2017

	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 2016	**9 078**	**(21 143)**	**66 429**	**4 102**	**58 467**	**4660**	**63 126**
Net income for the period	-	-	2 832	-	2 832	2 974	5 806
Other comprehensive income (loss) for the period	-	5 164	-	(3 958)	1 206	(150)	1 056
Total comprehensive income (loss) for the period	**-**	**5 164**	**2 832**	**(3 958)**	**4 038**	**2 824**	**6 862**
Transactions with non-controlling interests	-	(152)	-	-	(152)	(106)	(258)
Equity adjustments in associated companies and joint ventures	-	(239)	-	-	(239)	-	(239)
Dividends	-	-	(11 261)	-	(11 261)	(2 861)	(14 122)
Share-based payment, exercise of share options and distribution of shares	-	28	-	-	28	-	28
Equity as of 31 December 2016	**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**	**62 336**

[1] See note 23.

NOTES TO THE FINANCIAL STATEMENTS

Telenor Group

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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 20 March 2018 and is subject to approval by the Annual General Meeting on 2 May 2018.

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.

Adoption of new and revised standards and interpretations

The accounting policies applied are consistent with those applied in the previous financial year, except for the implementation of new accounting standards as described below.

The following standards and interpretations adopted with effect from 1 January 2017 had the following impact on the Group's consolidated financial statements:

- Amendments to IAS 12: *Recognition of Deferred Tax Assets for Unrealised Losses* (effective from 1 January 2017). The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The Group does not recognise debt instruments at fair value, hence the amendments are not relevant for the recognition of deferred tax assets in the Group's consolidated financial statements.

- Amendments to IAS 7: *Disclosure Initiative* (effective from 1 January 2017). The amendments introduce additional disclosure requirements to enable evaluation of (cash and non-cash) changes in liabilities arising from financing activities. The amendments are to be applied prospectively and no comparative information is required at the effective date. These amendments did not have any impact on the Group's consolidated financial statements, but additional note disclosures have been included in the annual report.

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 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 will have a minor impact on the classification and measurement of the Group's financial assets. Equity instruments classified as available for sale under IAS 39, will be classified as fair value through other comprehensive income under IFRS 9. Under IFRS 9 subsequent changes in fair value for equity instruments classified as fair value through other comprehensive income will not be 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 are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. For hedging of net investments, the Group will align the hedge accounting with the Groups hedging strategy for net investments dominated in foreign currencies where there exist an economic relationship between hedged item and the hedging instrument which can be sufficiently demonstrated and documented. I.e. more net investments will be hedged under IFRS 9 than under current standard. The requirements for hedge accounting under IFRS 9 are applied prospectively.

- IFRS 15 *Revenue from Contracts with Customers* (effective from 1 January 2018). IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. The main implications of IFRS 15 for the Group will be the following:
  - *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 current accounting policy is to cap the revenue of delivered items to the amount that is not contingent on delivery of additional items or other specified performance criteria. This change will have material impact on the revenue recognition where a significant discount is provided to the customer on day one. In such circumstances the new revenue recognition standard will impact the average revenue per subscription per month (ARPU) negatively and increase handset revenues. As a consequence and in isolation, recognised gross margins on handset sales will improve.

  - *Multiple element arrangements sold through external channels:* In some markets where handsets and subscriptions are sold through external channels, the Group is the principal in the subscription sale only, while the handset is regarded as sold by the dealer on instalment plans collected by the Group. For arrangements where the dealer is compensated through commission, and where there are no clear links between the payment to the dealer and the collection of consideration from the customer, the current accounting policy of the Group is to recognise a commission expense and increased subscription revenue. Under IFRS 15 the commission will be 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 ARPU will be negatively impacted in these arrangements.

  - *Incremental cost for obtaining a contract:* Incremental costs for obtaining a contract, such as sales commissions, are under current accounting policy expensed as incurred. IFRS 15 requires capitalisation of such cost if the amortisation period is more than 12 months. The amortisation period shall be the expected contract period, including renewals. Amortisation of the capitalised cost of obtaining a customer will be recognised as part of EBITDA. As a practical expedient, the Group will in most cases amortise contract costs on a portfolio level for contracts (or performance obligations) with similar characteristics since the expectation is that the effects on the consolidated financial statements would not differ materially from amortising contract by contract.

  - *Contract modification:* IFRS 15 requires, in certain circumstances, to change the allocation of the consideration received when contracts are modified. For current services provided by the Group this change in accounting policy will have limited effect on the pattern of revenue recognition in the Group.

  - *Disclosures:* IFRS 15 adds a number of disclosure requirements to the annual and interim reports, e.g. to disaggregate revenues into categories that depict how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors.

- *Transition methods:* The Group has elected to apply the modified approach for transition to IFRS 15, which implies:
  1) Comparative figures for 2017 will not be restated.
  2) Disclosures will be made that reconcile each financial statement line item in 2018 with the current IFRS standards and interpretations, and explanations will be provided for significant changes.
  3) The cumulative effect of initially applying IFRS 15 will be recognised as an adjustment to opening balance of equity for 2018:
     - The Group has elected to use the practical expedient in IFRS 15 for all contract modifications that occur before the date of initial application. Thus, the adjustment to opening balance of equity for 2018 is established based on identified open contracts as of 1 January 2018 and the current status for these contracts at that date. Based on this, the contracts are 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.
     - Capitalisation of contract costs .

The calculated net adjustment to the opening balance of equity for 2018 is NOK 3 billion, comprised of the following items:
- Net contract assets and liability NOK 1 billion
- Contract acquisition and fulfilment costs NOK 3 billion
- Net tax impacted NOK 1 billion

- 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 lessee accounting model. 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 the 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 total assets and net debt. The implementation effect in 2019 is highly uncertain, due to changing business models, high uncertainty related to renewal options and the estimated lease period for significant part of our leases. This is particularly relevant for the lease liability, which will increase the interest bearing liabilities by a significant amount. Assets will increase by an amount corresponding to the lease liability.

  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, taken into consideration prepayments and accruals recognised as of 31 December 2018.

  A high level estimate of the effects on Telenor Group's financial statements, considering todays lease contracts and a fixed lease term for our core infrastructure, is as follows:
  - Annually lease expenses recognised as operational expenses will impact the EBITDA positively in the range of approximately NOK 4-5 billion.
  - Annually depreciation of leased assets will increase in the range of approximately NOK 3-4 billion
  - Annually interest expense related to the lease liability will increase by approximately NOK 1-2 billion.
  - The effect on lease liability and right of use assets is estimated to approximately NOK 20-25 billion.

- Amendments to IFRS 9: *Prepayment Features w ith Negative Compensation* (effective from 1 January 2019, but not yet approved by the EU). The amendments allow financial assets with a prepayment option that could result in the option's holder receiving compensation for early termination to meet the 'solely payments of principal and interest' condition if specified criteria are met. These amendments will not have any impact on the Group's consolidated financial statements.

- Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures* (effective from 1 January 2019, but not yet approved by the EU). The amendments clarifies that IFRS 9 applies to long-term interests in associated companies and joint ventures that form part of the net investment in these investees. These amendments will not have 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 will not have any impact on the Group's consolidated financial statements.

- Improvements to IFRSs 2015-2017 cycle (effective from 1 January 2019, but not yet approved by the EU). These amendments consist of clarifications in IFRS 3 and IFRS 11 regarding re-measurement of previously held interests when obtaining control or joint control of a business that is a joint operation, as well as clarifications in IAS 12 regarding the classification of tax consequences of dividends and in IAS 23 on treatment of outstanding specific borrowings after the related asset is ready for its intended use or sale. The amendments will not have any impact on the Group's consolidated financial statements.

- IFRIC 22 F*oreign Currency Transactions and Advance Consideration* (effective from 1 January 2018, but not yet approved by the EU). 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 will not have any impact on the Group's consolidated financial statements.

- IFRIC 23 *Uncertainty over Income Tax Treatments* (effective from 1 January 2019, but not yet approved by the EU). 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 will not have any impact on the Group's consolidated financial statements.

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.

NOTE 2 Summary of significant accounting policies

Basis of preparation

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

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 consistent with the underlying hedged item. Deferred revenues and costs related to connection are classified as current as they relate to the Group's normal operating cycle.

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 it is 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. All 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 at 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 fair value of 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. Joint arrangements are classified as joint operations or joint ventures, depending on the rights to the assets and obligations for the liabilities of the parties to the arrangements. If the parties to the joint arrangement have rights to the net assets of the arrangement, the arrangement is a joint venture. If the parties have rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is 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 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 and 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. An 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. 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. Any impairment is presented as impairment in the income statement.

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

Cash-generating units

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In identifying whether cash inflows from an asset (or group of assets) are largely independent of the cash inflows from other assets (or groups of assets), 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 recognition and measurement

Revenues are recognised when goods are delivered or services rendered, to the extent that it is probable that the economic benefits from the transactions will flow to the Group and the revenues can be reliably measured. Revenues are measured at the fair value of the consideration received or receivable, net of discounts and sales related taxes. The consideration is discounted with a discount rate reflecting the credit risk when appropriate, normally when credit terms exceed 12 months. Sales related taxes are regarded as collected on behalf on the authorities.

Revenues primarily comprise sale of

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

Subscription and traffic fees

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

Connection fees

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

Customer equipment

Revenues from sales of customer equipment are normally recognised when the equipment, including the related significant risks and rewards of ownership, is transferred to the buyer and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. When customer equipments are sold on instalment plans, the receivable is discounted if material, normally when the instalment period is more than 12 months.

Multiple element arrangements

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

Discounts

Discounts are often provided in the form of cash discounts or free products and services delivered by the Group or by external parties. Discounts are recognised on a systematic basis over the period the discount is earned. Cash discounts are recognised as a reduction of revenue. Free products and services given as part of sales transactions are recognised as multiple element arrangements as described above.

Presentation

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

Revenues from roaming are, based on the above, recognised gross in line with generally accepted accounting principles within the telecommunications industry.

Revenues from transit traffic are assessed according to the above criteria and are recognised gross or net depending on whether the Group acts as a principal or agent in the transactions.

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.

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).

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, including 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 restructuring related costs. A curtailment occurs when the Group either is demonstrably committed to make a material reduction in the number of employees covered by a plan or amends the terms of a defined benefit plan such that a material element of future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

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 the arrangements are, or contain, leases is based on the substance of the arrangements and requires an assessment of whether: (a) fulfilment of the arrangements is dependent on the use of a specific asset or assets; and (b) the arrangements convey a right to use the assets.

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

The Group as lessor

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

Lease income from operating leases is recognised on a straight-line basis over the lease terms. Incentives provided to the lessees are aggregated and recognised as a reduction of income on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are included in the carrying amounts of the leased assets and recognised 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 the inception of the leases or, if lower, at the present value of the minimum lease payments. The liabilities to the lessor are recognised as finance lease obligations in the statement of financial position. Lease payments are apportioned between finance expenses and reduction of the lease liability to achieve a constant periodic rate of interest on the remaining balance of the liability.

Lease payments under operating leases are recognised in the income statement on a straight-line basis over the lease terms. Incentives received on negotiating or renewing the operating leases are also amortised on a straight-line basis over the lease terms. Prepaid lease payments made on entering into operating leases or acquiring leaseholds are recognised in the statement of financial position and amortised 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, available for sale investments (equity securities), 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 nature and purpose of the financial instrument and is determined at the initial recognition. The Group does not apply the fair value option.

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

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

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

Trade receivables and other current and non-current financial assets

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

Equity securities

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, fixed rate bonds and commercial 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, liabilities to associated companies and other current and non-current non-interest-bearing financial liabilities. These liabilities are a part of the category financial liabilities at amortised cost and are initially recognised in the statement of financial position at fair value, and subsequently measured at amortised cost using the effective interest rate method.

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. The cash outflow for such arrangements that are reclassified is presented as financing activities in the Statement of Cash Flows. 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 financial liabilities at amortised cost. These liabilities are initially measured at fair value net of transaction costs, and are subsequently measured at amortised cost using the effective interest-rate method. In addition, where fair value hedge accounting is applied the hedged liabilities are 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 fair value through profit or loss.

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. 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 that 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.

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

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

Property, plant and equipment
Property, plant and equipment are 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 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 such circumstance 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 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 at 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, the 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 has been 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 payments programs to management and employees. Bonus shares in these programs are awarded net after tax and considered to be both equity-settled and cash-settled share-based payments, due to the included tax effect and the provision for social security tax.

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 in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected 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's ownership interest in Digi is 49.0%. The Group consolidates Digi. Digi is listed on Bursa Malaysia Securities Berhad and the shares in Digi are widely dispersed. As the Group owns 49% of the shares, 98% of the shares have to be present at the General Meeting for the Group not to have the majority of the votes at the General Meeting. As a consequence of this and based on 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 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 original handset. In such circumstances, the revenue allocated to the handset is based on an estimate of 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.

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 with effect from 1 January 2013. 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, claim 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., the outcomes of which are subject to significant uncertainty. Management evaluates, among other factors, the degree of probability of an unfavourable outcome and the ability to make a reasonable estimate of the amount of loss. Unanticipated events or changes in these factors may require the Group to increase or decrease the amount to be accrued for any matter or accrue for a matter that has not been previously accrued for because it was not considered probable or a reasonable estimate could not be made.

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

NOTE 4 Business combinations and discontinued operations

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 these transactions, 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 has been 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 at 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 Group's equity interest in 701Search 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 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 recognised in the second quarter. Had 701Search Pte. Ltd been consolidated from 1 January 2017, revenue and profit before taxes for the Group would have been NOK 124,811 million and NOK 21,927 million, respectively. 701Search Pte. Ltd is included in the segment Other units.

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

Acquisitions in 2016

On 18 February 2016, the Group acquired approximately 95% of the ownership interest in Tapad Inc., a marketing technology firm based in New York, for a cash consideration of NOK 2.8 billion. For the remaining 5% of the interests, the Group entered into a put and call arrangement with the non-controlling shareholders. Effectively, the acquisition is recognised as the Group has acquired 100% of the interests in Tapad Inc. A liability of NOK 133 million was recognised on the acquisition date, reflecting the put option's redemption amount. The Group currently holds approximately 95% of the voting rights in Tapad Inc. The acquisition related transaction costs were approximately NOK 64 million, recognised as other operating expenses.

Tapad Inc. delivers unified cross-device marketing technology solutions that give publishers, marketers and technology providers a holistic view of consumers across devices and screens, including smartphones, tablets, home computers and smart TVs. As of the acquisition date Tapad Inc. had more than 160 of the top U.S. brands among its customers and benefited from over 50 data technology licencing partnerships. The acquisition enables Telenor to take a position within the growing market for advertising technology and secures important competence within digital marketing and analytics. Tapad Inc. had approximately 160 employees, with offices in 13 key cities in the U.S. and Europe.

The purchase price allocation was performed with assistance from third-party valuation experts. The fair values of the identifiable assets and liabilities of the business as at the date of acquisition were:

NOK in millions	Fair values as of acquisition date
Technology	350
Other intangible assets	58
Property, plant and equipment	65
Other assets	179
Total assets	**651**
Deferred tax liability	129
Non-current liabilities	82
Current liabilities	310
Total liabilities	**520**
Net identifiable assets	**132**
Goodwill	2 759
Total consideration for the shares	**2 890**
Of which cash	2 757
Of which liability	133

Total goodwill recognised based on the acquisition was NOK 2,759 million. The goodwill comprises of the value of expected synergies arising from the acquisition, database of search-based and customer related information, assembled workforce and deferred tax on excess values. None of the goodwill is expected to be deductible for income tax purposes. See note 16 for impairment of goodwill.

In the period between the date of acquisition and 31 December 2016, Tapad Inc. contributed NOK 529 million to the Group's revenue and NOK 1,322 million negative to the Group's profit before taxes which includes an impairment loss of goodwill of NOK 1,034 million. If the business combination had taken place at the beginning of the year, revenue and profit before taxes for the Group in 2016 would have been NOK 125,442 million and NOK 19,269 million, respectively.

Other business combinations
During the year 2016, the Group acquired three additional businesses in Norway (fixed business), Sweden (maritime communications) and Malaysia (financial services), for the total amount of NOK 210 million. NOK 65 million was recognised as a liability, as it is contingent upon future performance. The remaining amount has been paid in cash.

Discontinued operations

Telenor India
On 23 February 2017, the Group entered into a definitive agreement with Bharti Airtel Limited (Airtel), whereby Airtel will take full ownership of Telenor India. According to the agreement, Airtel and Telenor India will merge and Airtel will take over Telenor India as soon as all necessary approvals are received. As part of the agreement, Airtel will take over outstanding spectrum payments and other operational contracts, including tower lease.

The transaction is subject to requisite regulatory approvals, including approvals from the Department of Telecommunications in India (DoT) and the Competition Commission of India. The exposure to claims related to the period Telenor owned the business, will remain with Telenor.

The transaction is expected to be closed within the first quarter of 2018. With effect from the first quarter of 2017, Telenor India is presented as a discontinued operation in the consolidated income statement and comparative periods are represented. In the consolidated statement of financial position as of 31 December 2017, Telenor India is classified as held for sale.

The results of Telenor India for the years 2016 and 2017 are presented below:

NOK in millions	2017	2016
Revenue	**4 346**	6 032
EBITDA	**(86)**	54
Operating profit	**(100)**	(7 237)
Profit before tax	**(207)**	(7 572)
Income taxes	**-**	-
Profit after tax	**(207)**	**(7 572)**

Assets and liabilities held for sale

In the statement of financial position as of 31 December 2017, Telenor India and Telenor Banka are 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**

NOTE 5 Segments

The segment information for the period 2016 to 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. 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 TVand 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 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	25 926	25 532	11 114	10 839	(3 936)	6 903	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
Hungary	4 634	4 591	1 503	1 440	(489)	951	309
Bulgaria	3 220	3 159	1 179	1 148	(550)	598	221
Montenegro & Serbia	3 903	3 722	1 456	1 451	(542)	909	321
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	8 998	5 219	(965)	(583)	(2 780)	(3 363)	2 565
Eliminations	(5 337)	(30)	(110)	(19)	5	(14)	(25)
Group	**124 756**	**124 756**	**48 992**	**48 891**	**(22 152)**	**26 739**	**23 538**

Segment Information 2016

NOK in millions	Revenues	External revenues	EBITDA before other income and other expenses[1)]	EBITDA	Depreciation, amortization and impairment losses	Operating profit (loss)	Investments[2)]
Norway[3)]	26 030	25 704	10 946	10 420	(3 694)	6 726	4 880
Sweden[3)]	12 384	12 316	3 538	3 356	(1 597)	1 759	1 560
Denmark[3)]	5 068	4 954	609	490	(337)	152	531
Hungary	4 436	4 375	1 369	1 346	(572)	773	390
Bulgaria	3 168	3 124	1 191	1 190	(573)	616	320
Montenegro & Serbia[3)]	3 835	3 664	1 395	1 387	(504)	883	490
dtac - Thailand	19 647	19 545	6 645	6 437	(5 278)	1 160	4 835
Digi - Malaysia	13 374	13 352	6 004	6 002	(1 320)	4 682	1 581
Grameenphone - Bangladesh	12 339	12 338	6 829	6 700	(2 249)	4 451	2 259
Pakistan[3)]	7 698	7 624	3 441	3 440	(1 274)	2 166	4 898
Myanmar	7 016	6 761	3 038	3 034	(878)	2 156	2 729
Broadcast	6 366	6 186	2 231	2 182	(813)	1 370	412
Other units[3)]	8 870	5 453	(1 266)	(929)	(1 655)	(2 585)	4 052
Eliminations	(4 836)	-	(5)	(5)	2	(3)	(5)
Group	**125 395**	**125 395**	**45 966**	**45 049**	**(20 742)**	**24 307**	**28 930**

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

2) See page 135 for alternative performance measures.

3) Restated due to changes in composition of reportable segments.

Change in composition of reportable segments

Financial information related to Telenor Banka, previously reported as part of Telenor Montenegro and Serbia, and Telenor Microfinance Bank including Easypaisa, previously reported as part of Telenor Pakistan is now reported as part of Other units. The segment information for 2016 has been restated to reflect this.

Daxcom AB, previously reported as part of Telenor Norway is now reported as part of Telenor Sweden. Daxcom AB delivers customer specific solutions in Sweden. The segment information for 2016 has been restated to reflect this.

Telenor Cloud Services AS, previously reported as part of Other units is now reported as part of Telenor Norway. Telenor Cloud Services AS delivers internet-based services like webhosting, office tools (Office 365), messaging and communication solutions. The segment information for 2016 has been restated to reflect this.

Telenor IT Partner A/S (TIP), previously reported as part of other units is now reported as part of Telenor Denmark. TIP developed the new business support system, now used by Telenor Denmark. The segment information for 2016 has been restated to reflect this.

Reconciliation of EBITDA before other income and other expenses

NOK in millions	Note	2017	2016
EBITDA		**48 891**	**45 049**
Other income	10	1 311	529
Other expenses	10	(1 412)	(1 446)
EBITDA before other income and other expenses		**48 992**	**45 966**

Geographic distribution of external revenues based on customer location

NOK in millions	2017	2016
Norway	**28 683**	28 502
Sweden	**15 034**	14 532
Other Nordic	**6 036**	5 683
Central and Eastern Europe	**11 580**	11 553
Thailand	**18 901**	19 369
Bangladesh	**13 148**	12 322
Malaysia	**12 223**	13 280
Other Asia[1)]	**16 446**	16 692
Other countries	**2 705**	3 462
Total revenues	**124 756**	**125 395**

1) Other Asia includes Bangladesh, Pakistan, India 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	2017	2016	2017	2016
Norway	**31 592**	32 097	**59 791**	56 051
Sweden	**14 586**	13 438	**21 979**	20 559
Other Nordic	**4 039**	2 313	**7 595**	5 592
Central and Eastern Europe[1)]	**21 234**	33 964	**26 081**	37 874
Thailand	**20 223**	21 437	**31 942**	30 293
Other Asia[2)]	**40 852**	39 755	**53 424**	52 962
Other countries	**558**	2 361	**953**	2 839
Total assets	**133 084**	**145 366**	**201 765**	**206 168**

[1)] The associated company VEON Ltd was partially disposed in 2017 and remaining shares are included as part of total assets in the geographical area Norway, whereas it was included in the Central and Eastern Europe segment in 2016 (see note 19 for more details).

[2)] Other Asia includes Malaysia, Bangladesh, Pakistan, India and Myanmar.

NOTE 6 Revenues

NOK in millions	2017	2016
Mobile subscription and traffic	**78 763**	78 379
Fixed telephony	**1 951**	2 329
Fixed Internet/TV	**8 880**	8 333
Fixed data services	**697**	674
Canal Digital DTH	**4 513**	4 528
Subscriptions and traffic revenues	**94 803**	**94 245**
Other services	**20 328**	21 380
Total services	**115 131**	**115 624**
Customer equipment	**9 625**	9 771
Total products	**9 625**	**9 771**
Total revenues	**124 756**	**125 395**

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, 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 services: Consists of following:

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

Mobile Data services
Consist of Nordic Connect/IP-VPN and security.

Satellite
Consist of revenues from satellite services from the satellite position 1-degree west.

Norkring
Consist of revenues from terrestrial radio and TV transmission in Norway and Belgium

Other
Consist of leased lines, managed services and other retail products.

Customer equipment: Consist of revenues from customer equipment and businesses that are not directly related to mobile operations, mainly sale of mobile devices.

The Group has only limited operating lease revenues. These are primarily lease of base station sites, lease of equipment, primarily in the satellite business and lease of properties. Lease revenues are included in other revenue category in the table above and not shown separately due to their immateriality. Most agreements have a short minimum lease term, and future minimum lease revenues are immaterial.

NOTE 7 Costs of materials and traffic charges

NOK in millions	2017	2016
Traffic charges	**(12 034)**	(13 525)
Costs of materials etc	**(19 005)**	(19 022)
Total costs of materials and traffic charges	**(31 039)**	**(32 547)**

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.

NOTE 8 Salaries and personnel costs

NOK in millions	2017	2016
Salaries and holiday pay	**(10 751)**	(11 020)
Social security tax	**(1 223)**	(1 214)
Pension costs including social security tax (note 25)	**(1 050)**	(934)
Share-based payments, excluding social security tax[1)]	**(336)**	(96)
Other personnel costs	**(688)**	(748)
Own work capitalised	**1 245**	1 322
Total salaries and personnel costs	**(12 802)**	**(12 690)**

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

The average number of labour-years employed was approximately 31,000 in 2017 and 33,000 in 2016 from continuing operations.

NOTE 9 Other operating expenses

NOK in millions	2017	2016
Operating leases of buildings, land and equipment	**(4 790)**	(4 378)
Other cost of premises, vehicles, office equipment etc.	**(2 549)**	(2 311)
Operation and maintenance	**(6 354)**	(6 606)
License fees	**(4 510)**	(4 994)
Marketing and sales commission	**(6 787)**	(7 928)
Advertising	**(2 273)**	(2 807)
External personnel and consultancy fees	**(2 225)**	(2 426)
Other	**(2 435)**	(2 741)
Total other operating expenses	**(31 923)**	**(34 192)**

NOTE 10 Other income and other expenses

NOK in millions	2017	2016
Gains on disposals of fixed assets and operations	1 171	528
Other	140	-
Total other income	**1 311**	528
Losses on disposals of fixed assets and operations	(260)	(593)
Expenses for workforce reduction and onerous contracts	(1 152)	(853)
Total other expenses	**(1 412)**	(1 446)

During 2017, gains on disposals of fixed assets and operations mainly relate 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 mainly relate to disposals in dtac, Telenor Norway and Grameenphone.

Expenses for workforce reduction and onerous contracts mainly relate to workforce reductions in Telenor Norway, Corporate Functions and Grameenphone.

During 2016, gains on disposals of fixed assets and operations mainly relate to disposal of an office property in Kongensgate 21 in Oslo. Losses on disposals of fixed assets and operations mainly relate to disposals in Telenor Norway and Corporate Functions. Expenses for workforce reduction and onerous contracts mainly relate to workforce reductions in Telenor Norway, Telenor Sweden, dtac and Grameenphone.

NOTE 11 Research and development costs

Research and development costs that have been recognised in the income statement amount to NOK 512 million in 2017 (NOK 601 million in 2016). Expensed research and development activities relate to new technologies, digital services and products and new usages of the existing network.

NOTE 12 Financial income and expenses

NOK in millions	2017	2016
Interest income on cash and cash equivalents	408	187
Other financial income	1 245	233
Total financial income	**1 652**	420
Interest expenses on financial liabilities	(2 599)	(2 415)
Other financial expenses	(461)	(514)
Total financial expenses	**(3 061)**	(2 929)
Foreign currency gains	3 291	4 713
Foreign currency losses	(2 255)	(4 855)
Net foreign currency gains (losses)	**1 036**	(143)
Net change in fair value of financial instruments at fair value through profit or loss	300	(708)
Net change in fair value of hedging instruments and hedge items	124	150
Net change in fair value of financial instruments	**425**	(558)
Net gains (losses and impairment) of financial assets and liabilities	**(216)**	1
Net financial income (expenses)	**(164)**	(3 209)

Other financial income for 2017 includes VEON dividends equivalent to NOK 980 million. Net losses of financial assets and liabilities include a loss on sale of VEON shares equivalent to NOK 214 million.

Net foreign currency gains in 2017 are mainly due to revaluation of debt positions in foreign currency. Gross currency movements are high compared to the net amount mainly due to the fact that currency effects on external funding in Telenor ASA are offset by currency effects of 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 416 million, compared to a loss of NOK 918 million last year.

NOTE 13 Income taxes

NOK in millions	2017	2016
Profit before taxes	**21 959**	19 302
Current taxes	**(7 038)**	(5 983)
Deferred taxes	**185**	59
Income tax expense	**(6 854)**	**(5 924)**

The increase in current taxes is mainly due to increased taxable profits in Grameenphone and a tax provision in Norway related to a Tax Office reassessment for income year 2013. The reassessment in Norway regards taxation of a group internal sale of shares in Telenor Montenegro, which resulted in a payment of NOK 486 million.

The significant deferred tax income due to reclassification of the tax effects on accumulated currency translation differences subsequent to the VEON public shares offering, recognition of deferred tax asset on tax losses in Denmark and Thailand and reversal of deferred tax liabilities in Grameenphone, is mostly offset by deferred tax cost increase due to reversal of deferred tax assets in Pakistan and Norway and deferred tax liabilities increase in Sweden.

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 24% (25% in 2016). It also discloses the main elements of the tax expense. Selected line items are commented in the table below.

NOK in millions	2017	2016
Income tax expense at corporate income tax rate in Norway (24%/ 25%)	**(5 270)**	(4 826)
Effect of tax rates outside Norway different from (24%/ 25%)	**(293)**	(191)
Effect of changes in tax rates	**(193)**	(66)
Non-taxable and non-deductible items	**132**	(218)
Current and deferred taxes on retained earnings in subsidiaries and associated companies	**(420)**	(473)
Prior years assessments or adjustments on current tax	**(572)**	(51)
Deferred tax assets not recognised current year	**(196)**	(300)
Change in previously not recognised deferred tax assets	**291**	465
Net tax effect from impairment of goodwill	**(331)**	(265)
Income tax expense	**(6 854)**	**(5 924)**
Effective tax rate in %	**31.2**	**30.7**

Tax rates outside Norway different from 24%

Effects are related to Grameenphone Ltd. (Bangladesh: 40%) and Telenor Pakistan (30%) having higher nominal tax rates than the nominal tax rate for Norway, while Telenor Sweden (22%), Telenor Denmark (22%), dtac (Thailand: 20%), Telenor Hungary (11%), Telenor Serbia (15%), Telenor Bulgaria (10%) and Telenor Montenegro (9%) have lower nominal tax rates.

Effect of changes in tax rates

Norway will reduce corporate income tax rate from 24% to 23% with effect from 1 January 2018.

Non-taxable and non-deductible items

In 2017, the non-taxable gains are primarily due to the sale of shares in the joint venture SnT Classifieds and the subsidiary owning the real estate in Kongensgaten in Oslo. The main tax increasing impacts in 2016 and 2017 are 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 2017 and 2016.

Prior years' assessments or adjustments on current tax

This mainly relates to a reassessment by the Norwegian Tax Office to treat the gain on the internal sale of shares in Telenor Montenegro in 2013 as a taxable transaction. The decision has been appealed.

Change in previously not recognised deferred tax assets

For both 2017 and 2016 mainly related to recognition of tax asset on carry forward losses in Denmark.

Net tax effect from impairment of goodwill

Goodwill in Tapad is impaired with NOK 1.7 billion in 2017 and NOK 1.0 billion in 2016. The tax effect is resulting from the net non-deductible part of the impairment losses.

Tax losses carried forward

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**

Tax losses carried forward in selected countries expire as follows as of 31 December 2016:

NOK in millions	Denmark	Thailand	USA	Other[1]	Total
2017	–	–	–	140	140
2018	–	52	–	639	691
2019	–	–	–	239	239
2020	–	241	–	101	342
2021	–	1 120	–	89	1 209
2022 and later	–	8	626	2 381	3 015
Not time-limited	1 483	319	62	4 273	6 138
Total tax losses carried forward	**1 483**	**1 740**	**688**	**7 864**	**11 774**
Of which deferred tax assets have not been recognised	133	379	688	7 546	8 746
Of which deferred tax assets have been recognised	**1 350**	**1 361**	**–**	**318**	**3 029**

[1] Other includes India and Serbia.

In 2017 tax losses carried forward decrease by NOK 3 billion mainly due to India is classified as discontinued operations. The valuation allowance is changed accordingly. The decrease in tax losses carried forward is partly offset by additional tax losses in Denmark and Thailand. Recognised tax losses carried forward after valuation allowance increase 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 has appealed the order, and has obtained stay orders from High Court against payment of the demanded amount of NOK 3.3 billion. No provision has been made for the tax demand.

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. 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 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 Wireless 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. We are in process of appealing to the ITAT and have obtained stay order for the appeal period. No provision has been made.

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

	2017			2016		
NOK in millions	Deferred tax assets	Deferred tax liabilities	Of which deferred tax assets not recognised	Deferred tax assets	Deferred tax liabilities	Of which deferred tax assets not recognised
Tangible and intangible assets	121	(4 000)	(116)	3 183	(5 595)	(2 121)
Undistributed earnings in foreign subsidiaries and associated companies	-	(422)	-	-	(326)	-
Other non-current items	2 718	(2 119)	13	4 005	(1 353)	(363)
Total non-current assets and liabilities	**2 840**	**(6 540)**	**(103)**	7 188	(7 274)	(2 484)
Total current assets and liabilities	**1 303**	**(188)**	**-**	1 554	(161)	(292)
Tax losses carried forward	**1 491**	**-**	**(243)**	3 187	-	(2 528)
Total deferred tax assets/liabilities	**5 633**	**(6 728)**	**(347)**	11 929	(7 435)	(5 304)
Net deferred tax assets/liabilities		**(1 442)**			(809)	
Of which deferred tax assets		1 917			2 163	
Of which deferred tax liabilities		(3 359)			(2 972)	

Recognised deferred tax assets mainly relate to Thailand and Denmark. (In 2016, Thailand, Denmark and Norway)

Changes in net deferred tax assets/liabilities

NOK in millions	2017	2016
As of 1 January	**(809)**	343
Recognised in the income statement	**185**	59
Recognised in other comprehensive income	**(778)**	(1 205)
Acquisitions and disposals of subsidiaries	**(90)**	(149)
Translation differences on deferred taxes	**50**	144
As of 31 December	**(1 442)**	**(809)**

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	2017	2016
Net income from continuing operations	**12 190**	10 404
Net income from discontinued operations	**(207)**	(7572)
Net income from total operations	**11 983**	2 832
Basic/Diluted earnings per share from continuing operations	**8.13**	6.93
Basic/Diluted earnings per share from discontinued operations	**(0.14)**	(5.04)
Basic/Diluted earnings per share for total operations	**7.99**	**1.89**

Number of shares

In thousands	2017	2016
Weighted average number of shares for the purpose of basic earnings per share	**1 499 760**	1 501 458

There are no dilutive effects for 2017 and 2016.

NOTE 15 Goodwill

NOK in millions	Telenor Sweden	Telenor Hungary	Telenor Serbia	dtac Thailand	Telenor Bulgaria	Broadcast	701 Search	Tapad	Other[1]	Total
Accumulated cost										
As of 1 January 2016	**6 695**	**4 791**	**5 910**	**3 063**	**2 504**	**1 761**	**-**	**-**	**1 400**	**26 123**
Translation differences	(616)	(214)	(374)	(41)	(139)	(6)	-	4	(52)	(1 438)
Arising on acquisition of subsidiaries	-	-	-	-	-	-	-	2 759	135	2 894
Derecognised on disposal of subsidiaries	-	-	-	(5)	-	-	-	-	(55)	(60)
As of 31 December 2016	**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	-	-	-	-	-	-	-	-	(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**
Accumulated impairment losses										
As of 1 January 2016	**(278)**	**-**	**(1 637)**	**-**	**-**	**(129)**	**-**	**-**	**(110)**	**(2 155)**
Translation differences	26	-	104	-	-	3	-	-	4	137
Derecognised on disposal of subsidiaries	-	-	-	-	-	-	-	-	52	52
Impairment losses	-	-	-	-	-	-	-	(1 034)	-	(1 034)
As of 31 December 2016	**(252)**	**-**	**(1 533)**	**-**	**-**	**(126)**	**-**	**(1 034)**	**(55)**	**(3 000)**
Translation differences	(14)	-	(189)	-	-	(2)	(9)	62	(3)	(155)
Derecognised on disposal of subsidiaries	-	-	-	-	-	-	-	-	34	34
Impairment losses	-	-	-	-	-	-	(357)	(1 658)	-	(2 015)
As of 31 December 2017	**(266)**	**-**	**(1 722)**	**-**	**-**	**(128)**	**(366)**	**(2 630)**	**(24)**	**(5 136)**
Carrying amount										
As of 31 December 2017	6 217	4 948	4 497	3 151	2 561	1 631	1 864	-	1 577	26 446
As of 31 December 2016	5 827	4 576	4 003	3 017	2 365	1 629	-	1 729	1 374	24 519

[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 2017 and 2016. 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. The explicit forecast period covers 2018-2020. The cash flows beyond this period have been extrapolated into perpetuity using a constant nominal growth rate to arrive at the terminal value, except for Tapad and 701Search Pte Ltd. as further described below. 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 extrapolated using growth rates that reflect management's best estimate for market and economic development of the relevant country in which the entity operates. Beyond steady state, the cash flows are extrapolated using constant nominal growth rates. By the end of 2017 it is assumed that Tapad and 701Search Pte Ltd. have not reached steady state by the end of its explicit forecast period 2018-2020, and 2025 for TAPAD and 2031 for 701Search are applied as terminal years.

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 terminal year 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[1] margin – 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[2] (Capex) – 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, weighted to reflect its capital structure of 70:30 respectively, derive 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, 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 2017 and 2016:

	Discount rate after tax (%)		Discount rate pre-tax (%)		Nominal growth in cash flow in terminal value (%)	
	2017	2016	2017	2016	2017	2016
Broadcast	**7.6**	6.7	**10.0**	9.4	**(1.5)**	(1.5)
Telenor Bulgaria	**11.0-9.1**	10.3-9.1	**12.3-10.1**	11.3-10.1	**0.0**	0.0
Telenor Hungary	**11.5-9.6**	10.4-9.6	**12.6-10.6**	11.4-10.6	**0.0**	0.0
Telenor Serbia	**12.6-10.7**	12.5-10.7	**14.8-12.6**	14.3-12.4	**0.0**	0.0
Telenor Sweden	**6.50**	5.4	**8.3**	6.9	**0.0**	0.0
Tapad Inc.	**9.4**	11.0	**11.9**	14.1	**2.5**	3.0
701Search Pte Ltd.	**13.6-10.5**	-	**17.0-13.8**	-	**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. The pre-tax discount rates are estimated using an iterative method.

1) See definition and reconciliation of EBITDA in note 5.

2) Please refer to page 135 for description of alternative performance measures.

Impairment in 2017

Tapad

The recoverable amount of the Group's investment in Tapad has been estimated based on discounted cash flows from current revenue streams subject to scenario analysis. When estimating the recoverable amount, it is assumed that Tapad has not reached steady state by the end of its explicit forecast period 2018-2020, and 2025 is applied as terminal value year. Key assumptions in determining the value in use of the Group's investment in Tapad are presented in the table below. 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 has been recognised in the fourth quarter of 2017. The carrying amount of goodwill recognised on acquisition has been fully impaired. The estimated recoverable amount of tangible and intangible assets in Tapad is NOK 0.4 billion.

Key assumptions Tapad:

Discount rate after tax, per cent	9.4
Discount rate before tax, per cent	11.9
Revenue growth, per cent[1)]	13.7
EBITDA growth, per cent[2)]	24.5
EBITDA margin growth, percentage points[3)]	2.1
EBITDA margin in terminal year, per cent	25.0
Nominal growth rate of free cash flow in terminal value, per cent	2.5

1) Represents the compound annual growth rate during 2018-2025 (until the terminal year) in the base case scenario.
2) Represents the compound annual growth rate during 2021-2025 (until the terminal year) in the base case scenario.
3) Represents the annual growth from 2021-2025 (until the terminal year) in the base case scenario.

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 with NOK 2.1 billion. The Danish telecom market has been challenging with commoditisation and low prices compared to most of other western European countries. 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.

The recoverable amount of Telenor Denmark, based on approved business plan and value in use calculation, is significantly above the carrying amount and a reversal of previous impairment of NOK 1.2 billion related to tangible and intangible assets has been recognised. The reversal has been capped at the carrying amount that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised. Key assumptions applied in the calculation of value in use for Telenor Denmark as of 31 December 2017 are stated in the table below.

Key assumptions Telenor Denmark:

Discount rate after tax, per cent	6.2
Discount rate before tax, per cent	7.9
ARPU in terminal year, NOK	153.8
Revenue growth, per cent[1)]	3.0
EBITDA growth, per cent[2)]	17.0
EBITDA margin growth, percentage points[3)]	2.3
EBITDA margin in terminal year, per cent	17.0
Nominal growth rate of free cash flow in terminal value, per cent	0.0

1) Represents the compound annual growth rate during 2018-2019.
2) Represents the compound annual growth rate during 2018-2019.
3) Represents the annual growth during 2018-2019.

Impairment in 2016

Tapad

As a consequence of lower growth expectations for Tapad in the US media advertising segment, an impairment of goodwill of NOK 1.0 billion was recognised in the fourth quarter of 2016. The estimated value in use amounts to NOK 1.7 billion (adjusted for net interest-bearing debt). The carrying amount of goodwill after impairment was to NOK 1.7 billion. Telenor Group internal synergies through the use of Tapad's technology were not included when estimating the value in use.

Telenor India

The Group has estimated a fair value less cost of disposal of Telenor India in reference to net proceeds expected to be received in a merger or a sale of the operations and/or assets. Key assumptions in determining the fair value less cost of disposal (level 3) were spectrum prices, contractual obligations and estimated fair value of guarantees in India. As a consequence of the development in spectrum trading prices and updated assumptions of contractual obligations, the Group reassessed the fair value less cost of disposal of Telenor India in the first quarter of 2016 and recognised an impairment loss of NOK 2.3. In the third quarter 2016, the Group reassessed the fair value of licences based on recent observations in the Indian market which resulted in an additional impairment of the licences of NOK 4.0 billion. In addition, during the last three quarters of 2016, recognised assets of NOK 0.5 billion related to switches and radio installations were impaired, keeping the carrying amount of tangible assets at zero. The total impairment loss related to Telenor India during the year 2016 amounts to NOK 6.8 billion.

On 23 February 2017, Telenor ASA entered into an agreement with Bharti Airtel Limited (Airtel), whereby Airtel will take full ownership of Telenor India as soon as all necessary regulatory approvals are received.

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.

The estimated recoverable amount exceeds the carrying amount of the cash-generating unit by approximately NOK 274 million for 701Search Pte Ltd. The following key assumptions have been applied in determining the recoverable amount, in addition to the discount rates and the nominal growth rates in the terminal value provided above:

Key assumptions in 2017

	701Search Pte Ltd.
Revenue growth, per cent[1)]	18.8
EBITDA margin growth, percentage points[2)]	2.1
EBITDA margin in terminal year, per cent	41.0

1) Represents the compound annual growth rate during 2018-2031 (until the terminal year).

2) Represents annual growth during 2021-2031 (until the terminal year).

The following changes in key assumptions, in isolation, 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 growth rate during the extrapolation period 2021-2031 (until terminal year) by 0.6 percentage points.
Decrease in revenue by 3.8 per cent during the explicit forecast period.
Increase in discount rate before tax by 0.6 percentage points for the whole period including terminal value.
Decrease in nominal growth rate in terminal value by 1.5 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 2016	**2 730**	**56 869**	**3 188**	**19 821**	**3 497**	**5 329**	**1 326**	**92 760**
Reclassifications[4]	-	877	-	520	16	8	(506)	915
Additions	22	4 059	-	909	-	205	831	6 026
Additions internally developed	-	-	-	-	134	-	-	134
Additions through acquisition of subsidiaries	56	-	56	1	337	-	-	451
Translation differences	(156)	(1 623)	(107)	(589)	(51)	(264)	(38)	(2 828)
Derecognition	(5)	(3)	(4)	(2 314)	(598)	(903)	(208)	(4 035)
As of 31 December 2016	**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**
Accumulated amortisation and impairment losses								
As of 1 January 2016	**(1 212)**	**(24 904)**	**(2 323)**	**(16 501)**	**(3 263)**	**(4 053)**	**(8)**	**(52 265)**
Reclassifications[4]	-	(17)	-	8	-	(7)	-	(16)
Amortisation related to continuing operations	(309)	(5 017)	(271)	(1 556)	(220)	(416)	-	(7 789)
Amortisation related to discontinued operations	-	(267)	-	(3)	-	-	-	(270)
Impairment losses related to continuing operations	(125)	-	-	-	-	-	-	(125)
Impairment losses related to discontinued operations	-	(4 870)	-	(28)	-	-	-	(4 898)
Translation differences	80	367	86	467	51	215	-	1 266
Derecognition	5	2	4	2 225	592	903	-	3 731
As of 31 December 2016	**(1 561)**	**(34 706)**	**(2 504)**	**(15 388)**	**(2 840)**	**(3 358)**	**(8)**	**(60 366)**
Reclassifications[4]	-	(1)	-	(25)	-	34	-	6
Amortisation	(250)	(5 599)	(275)	(1 477)	(275)	(403)	-	(8 281)
Impairment losses	-	-	-	(47)	(9)	-	(4)	(61)
Reversal of impairment losses	-	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)**
Carrying amount								
As of 31 December 2017	949	22 969	694	2 741	504	958	1 786	30 601
As of 31 December 2016	1 086	25 473	628	2 959	495	1 017	1 397	33 057
Amortisation periods in years	3-20	2-27	4-7	3-7	3-5	8-20	-	-

[1] The carrying amount of trademarks with indefinite useful lives is NOK 506 million as of 31 December 2017 (NOK 176 million as of 31 December 2016). The trademarks with finite useful lives as of 31 December 2017 are mainly represented by the trademark of 701Search Pte. Ltd. with the carrying amount NOK 330 million and dtac with the carrying amount NOK 182 million (dtac with NOK 405 million as of 31 December 2016).

[2] The carrying amount of the roaming agreements is NOK 472 million as of 31 December 2017 (NOK 560 million as of 31 December 2016).

[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 is not a part of this table.

Reversal of impairment losses recognised in 2017 is related to Telenor Denmark. Impairment recognised in 2016 was mainly related to Telenor India. See note 16 for further information.

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 of licences in 2016 were primarily related to acquisition of additional spectrum under the 850 MHz band in Telenor Pakistan, acquisition of additional spectrum under the 1800 MHz band in Telenor Bulgaria and the renewal of existing spectrums in Telenor Montenegro.

The additions in software acquired in 2017 were mainly in Telenor Norway.

dtac operates under a concession right to operate and deliver mobile services in Thailand granted by CAT Telecom Public Company Limited (CAT). CAT allows dtac to arrange, expand, operate and provide the cellular telephone services in various areas in Thailand. The concession originally covered a 15-year period but the agreement was amended on 23 July 1993 and 22 November 1996 with the concession period being extended to 22 and 27 years, respectively. Accordingly, the concession period under the amended agreement expires in September 2018. In February 2011, the Cabinet in Thailand appointed a committee to negotiate with the operators, reviewing compensation relevance to the Concession amendments. In June 2011, the Cabinet acknowledged that the Committee was unable to consider the operators' proposals as these proposals were beyond the Committee's authority. However, the Committee opined that at the initial stage, this matter should be reported to The National Broadcasting and Telecommunications Commission (NBTC) for consideration in order to issue relevant criteria and measures. At present, the final conclusion of the Cabinet or the way the Cabinet would exercise its discretion on this matter is still unknown to the Group. However, the Group believes the amendments were entered into in good faith, that the amendments are legitimate and that the state was not harmed by them.

The service concession of dtac is accounted for under the Intangible Asset Model according to IFRIC 12 Service Concession Arrangements. The carrying amount of the concession right is NOK 2.7 billion as of 31 December 2017 (NOK 5.9 billion as of 31 December 2016) and is amortised on a straight-line basis over the remaining concession period. Replacements and extensions are capitalised as intangible assets and amortised over the remaining useful life of the concession. Repair and maintenance are expensed as incurred.

The carrying amounts of licences as of 31 December 2017 in Telenor Myanmar, Telenor Pakistan and Grameenphone are NOK 3.8 billion, NOK 3.7 billion and NOK 3.3 billion (NOK 4.5 billion in Telenor Pakistan, NOK 4.0 billion in Grameenphone and NOK 2.9 billion in Telenor Myanmar as of 31 December 2016) respectively. The carrying amount of licence in dtac (other than concession right) as of 31 December 2017 is NOK 2.3 billion (NOK 2.4 billion as of 31 December 2016). The following table sets forth the mobile spectrum licences that the Group holds as of 31 December 2017:

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			
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
Telenor Hungary			
800	2x10[d)]	Technology Neutral	2029
900	2x8 + 2x1.8	Technology Neutral	2022
900	2x2[d)]	Technology Neutral	2029
1800	2x30	Technology Neutral	2022
2100	2x15 + 1x5	Technology Neutral	2019
2600	2x20[d)]	Technology Neutral	2029
Telenor Serbia			
800	2x10[e)]	Technology Neutral	2026
900	2x9.6	Technology Neutral	2026
1800	2x10 + 2x10	Technology Neutral	2026
2100	2x15 + 1x5	Technology Neutral	2026
Telenor Montenegro			
900	2x15	Technology Neutral	2032
1800	2x25	Technology Neutral	2032
2100	2x20	Technology Neutral	2032
Telenor Bulgaria			
900	2x9.4 + 2x1.8	Technology Neutral	2021
1800	2x10 + 2x5	Technology Neutral	2021
2100	2x10 + 2x5	Technology Neutral	2025
dtac, Thailand			
850	2x10[f)]	3G	2018
1800	2x49.8[f)]	2G/4G	2018
2100	2x15	3G/4G	2027

Digi, Malaysia			
900	2x5	Technology Neutral	2032
1800	2x20	Technology Neutral	2032
2100	2x15	3G	2034
2600	2x10	4G	2019
Grameenphone, Bangladesh			
900	2x7.4	2G[g)]	2026
1800	2x7.2 + 2x7.4	2G[g)]	2026
2100	2x10	3G[g)]	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
1800	2x20	Technology Neutral	2029
2100	2x10+2x5	Technology Neutral	2029
Telenor India (classified as held for sale, see note 4)			
1800	2x5[h)]	Technology Neutral	2032
1800	2x1.4-2.2[i)]	Technology Neutral	2034
1800	2x6[j)]	Technology Neutral	2034

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) The licenses are renewable for a successive 5-year period subject to meeting certain license obligation but without additional fee.
e) The license is renewable for a successive 5-year period.
f) In accordance with the concession agreement with CAT.
g) The spectrum holdings are technology neutral from February 2018.
h) In the following circles: Andhra Pradesh, Bihar and Jharkhand, Maharashtra, Gujarat, Uttar Pradesh East and Uttar Pradesh West.
i) In 2014, 1.4 – 2.2 MHz additional spectrum was acquired in 4 existing circles (Andhra Pradesh, Bihar and Jharkhand, Uttar Pradesh East and Uttar Pradesh West).
j) In 2014, 6 MHz acquired in one new circle (Assam).

NOTE 18 Property, plant and equipment

NOK in millions	Local, regional and trunk networks	Mobile telephone network	Subscriber equipment	Switches and equipment	Radio installations	Cable-TV equipment	Buildings	Land	Corporate admin-istrative assets	Satellites	Work in progress[1]	Total
Accumulated cost												
As of 1 January 2016	**50 517**	**28 113**	**1 832**	**21 822**	**27 579**	**5 066**	**15 425**	**1 095**	**13 169**	**5 318**	**9 004**	**178 940**
Reclassifications[2]	1 812	3 034	43	568	2 713	62	137	-	685	-	(9 975)	(921)
Additions	1 693	932	548	1 096	3 865	367	341	2	1 173	-	10 164	20 181
Additions through acquisition of subsidiaries	-	-	-	-	3	-	8	-	70	-	39	120
Translation differences	(730)	(1 243)	(72)	(583)	(1 037)	(62)	(234)	(22)	(466)	-	(360)	(4 809)
Derecognition	(2 729)	(972)	(336)	(2 840)	(826)	(84)	(452)	(2)	(1 518)	-	(208)	(9 967)
As of 31 December 2016	**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 as 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**
Accumulated depreciation and impairment losses												
As of 1 January 2016	**(37 695)**	**(16 215)**	**(1 047)**	**(17 664)**	**(14 100)**	**(2 774)**	**(8 130)**	**(46)**	**(9 297)**	**(2 389)**	**(373)**	**(109 729)**
Reclassifications[2]	(12)	12	(9)	10	5	16	2	-	(11)	-	-	13
Depreciation related to continuing operations	(2 201)	(2 071)	(507)	(1 068)	(3 153)	(392)	(606)	(1)	(1 491)	(274)	-	(11 764)
Depreciation related to discontinued operations	(7)	(3)	-	(112)	(64)	-	(1)	-	(10)	-	-	(197)
Impairment loss related to continuing operations	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss related to discontinued operations	(135)	(7)	-	(483)	(1 066)	-	(33)	-	(96)	-	(106)	(1 926)
Translation differences	402	693	48	437	590	31	82	5	327	-	16	2 631
Derecognition	2 573	945	336	2 835	819	84	363	-	1 454	-	36	9 445
As of 31 December 2016	**(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	(2 109)	(2 557)	(568)	(1 182)	(3 709)	(431)	(603)	(1)	(1 548)	(260)	-	(12 968)
Impairment loss	-	-	(2)	-	(1)	-	(28)	-	(25)	-	(5)	(61)
Reversal of impairment loss	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 as 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)**
Carrying amount												
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
As of 31 December 2016	13 488	13 218	837	4 018	15 328	2 313	6 902	1 031	3 989	2 655	8 237	72 016
Depreciation periods in years[3]	3-30	5-20	3	3-10	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 loss in 2017 relates to Telenor Denmark. Impairment loss related to discontinued operations recognised in 2016 relates to Telenor India. See note 16 for further information.

The Group has finance leases with carrying amount of NOK 1,088 million as of 31 December 2017 (NOK 1,108 million as of 31 December 2016). These assets are as of 31 December 2017 primarily fibre optic network (local, regional and trunk networks) of NOK 675 million in Grameenphone in Bangladesh, Myanmar and Digi in Malaysia (NOK 705 million in 2016), and properties (buildings & land) of NOK 311 million in Sweden and Denmark (NOK 313 million in 2016).

As of 31 December 2017, the present value of future minimum lease payments under finance leases (the Group as a lessee) is NOK 927 million (NOK 989 million as of 31 December 2016).

NOTE 19 Associated companies and joint arrangements

Associated companies and joint ventures

NOK in millions	2017	2016
Balance as of 1 January	**15 725**	19 340
Additions	**70**	98
Disposals	**(15 501)**	(4 809)
Share of net income (loss)[1]	**531**	1 517
Share of other comprehensive income	**(342)**	631
Equity transactions including dividends	**27**	(378)
Translation differences	**(56)**	(673)
Balance as of 31 December	**454**	**15 725**
of which losses applied to other components of interests in associated companies[2]	**26**	48
Carrying amount of investments in associated companies and joint ventures	**480**	**15 773**
of which investment in VEON Ltd.	**-**	13 829
of which investment in others	**480**	1 944

[1] Share of net income (loss) includes the Group's share of net income (loss) after taxes, amortisation of excess values, impairment losses 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 26 million has been applied to the Group's other long-term interests in Riks TV AS of NOK 21 million classified as other financial interest-bearing non-current assets and a remaining amount of NOK 5 million is recognised as provision. See also note 21.

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. Accordingly, the accumulated balance of currency losses previously recognised in other comprehensive income was reclassified to the income statement. The reclassification effect did not impact the total equity of the Group.

As a consequence of loss of significant influence, the remaining VEON ADSs and common shares were classified as a financial investment, under the heading "Other non-current assets" in the statement of financial position. VEON ADSs and common shares are categorised as an "available for sale" investment at fair value, see note 21.

SnT Classifieds

The Group had an ownership interest of 50% in SnT Classifieds which further owns 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. The carrying amount of the Group's 33.3% ownership interest in 701Search Pte Ltd. was NOK 347 million before this transaction. As a result of the transaction, the Group re-measured its previously owned equity interest at fair value and recognised a gain of NOK 352 million.

During 2016, the Group disposed of the following investments in associated companies and joint ventures:

NOK in millions	VEON Ltd.	Amedia	Others	Total
Sales proceeds in cash	4 618	180	9	4 806
Carrying amount disposed off	(4 624)	(180)	(6)	(4 809)
Gain/(loss) on disposal before reclassification of other comprehensive income	**(6)**	**-**	**3**	**(3)**
Other comprehensive income reclassification	(3 239)	(71)	-	(3 310)
Gain/(loss) on disposal of associated companies and joint ventures	**(3 245)**	**(71)**	**3**	**(3 313)**

The Group disposed of a portion of its ownership in VEON corresponding to approximately 163.9 million VEON ADSs or 9.3% of the total share capital of VEON. After the disposal, the Group's ownership of VEON reduced from 33% to 23.7% as of 31 December 2016.

VEON Ltd.

The Group included VEON's published results with a one quarter lag, see note 2 for further information.

During 2017, the Group recognised its 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.

The share of other comprehensive income was negative NOK 363 million mainly related to VEON's translation differences reclassified to the income statement upon completion of WIND Italy joint venture transaction.

During 2016, the Group recognised its share of net income of NOK 2.1 billion including impairment loss of NOK 2.8 billion. Share of net income from VEON in 2016 consists of share of net income for the fourth quarter of 2015, share of the first three quarters of 2016 and share of significant transactions and events for the fourth quarter of 2016.

During 2016, the Group recognised translation difference gain of NOK 610 million in other comprehensive income during 2016 related to its share of VEON's translation differences arising mainly from appreciation of Russian Ruble against USD. During 2016, the Group recognised its negative share of equity transactions of NOK 0.2 billion primarily related to adjustment of the gain on VEON's partial disposal of ownership in Omnium Telecom Algerie.

Other associated companies and joint ventures

The following table sets forth summarised financial information of the Group's share of net income and other comprehensive income of other associated companies and joint ventures.

NOK in millions	2017	2016
Net income (loss)	**(46)**	(576)
Other comprehensive income (loss)	**22**	21
Total comprehensive income (loss)	**(24)**	**(555)**

Share of net income (loss) for 2017 includes share of net loss from Online Classifieds joint ventures of NOK 55 million (share of net loss of NOK 167 million for 2016). An impairment loss of NOK 365 million was recognised in 2016 upon disposal of Amedia.

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 established in 2009, under partnership agreement, with mobile operator Tele2 Sverige AB in Sweden[1]	50%
TT Netværket P/S	Joint operation established in 2012, under partnership agreement, with 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	2017	2016
Trade receivables		12 720	11 862
Provision for bad debt		(1 882)	(1 535)
Total trade receivables as of 31 December	LAR[1]	**10 838**	**10 327**
Interest-bearing receivables		1 451	1 018
Accrued revenues		6 931	6 577
Other non-interest-bearing receivables		2 267	2 176
Provision for bad debt		(14)	(32)
Total other current receivables as of 31 December	LAR[1]	**10 634**	**9 739**
Governmental taxes and duties		484	624
Prepayments		2 793	4 184
Total other current non-financial assets as of 31 December	NF[2]	**3 277**	**4 809**
Total trade and other receivables as of 31 December		**24 749**	**24 876**

[1] LAR: Loans and receivables.
[2] NF: Non-financial assets and liabilities.

As of 31 December 2017, NOK 1.2 billion (NOK 1.1 billion as of 31 December 2016) of trade and other receivables related to handset instalments that are not due within one year.

Specification of provision for bad debt:

NOK in millions	2017	2016
Provision as of 1 January	**(1 567)**	**(1 652)**
Change during the year	(254)	(34)
Change during year related to discontinued operations	60	-
Currency and other effects	(136)	119
Provision as of 31 December	**(1 897)**	**(1 567)**
Realised losses for the year	(641)	(704)
Recovered amounts previously provided for	110	92

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 2017								
Trade receivables	12 720	7 473	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	**10 838**	**7 450**	**1 746**	**435**	**308**	**296**	**284**	**318**
As of 31 December 2016								
Trade receivables	11 862	7 013	1 712	484	319	582	497	1 256
Provision for bad debt	(1 535)	(32)	(33)	(39)	(78)	(167)	(269)	(916)
Total trade receivables	**10 327**	**6 981**	**1 678**	**445**	**241**	**415**	**228**	**340**

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[4]	Category	2017	2016
Other non-current assets				
Available-for-sale investments	3	AFS	**708**	554
Available-for-sale investments	1	AFS	**8 088**	-
Financial derivatives	2	FVTPL[1]	**538**	404
Financial derivatives designated for net investment hedge	2		**210**	473
Other financial non-interest-bearing non-current assets		LAR[2]	**307**	456
Fair value hedge instruments	2		**1 682**	2 074
Other financial interest-bearing non-current assets		LAR[2]	**1 125**	898
Total non-current financial assets as of 31 December			**12 660**	**4 859**
Governmental taxes and duties			**414**	797
Prepayments			**224**	144
Total non-current non-financial assets		**NF[3]**	**638**	**941**
Total other non-current assets as of 31 December			**13 297**	**5 800**
Other current financial assets				
Assets held for trading	2	FVTPL[1]	**67**	81
Bonds and commercial papers > 3 months		LAR[2]	**849**	1 683
Financial derivatives	2	FVTPL[1]	**1**	317
Financial derivatives designated for net investment hedge	2		**611**	153
Fair value hedge instruments	2		**95**	255
Total other current financial assets as of 31 December			**1 622**	**2 489**

[1] FVTPL: Fair value through profit and loss.
[2] LAR: Loans and receivables.
[3] NF: Non-financial assets and liabilities.
[4] For information about the fair value level of financial instruments, see note 29.

Available-for-sale investment

Available-for-sale (AFS) investments include capital contribution to Telenor Pension Fund of NOK 298 million and equity investments of NOK 8.5 billion (NOK 298 million and NOK 256 million in 2016, respectively).

As a consequence of loss of significant influence, the remaining VEON American Depositary Share (ADSs) and common shares amounting to NOK 11.8 billion were classified as a financial investment, under the heading "Other non-current assets" in the statement of financial position. VEON ADSs and common shares are categorised as an "available for sale" investment at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and are reclassified to income statement upon disposal. During 2017, a total loss of NOK 864 million was recognised in other comprehensive income.

During 2017, the Group disposed of a further portion of its ownership in VEON corresponding to 90 million VEON ADSs and common shares or approximately 5% of the total share capital of VEON for a price of USD 4.05 per share after transaction costs, resulting in net proceeds to the Group of NOK 2.8 billion. A loss of NOK 214 million was reclassified to the income statement upon disposal of the ADSs and common shares. The loss was related to appreciation of Norwegian kroner against USD. As of 31 December 2017, the Group's ownership in VEON is 14.7%.

The carrying amount of the remaining 256.7 million VEON ADSs is NOK 8.1 billion as of 31 December 2017.

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	2017	2016
Inventory	101	394
Trade and other receivables	(163)	(973)
Trade payables	855	1 551
Changes in net operating working capital	**793**	**972**

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

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

NOK in millions	2017	2016
Additions to property, plant and equipment and intangible assets (see note 17 and 18)	(21 656)	(26 341)
Licence obligation[1]	528	1 654
Asset retirement obligation additions	370	(32)
Changes in accounts payable and prepayments	45	(1 202)
Supply chain financing[1]	2 365	2 069
Other adjustments	(13)	124
Purchases of property, plant and equipment and intangible assets (cash flow from investing activities)	**(18 361)**	**(23 727)**

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

Licence obligations in 2017 are related to licence acquisition in Denmark and Myanmar while in 2016 it mainly related to licence acquisition in Pakistan. Changes in accounts payable and prepayments in 2016 are mainly related to prepayment for licence in Digi.

Acquisitions and disposals of subsidiaries, associated companies and joint ventures

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

NOK in millions	2017	2016
Purchases of subsidiaries, associated companies and joint ventures		
Capital injections in associated companies and joint ventures	24	98
Other non-current assets	2 819	3 473
Current assets	223	231
Liabilities	(265)	(604)
Non-controlling interests	(6)	-
Total purchase price and capital injections	**2 794**	**3 198**
- of which non-cash	(710)	(198)
Cash payments related to acquisitions	(2 084)	(3 000)
Cash in subsidiaries acquired	84	29
Purchases of subsidiaries, associated companies and joint ventures, net of cash acquired	**(2 000)**	**(2 971)**
Disposals of subsidiaries and associated companies		
Associated companies and joint ventures	3 700	4 808
Other non-current assets	223	71
Current assets	109	31
Liabilities	(60)	(45)
Gains (losses) adjusted for translation differences on disposals[1]	4 202	464
Sales price	**8 175**	**5 329**
- of which non-cash	(737)	-
Proceeds received as sale consideration	7 437	5 329
Cash in subsidiaries disposed of	(45)	(10)
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed of	**7 392**	**5 319**

[1] Adjusted for NOK 8.6 billion relating to reclassification of accumulated loss from other comprehensive income to the income statement upon disposal of VEON and SnT Classifieds. Refer to 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 for cash consideration of NOK 1.8 billion. The fair value of the Group`s previously owned 33.3% interest was NOK 698 million. Refer to note 19 for further information. In addition, the Group has acquired Network Services Nordic AB in Sweden and Ucom AS in Norway for a cash consideration of NOK 0.3 billion. Refer to note 4 for further information.

Capital injections in associated companies and joint ventures in 2017 and 2016 are related to the Group's share of investments in Online Classifieds businesses.

The Group sold, during 2017, 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. Refer to note 19 for further information.

During 2017, the Group sold real estate for a cash consideration of NOK 836 million and its ownership in ABC Startsiden for a cash consideration of NOK 93 million.

On 18 February 2016, the Group acquired approximately 95% of the ownership interest in Tapad Inc. for a cash consideration of NOK 2.8 billion. In addition, the Group acquired businesses in Norway (fixed businesses), Sweden (maritime communications) and Malaysia (financial services) for a total cash consideration of NOK 146 million. Non-settled amounts of NOK 198 million were recognised as liabilities. Refer to note 4 for further information.

During 2016, the Group sold real estate for a cash consideration of NOK 519 million resulting in the gain on disposal of NOK 458 million.

During 2016, the Group disposed of a portion of its ownership interest in VEON resulting in net proceeds to the Group of NOK 4.6 billion. In addition, the Group sold its entire ownership interest in Amedia for a cash consideration of NOK 180 million. Refer to note 19 for further information.

Supply chain financing arrangements

Cash outflows related to payments under supply chain financing arrangements are presented as cash flow from financing activities if the payment terms under the contract is linked to the supply chain financing arrangement, see note 2. As a consequence, purchases of property, plant and equipment, intangible assets and other purchases under these arrangements are not presented as cash flow from investing or operating activities.

Cash outflows classified as financing activities related to payments under supply chain financing are NOK 3.9 billion for 2017 and NOK 3.7 billion for 2016.

Dividends paid to and purchases of shares from non-controlling interests

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

During 2016, dividends paid to and purchases of shares from non-controlling interests in subsidiaries amounted to NOK 3.1 billion. This consists of dividends paid to non-controlling interests in Digi (NOK 1.7 billion), dtac (NOK 0.2 billion) and Grameenphone (NOK 0.9 billion). NOK 0.3 billion was paid to non-controlling interests for acquisition of shares in Telenor Microfinance Bank Limited in Pakistan.

Cash and cash equivalents as of 31 December

NOK in millions	2017	2016
Cash and cash equivalents in the Group's cash pool systems	**9 680**	9 963
Cash and cash equivalents outside the Group's cash pool systems	**12 867**	13 122
Total cash and cash equivalents in statement of financial position	**22 546**	**23 085**
Bank overdraft (part of cash in statement of cash flows)	**(590)**	(134)
Total cash and cash equivalents in statement of cash flows	**21 957**	**22 951**

Cash and cash equivalents include restricted cash related to regulatory requirements in Financial Services of NOK 681 million as of 31 December 2017 (NOK 654 million as of 31 December 2016).

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 2017 and 2016, 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, Telenor Montenegro & Serbia, Telenor Bulgaria 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 2016	**1 501 458 030**	**9 009**	**69**	**-**	**9 078**
Share buyback	-	-	-	(52)	(52)
Equity as of 31 December 2017	**1 501 458 030**	**9 009**	**69**	**(52)**	**9 025**

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 2016	**15**	**359**	**562**	**629**	**(15 102)**	**(7 606)**	**(21 143)**
Other comprehensive income (loss), net of taxes	(43)	-	(206)	-	5 414	-	5 164
Share-based payment	-	28	-	-	-	-	28
Transactions with non-controlling interests	-	-	-	(152)	-	-	(152)
Other changes in other reserves during 2016	-	-	-	-	(239)	-	(239)
Equity as of 31 December 2016	**(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)**

Net unrealised gains/losses reserve
This reserve includes fair value changes on available-for-sale financial assets resulting in a net loss of NOK 633 million recognised in 2017 (NOK 43 million in 2016).

During 2017, loss of NOK 864 million was recognised related to change in fair value of VEON shares classified as available-for-sale financial investment, of which NOK 214 million was reclassified to the income statement upon disposal of 90 million shares. See note 21 for further information.

Employee equity benefits reserve
Share-based payment represents 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 2017 and 2016, there were no payments related to equity-settled share-based payments.

Refer to note 34 for further details on these programmes.

Pension re-measurement
This reserve includes the effect of re-measurement of pension obligation 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 2016	**744**	**(182)**	**563**
Other comprehensive income (loss)	(262)	55	(206)
Equity as of 31 December 2016	**482**	**(127)**	**356**
Other comprehensive income (loss)	(61)	-	(61)
Equity as of 31 December 2017	**421**	**(127)**	**294**

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

Transactions with non-controlling interests
This reserve includes effects from transactions with non-controlling interests.

In 2016, the Group increased its ownership interest in Telenor Microfinance Bank Limited in Pakistan (formerly called Tameer Microfinance Bank Limited Pakistan) from 51% to 100% for a cash consideration of NOK 304 million against the carrying amount of non-controlling interest of NOK 152 million.

Share of equity adjustments and other comprehensive income in associated companies

This reserve includes underlying adjustment on equity in associated companies, such as other comprehensive income, share buyback 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 2016	**(15 102)**
Other comprehensive income (loss), excluding effects of disposal	631
Amount reclassified from other comprehensive income to income statement on disposal	4 783
Other comprehensive income, net of taxes	**5 414**
Other changes in other reserves	(239)
Equity as of 31 December 2016	**(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 during 2017 primarily relates to the Group's share of VEON's translation differences reclassified to income statement upon completion of WIND Italy joint venture transaction. Other comprehensive income during 2016 primarily relates to the Group's share of VEON's translation differences arising primarily due to appreciation of local currencies against USD. See note 19 for further information.

Other changes in other reserves during 2017 and 2016 primarily relates to the Group's share of VEON's transactions with its non-controlling interests. See note 19 for further information. During 2017, the accumulated balance of share of equity adjustments in VEON and SnT Classifieds amounting to NOK 586 million is 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.

During 2016, a loss of NOK 4.7 billion was reclassified to income statement upon partial disposal of ownership interest in VEON and loss of NOK 71 million was reclassified to income statement upon full disposal of ownership interest in Amedia. See note 19 for further information.

Other equity transactions

This reserve 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 2016	**13 323**	**(11 815)**	**2 593**	**4 102**
Changes during 2016, excluding effects of disposal	(4 538)	2 734	(698)	(2 502)
Amount reclassified from other comprehensive income to income statement on disposal	(3 865)	2 969	(560)	(1 456)
Net changes during 2016	**(8 403)**	**5 703**	**(1 258)**	**(3 958)**
Equity as of 31 December 2016	**4 920**	**(6 112)**	**1 335**	**144**
Changes during 2017, excluding effects of disposal	2 296	(1 426)	342	1 212
Amount reclassified from other comprehensive income to income statement on disposal	(7 744)	4 094	(1 119)	(4 769)
Net changes during 2017	**(5 448)**	**2 668**	**(777)**	**(3 557)**
Equity as of 31 December 2017	**(528)**	**(3 444)**	**558**	**(3 413)**

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	Income taxes	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, 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.

The amount reclassified from other comprehensive income to the income statement in 2016 was related to partial disposal of ownership interest in VEON and partial repayment of internal loans which were considered as part of net investment hedges. The following amounts which were earlier recognised in other comprehensive income were reclassified to the income statement in 2016:

NOK in millions	Foreign currency translation	Income taxes	Net investment hedge	Income taxes	Total amount reclassified to the income statement net of income taxes
VEON partial disposal	(2 951)	-	1 478	(407)	(1 880)
Partial repayment of internal loans	(914)	256	1 491	(409)	424
Total	**(3 865)**	**256**	**2 969**	**(816)**	**(1 456)**

Upon reclassification from other comprehensive income to the income statement, gain of NOK 1,473 million related to VEON was included in total loss on disposal of associated companies and loss of NOK 577 million related to repayment of internal loans was recognised as currency loss included in financial income and expenses. The total net loss before tax reclassified from other comprehensive income to the income statement related to the partial disposal of ownership interests in VEON shares was NOK 3.2 billion.

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.

In 2016, 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. The depreciation of the Swedish Krone by 9%, the Serbian Dinar by 6%, the Myanmar Kyat by 8%, and the U.S. Dollar by 2% against Norwegian Krone had the most significant impact.

Dividends paid and proposed

	2017	2016
Dividend per share in NOK – paid	**7.80**	7.50
Dividend per share in NOK - proposed by the Board of Directors	**8.10**	7.80

Dividend of NOK 11.7 billion has been charged to equity in 2017 (NOK 11.3 billion in 2016), of which NOK 11.9 billion has been paid (NOK 11.0 billion in 2016). NOK 0.3 billion was recognised as withholding tax liability as of 31 December 2016.

In respect of 2017, the Board of Directors will propose a dividend of NOK 8.10 per share to be resolved by the Annual General Meeting on 2 May 2018. The total amount of dividend is estimated to be NOK 12.0 billion based on the outstanding number of shares as of 31 December 2017 adjusted for the pro rata number of shares to be purchased from the Ministry of Trade, Industry and Fisheries, in accordance with the agreement entered between Telenor ASA and the ministry. The dividend will be split into two tranches of NOK 4.20 and NOK 3.90 per share to be paid out in May 2018 and November 2018, respectively.

Non-controlling interests

NOK in millions	Country of incorporation and operation	Non-controlling interests share of net income (loss) 2017	Non-controlling interests share of net income (loss) 2016	Non-controlling interests in the statement of financial position 31.12.17	Non-controlling interests in the statement of financial position 31.12.16	Non-controlling interests share of dividend in 2017	Non-controlling interests share of dividend in 2016
DiGi.Com Bhd	Malaysia	**1 449**	1 688	**542**	513	**1 442**	1 714
Grameenphone Ltd.	Bangladesh	**1 239**	1 064	**1 518**	1 623	**1 190**	904
Total Access Communications Plc (dtac)	Thailand	**244**	236	**2 677**	2 323	**-**	185
Others		**(17)**	(14)	**103**	57	**9**	58
Total		**2 915**	**2 974**	**4 839**	**4 517**	**2 642**	**2 861**

Summarised financial information for subsidiaries with significant non-controlling interests

Summarised statement of financial position as of 31 December:

	2017			2016		
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	**3 834**	**2 050**	**10 518**	4 139	1 199	8 027
Non-current assets	**9 076**	**10 869**	**21 353**	6 992	13 097	22 113
Current liabilities	**(4 628)**	**(7 395)**	**(9 081)**	(5 441)	(7 505)	(8 830)
Non-current liabilities	**(6 639)**	**(2 123)**	**(12 612)**	(4 134)	(3 198)	(12 216)
Total equity	**1 643**	**3 400**	**10 178**	**1 557**	**3 593**	**9 094**
Attributable to:						
Equity holders of Telenor ASA	**1 102**	**1 882**	**7 501**	1 044	1 969	6 771
Non-controlling interests	**542**	**1 518**	**2 677**	513	1 623	2 323

Summarised comprehensive income information 1 January – 31 December:

	2017			2016		
NOK in millions	DiGi.Com Bhd	Grameenphone Ltd	Total Access Communications Plc (dtac)	DiGi.Com Bhd	Grameenphone Ltd	Total Access Communications Plc (dtac)
Revenues	12 188	13 156	19 089	13 374	12 339	19 647
Net income	2 839	2 796	661	3 310	2 386	667
Total comprehensive income	**2 912**	**2 502**	**1 080**	**3 256**	**2 281**	**562**
Attributable to non-controlling interests	1 471	1 085	353	1 679	964	205

Summarised cash flow information 1 January – 31 December:

	2017			2016		
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	3 810	5 756	6 590	4 511	4 825	6 141
Investing activities	(1 399)	(1 323)	(4 606)	(2 953)	(2 125)	(4 046)
Financing activities	(2 030)	(3 461)	(2)	(1 269)	(2 834)	(236)
Effect of exchange rate changes on cash and cash equivalents	61	(59)	256	(46)	(14)	(11)
Net increase/(decrease) in cash and cash equivalents	**442**	**913**	**2 239**	**244**	**(147)**	**1 848**

NOTE 24 Provisions and obligations

Non-current

NOK in millions	2017	2016
Provision for workforce reductions, onerous (loss) contracts, legal disputes	166	207
Asset retirement obligations	3 531	3 131
Other provisions	435	204
Total non-current provisions and obligations as of 31 December	**4 132**	**3 542**

Current

NOK in millions	2017	2016
Provisions for workforce reduction, onerous (loss) contracts and legal disputes	1 054	899
Asset retirement obligations	33	50
Other provisions	690	728
Total current provisions and obligations as of 31 December	**1 777**	**1 677**

Development

	2017		2016	
NOK in millions	Workforce reductions, onerous (loss) contracts and legal disputes	Asset retirement obligations	Workforce reductions, onerous (loss) contracts and legal disputes	Asset retirement obligations
As of 1 January	**1 106**	**3 181**	1 057	3 264
Obligations arising during the year and effects of changes in estimates	1 287	403	972	(89)
Accretion expense	2	79	30	72
Amounts utilised	(979)	(55)	(749)	(20)
Other changes and translation difference	(59)	81	(151)	(124)
Changes during the year related to discontinued operations[1)]	-	-	(54)	78
Reclassified as held for sale[2)]	(137)	(126)	-	-
As of 31 December	**1 221**	**3 562**	1 106	3 181

1) Relates to Telenor India.

2) Relates to Telenor India and Telenor Banka.

Workforce reduction

Provisions for workforce reductions included approximately 960 employees as of 31 December 2017 and approximately 810 employees as of 31 December 2016.

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.

In most situations, the timing of the 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.

3,512 of the Group's employees were members of the contribution plan in Norway as of 31 December 2017 (3,942 as of 31 December 2016). In 2017, 1,788 of the Group's employees were covered by the defined benefit plans funded through Telenor Pension Fund (1,982 in 2016). In addition Telenor Pension Fund paid out pensions to 2,324 persons in 2017 (2,264 in 2016). Telenor Sweden has a defined benefit plan with 718 active members in 2017 (819 in 2016). Other companies outside Norway and Sweden primarily offer contribution plans.

The funded defined benefit plans in Norway have a net benefit liability of NOK 650 million as of 31 December 2017 (NOK 881 million as of 31 December 2016). The service cost was NOK 206 million in 2017 (NOK 246 million in 2016), of which current service cost of NOK 211 million and a positive past service cost of NOK 5 million. Net interest cost was NOK 17 million (NOK 14 million in 2016).

Unfunded defined benefit plans have previously been offered to executive employees. As of 31 December 2017 the net defined benefit liability recognised in the statement of financial position was NOK 603 million (NOK 509 million as of 31 December 2016). The service cost was NOK 13 million in 2017 (NOK 15 million in 2016). Net interest cost was NOK 13 million (NOK 13 million in 2016).

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 2017, the contribution was 2.5% of total salaries between 1 and 7.1 times the base amount (G) (2.5% for 2016). For 2018 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 1,001 million as of 31 December 2017 (NOK 827 million as of 31 December 2016). The service cost was NOK 58 million and net interest cost was NOK 24 million in 2017 (NOK 45 million and NOK 24 million in 2016, respectively). The assumptions are set within the recommended levels according to Swedish actuaries. The discount rate used for the pension calculations as of 31 December 2017 was 2.75% (3.0% in 2016) and expected salary increase was set to 3.0% (3.0% in 2016).

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

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	87.77	91.52
50	0.14	0.09	0.22	0.33	87.03	90.64
60	0.40	0.27	0.78	1.23	86.64	90.06
70	1.26	0.88	-	-	87.16	90.21
80	4.10	2.83	-	-	89.42	91.81

The plan assets were measured at 31 December 2017 and 31 December 2016. The calculation of the projected benefit obligations (PBO) as of 31 December 2017 was based on the member base at 4 November 2017 (at 18 October 2016).

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

	2017			2016		
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	**(9 114)**	**6 542**	**(2 572)**	(8 566)	6 147	(2 419)
Current service cost	(370)	-	(370)	(391)	-	(391)
Past service cost	14	-	14	7	-	7
Net interest	(259)	194	(65)	(256)	192	64
Discontinued operations	-	-	-	(7)	-	(7)
Sub-total included in Income Statement	**(615)**	**194**	**(422)**	(647)	192	(455)
Return on plan assets (excluding amounts included in net interest expense)	-	(354)	(354)	-	(11)	(11)
Actuarial changes arising from changes in demographic assumptions	22	-	22	20	-	20
Actuarial changes arising from changes in financial assumptions	(290)	-	(290)	(229)	-	(229)
Experience adjustments	559	-	559	(84)	-	(84)
Sub-total in Other Comprehensive Income	**291**	**(354)**	**(63)**	(293)	(11)	(304)
Effects of business combinations and disposals	68	(37)	31	(1)	1	-
Contributions by employer	-	451	451	-	476	476
Benefits paid	276	(209)	67	328	(247)	81
Translation differences	(23)	(21)	(44)	65	(17)	48
As of 31 December	**(9 117)**	**6 565**	**(2 552)**	(9 114)	6 542	(2572)
Of which classified as:						
Pension obligations			(2 565)			(2 585)
Other non-current assets			14			13

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

	2017	2016
Discount rate in %	2.40	2.60
Future salary increase in %	2.25	2.25
Future increase in the social security base amount in %	2.25	2.25
Future turnover in %	4.00	4.10
Expected average remaining service period in years	8.00	8.20
Future pension increases in %	1.75	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 2017 and 2016 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	2017	2016
Current service cost	(370)	(391)
Past service cost	14	7
Net interest cost	(65)	(64)
Net periodic benefit costs	**(422)**	**(448)**
Contribution plan costs	(626)	(530)
Total pension costs charged to the income statement for the year	**(1 048)**	**(978)**
of which reported as other expense (note 10)	67	20
of which reported as pension cost (note 8)	(1 050)	(934)
of which reported as net interest cost (note 12)	(65)	(64)

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 2017. 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:										
Benefit obligations	1 599	(1 181)	(598)	602	128	(200)	(890)	1 102	291	(150)

Asset categories

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

	2017	2016
Bonds %	**57**	58
Equity securities %	**38**	35
Real estate %	**5**	7
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 30% of the buildings measured at market value are used by the Group through rental contracts.

The Group expects to contribute approximately NOK 402 million to the Telenor Pension Fund in 2018.

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)	136
Between 2 and 5 years	603
Next 5 years	1 164
Total expected payments next 10 years	**1 903**

The average duration of the Norwegian defined benefit plans at the end of the reporting period is 17.2 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	2017	2016
Financial derivatives	2	FVTPL[1]	124	1 077
Financial derivatives designated for net investment hedge	2		829	2 147
Other non-current non-interest-bearing liabilities		FLAC[2]	152	592
Total non-current non-interest-bearing liabilities as of 31 December			**1 105**	**3 816**

Trade and other payables

NOK in millions	Fair value level[4]	Category	2017	2016
Trade payables			8 786	8 437
Accruals			19 607	21 749
Total trade payables and accruals as of 31 December		FLAC[2]	**28 393**	**30 186**
Prepaid revenues and deferred connection revenues			7 529	8 039
Government taxes, tax deductions etc.			4 372	4 665
Total other payables as of 31 December		NF[3]	**11 902**	**12 704**
Total trade and other payables as of 31 December			**40 295**	**42 890**

Current non-interest-bearing liabilities

NOK in millions	Fair value level[4]	Category	2017	2016
Financial derivatives	2	FVTPL[1]	1 452	1 473
Financial derivatives designated for net investment hedge	2		341	370
Other current non-interest-bearing liabilities		FLAC[2]	1 460	1 799
Total current non-interest-bearing liabilities as of 31 December			**3 253**	**3 642**

[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 647 million as of 31 December 2017 (NOK 868 million as of 31 December 2016).

NOTE 27 Interest-bearing liabilities

	2017			2016		
NOK in millions	Current interest-bearing liabilities	Non-current interest-bearing liabilities	Total	Current interest-bearing liabilities	Non-current interest-bearing liabilities	Total
Interest-bearing liabilities measured at amortised cost						
Bank loans	1 410	9 065	10 475	4 526	13 342	17 868
Finance lease obligations	85	842	927	65	924	989
Bonds and Commercial Papers	17 538	39 693	57 230	17 374	41 697	59 071
Licence obligations[1]	799	1 458	2 257	1 188	3 696	4 884
Deposits from customers[2]	2 846	-	2 846	2 775	-	2 775
Other liabilities	32	530	562	41	732	773
Total interest-bearing liabilities	**22 710**	**51 587**	**74 296**	25 970	60 391	86 361
Fair value of debt			77 327			90 160
Of which fair value hierarchy level 1[3]			58 556			61 320
Of which fair value hierarchy level 2[3]			18 771			28 840

[1] Net present value of future payments for mobile licenses in Pakistan, Myanmar and Denmark is recognised as interest-bearing liabilities.
[2] Includes deposits from customers mainly in Telenor Microfinance Bank Ltd. in Pakistan.
[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	2017 Debt before the effect of currency swaps	2017 Debt adjusted for the effect of currency swaps[2]	2016 Debt before the effect of currency swaps	2016 Debt adjusted for the effect of currency swaps[2]
Company					
Telenor ASA	EUR	26 019	17 853	28 435	14 282
	NOK[1]	-	(13 419)	-	(19 819)
	SEK	3 396	8 496	3 231	7 892
	HUF	-	761	-	645
	USD	823	13 661	5 170	30 875
	THB	-	1 610	-	2 799
	DKK	-	2 017	-	2 542
Total Telenor ASA		**30 238**	**30 980**	**36 836**	**39 217**
DiGi	MYR	5 457	5 457	3 456	3 456
Grameenphone	BDT	489	489	558	558
Grameenphone	USD	847	847	1 485	1 485
Denmark	DKK	309	309	202	202
Sweden	SEK	198	198	200	200
Pakistan	USD	1 093	1 093	1 737	1 737
India	INR	-	-	3 332	3 332
dtac	THB	12 032	12 032	11 909	11 909
Myanmar	USD	190	190	-	-
Other non-current interest-bearing liabilities		732	732	675	675
Total subsidiaries		**21 348**	**21 348**	**23 555**	**23 555**
Total non-current interest-bearing liabilities		**51 587**	**52 328**	**60 391**	**62 771**

[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	2017 Debt before the effect of currency swaps	2017 Debt adjusted for the effect of currency swaps[1]	2016 Debt before the effect of currency swaps	2016 Debt adjusted for the effect of currency swaps[1]
Company					
Telenor ASA	NOK	-	1 702	16	(1 106)
	EUR	4 920	1 530	9 086	7 269
	SEK	-	-	-	2 490
	USD	4 103	5 328	-	405
Total Telenor ASA		**9 023**	**8 560**	**9 102**	**9 058**
Telenor East Holding II AS	USD	8 007	8 007	8 288	8 288
DiGi	MYR	54	54	957	957
Denmark	DKK	80	80	39	39
Serbia & Montenegro	RSD	94	94	453	453
Pakistan	USD	563	563	589	589
Pakistan	PKR	3 298	3 298	2 428	2 428
dtac	THB	508	508	1	1
India	INR	257	257	2 985	2 985
Grameenphone	BDT	48	48	319	319
Grameenphone	USD	563	563	595	595
Myanmar	USD	158	158	154	154
Other current interest-bearing liabilities		58	58	60	60
Total subsidiaries		**13 687**	**13 687**	**16 868**	**16 868**
Total current interest-bearing liabilities		**22 709**	**22 247**	**25 970**	**25 926**

[1] 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	2017	2016
As of 1 January	86 361	76 428
Change in cash flow from financing activities	(13 546)	9 019
Change due to hedge accounting	(515)	(208)
Effects from changes in foreign exchange rates	2 484	(3 180)
Liabilities held for sale	(2 874)	-
Acquisitions	-	215
Interest and deposits from customers in financial institutions[1]	1 428	2 157
Increase in licence liability[2]	579	1 654
Change in bank overdraft[3]	455	(61)
Other changes	(77)	337
As of 31 December	**74 296**	**86 361**

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 also 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 44,322 VEON ADSs (adjusted for dividend and subject to further adjustments), which represents an exchange price of approximately USD 4.51 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 66,483 ADSs (150% of 44,322 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 44,322 VEON ADSs underlying each Bond is at least USD 260,000, effectively encouraging bondholders to exercise their exchange right and accelerating Telenor's divestment of its VEON ADSs.

Furthermore, debt in dtac is mainly comprised of issued bonds (NOK 8.4 billion) and debt to financial institutions (NOK 3.9 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. Interest-bearing liabilities owed by Telenor India to local financial institutions are guaranteed by Telenor ASA.

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

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. As of 31 December 2017, the reported net debt/EBITDA ratio was 0.96x (1.21x as of 31 December 2016) 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 distribute dividends to shareholders, return capital to shareholders, acquire or sell treasury shares or issue new shares. In 2017, Telenor's total shareholder remuneration was NOK 13.2 billion, comprised of NOK 11.7 billion of ordinary dividends paid out in May (NOK 4.30 per share) and November (NOK 3.50 per share) and NOK 1.5 billion of share buybacks carried out in the open market from August 2017 to year-end. Share purchases in 2017 equaled 63% of the maximum open market buyback communicated for the 2017-2018 programme.

For 2017/2018 Telenor ASA has an agreement with the Kingdom of Norway through the Ministry of Trade, Industry and Fisheries to carry through share buybacks with the purpose to cancel these shares through write-down of the share capital to maintain its ownership interest. The cash effect of this agreement will occur in 2018. See notes 23, 32 and 35 for further description.

For the financial year 2017, the Telenor Board of Directors will propose a total dividend of NOK 8.10 per share to be resolved by the Annual General Meeting in May 2018 and paid out in two tranches of NOK 4.20 and NOK 3.90 per share in May and November, respectively. The net dividend amount to be paid out in 2018 is NOK 12.0 billion, based on a fully executed share buyback programme in February 2018.

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.

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 2017.

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 135 for description of alternative performance measures

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

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	9years	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**

NOK in millions	Total as of 31.12.16	< 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	76 291	21 802	10 851	17 957	11 702	1 570	6 533	1 147	2 981	1 458	253	37	-
Finance lease liabilities	989	65	49	55	55	63	179	80	184	90	108	61	-
Other interest-bearing liabilities, including license commitments	7 827	4 104	876	727	595	589	252	264	248	86	85	-	-
Sum of interest-bearing liabilities	**85 107**	**25 970**	**11 777**	**18 738**	**12 353**	**2 221**	**6 964**	**1 491**	**3 413**	**1 634**	**446**	**98**	**-**
Non-interest-bearing liabilities													
Trade and other payables	42 890	42 890	-	-	-	-	-	-	-	-	-	-	-
Other current non-interest-bearing liabilities	1 799	1 799	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	5 067	1 843	949	96	869	27	1 007	207	43	27	-	-	-
Other non-current non-interest-bearing liabilities	592	-	-	-	-	-	-	-	-	-	-	-	592
Sum of non-interest-bearing liabilities	**50 347**	**46 532**	**949**	**96**	**869**	**27**	**1 007**	**207**	**43**	**27**	**-**	**-**	**592**
Total	**135 454**	**72 502**	**12 726**	**18 834**	**13 222**	**2 248**	**7 972**	**1 698**	**3 456**	**1 661**	**446**	**98**	**592**
Future interest payments	**8 003**	**1 971**	**1 409**	**1 357**	**1 174**	**738**	**528**	**350**	**310**	**160**	**8**	**-**	**-**
Total including future interest payments	**143 458**	**74 473**	**14 135**	**20 191**	**14 396**	**2 986**	**8 500**	**2 048**	**3 765**	**1 820**	**454**	**98**	**592**

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 2017, the average reported interest cost for the Group was 3.3% on all interest-bearing liabilities, including licenses (3.4% in 2016).

The majority of the debt issued by the Group is fixed rate debt. The Group uses interest rate derivatives to manage the interest rate risk of the debt portfolio. This typically involves interest rate swaps, both swapping floating interest rates to fixed interest rates and vice versa. Forward rate agreements and interest rate options 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 2017, the duration of the Group's debt was 1.5 years (1.6 years as of 31 December 2016). Telenor ASA's duration was 1.9 years as of 31 December 2017 (2.1 years as of 31 December 2016).

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.

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 object is recognised as "net change in fair value of financial instruments" under financial items in the income statement. Effectiveness testing is performed on an accumulated basis.

Fair value hedging relationships

NOK in millions	2017	2016
Net gain / (loss) recognised in the income statement on hedged items	592	186
Net gain / (loss) recognised in the income statement on hedging instruments	(392)	(28)
Amount of hedge ineffectiveness	**200**	**158**

Fair values of financial instruments designated as hedging instruments in fair value hedges are classified as other non-current assets and other current financial assets:

	2017		2016	
NOK in millions	Assets	Liabilities	Assets	Liabilities
Fair value as of 31 December				
Fair value hedge instruments	1 777	-	2 329	-

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:

	2017		2016	
NOK in millions	Yield curve increase 10%	Yield curve decrease 10%	Yield curve increase 10%	Yield curve decrease 10%
Increase (decrease) in fair value of financial instruments	154	(155)	167	(169)
Gain (loss) in income statement	5	(4)	67	(68)

Sensitivity analysis of change in floating interest rates on net financial items in the income statement

	2017		2016	
NOK in millions	Interest rates increase 10%	Interest rates decrease 10%	Interest rates increase10%	Interest rates decrease10%
Gain (loss) in the income statement	(65)	65	(86)	86

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. Net investment hedge accounting is applied when possible. Short-term currency swaps are frequently used for liquidity management purposes. These swaps are not designated as hedging instruments.

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. When possible, cash flow hedge accounting is applied for these transactions.

Financial instruments designated as hedging instruments of net investment in foreign operations

As of 31 December 2017 and 2016, material hedging positions are designated as net investment hedges. There was no ineffectiveness in the years ending 31 December 2017 and 2016. For amounts reclassified to income statement, see note 23.

Net investment hedging relationships

NOK in millions	2017	2016
Amount recognised directly to other comprehensive income	(1 426)	2 734

Hedging as described above is only applied in currencies that have well-functioning capital markets.

Interest-bearing debt and derivatives designated as hedging instruments in net investment hedges (only effective part of instruments are included):

	2017		2016	
NOK in millions	Debt	Derivatives	Debt	Derivatives
As of 31 December				
Nominal amounts net investment hedge instruments	(28 455)	2 985	(29 866)	(12 852)
Fair value net investment hedge instruments	(30 854)	(349)	(32 319)	(1 890)

Classification of derivatives designated for net investment hedge in the consolidated statement of financial position:

NOK in millions	2017	2016
As of 31 December		
Other non-current assets	210	473
Other financial current assets	611	153
Non-current non-interest-bearing financial liabilities	(829)	(2 147)
Current non-interest-bearing liabilites	(341)	(370)
Fair value net investment hedge instruments	**(349)**	**(1 890)**

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									
	2017					2016				
NOK in millions	EUR	MYR	SEK	USD	Other	EUR	MYR	SEK	USD	Other
Depreciating Functional Currency										
NOK	**(787)**	**-**	**(713)**	**(2 224)**	**(168)**	(611)	(184)	(260)	(795)	-
BDT	**-**	**-**	**-**	**(155)**	**-**	-	-	-	(219)	-
PKR	**-**	**-**	**-**	**(238)**	**-**	-	-	-	(143)	-
INR	**-**	**-**	**-**	**(238)**	**-**	-	-	-	(251)	-
MMK	**-**	**-**	**-**	**(123)**	**-**	-	-	-	(128)	-

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 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 2017, including effects of net investment hedge, would have been an increase of approximately NOK 0.7 billion (increase of NOK 0.2 billion as of 31 December 2016).

The table below shows the impact on OCI of net investment hedge (NIH) instruments if the functional currency weakened by 10%.

	2017				2016			
NOK in millions	EUR	SEK	USD	Other	EUR	SEK	USD	Other
Currency effect on OCI (before tax) of NIH instruments								
NOK	**(1 350)**	**(850)**	**-**	**(347)**	(1 138)	(1 038)	(1 645)	(451)
Effect on other comprehensive income (OCI)				**(2 547)**				**(4 272)**

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 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 728 million higher / lower in 2017 (NOK 534 million in 2016).

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	2017	2016
Cash and cash equivalents	**22 546**	23 085
Bonds and commercial papers > 3 months (note 21)	**849**	1 683
Financial derivatives (note 21)	**3 042**	3 421
Trade and other current financial receivables (note 20)	**21 472**	20 066

The Group's credit risks largely arise from trade receivables, financial derivatives and cash and cash equivalents.

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.

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.

As of 31 December 2017, NOK 841 million was held as cash collateral and NOK 190 million was posted as cash collateral. As of 31 December 2016, NOK 59 million was held as cash collateral and NOK 277 million was posted as cash collateral.

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 2017 and 2016, 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	2017	2016
Finance lease liabilities secured by assets pledged	**927**	989
Total liabilities secured by assets pledged as of 31 December	**927**	**989**
Carrying amount of assets pledged as security for finance lease liabilities	**864**	895
Total assets pledged as security for liabilities as of 31 December	**864**	**895**

There has been no major change in finance lease liabilities secured by assets pledged as of 31 December 2017.

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 2017 were mainly related to Telenor Sweden, Telenor Denmark, DiGi and Grameenphone. See notes 18 and 27.

Guarantee obligations:

NOK in millions	2017	2016
Guarantee obligations as of 31 December	**4 779**	4 390

In relation to the licence issuance in Myanmar, a performance bond of NOK 0.9 billion (NOK 1.3 billion as of 31 December 2016) 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 1.3 billion (NOK 1.3 billion as of 31 December 2016) as security for Telenor India's bank guarantee facilities.

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 2017 and as of 31 December 2016:

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	2 921	2 020	1 844	1 362	1 056	4 461
Lease of satellite- and net-capacity	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	**12 825**	**3 100**	**2 406**	**1 845**	**1 442**	**5 856**

2016

NOK in millions	2017	2018	2019	2020	2021	After 2021
Minimum lease payments under non-cancellable operating leases (the Group as a lessee)						
Lease of premises	2 710	1 976	1 650	1 170	913	4 063
Lease of satellite- and net-capacity	1 012	447	338	301	281	845
Other leases	226	41	24	11	4	-
Contractual purchase obligations						
IT-related agreements	626	89	42	1	-	-
Other contractual obligations	7 331	3 227	427	129	108	604
Committed investments						
Property, plant and equipment and intangible assets	3 635	67	50	16	4	-
Total contractual obligations	**15 539**	**5 846**	**2 531**	**1 628**	**1 310**	**5 512**

The tables above do not include agreements under which the Group has no committed minimum purchase obligations. Tower leasing obligations in India and Myanmar are included in Minimum lease payments under non-cancellable operating leases as lease of premises. As of 31 December 2017: India with NOK 2.5 billion for the period of 2018-2022 and NOK 0.3 billion after 2022, Myanmar with NOK 2.6 billion for the period of 2018-2022 and NOK 3.0 billion after 2022.

The table above has been updated with changes for 2016 related to minimum lease amounts and periods for leases in Myanmar.

dtac's concession right

dtac is obliged to pay an annual fee to CAT Telecom Public Company Limited (CAT) in accordance with the concession agreement. The annual fee is based on the greater of a minimum annual payment and a percentage of revenues from services. The minimum annual payments are not included above. The minimum annual payments for the year 2018 are NOK 302 million (converted from THB to NOK based on the exchange rate as of 31 December 2017). For further information regarding dtac's concession right see note 17.

NOTE 32 Related parties

As of 20 March 2018, 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 Meeting (AGM) in May 2017, 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 authorisation is valid until the AGM in May 2018. Telenor entered into an agreement with MTIF whereby it was agreed that the Ministry was 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 would remain unaffected if Telenor repurchased shares for the purpose of cancellation. Telenor repurchased 8,738,593 treasury shares during 2017. 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 access to Internet to all households and companies and services for the disabled. The Group receives no compensation for providing USO services.

In addition, the Group was in 2017 and 2016 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 2017 and 2016, the Group received NOK 84 million and NOK 83 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 2017 and 2016, the Group received a refund on such activities of NOK 58 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 2017 and 2016, the Group received refunds on such activities of NOK 100 million and NOK 67 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 160 million and NOK 150 million in 2017 and 2016, 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. In 2016, the Group paid NOK 9 million for spectrum in the 3700 MHz band in Norway. The license is valid from 3 February 2016 until 31 December 2022.

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 provided rental of real estate and related services to Statsbygg for NOK 70 million in 2017 (NOK 111 million in 2016). The Group also sold transmission capacity and related services in the digital and analog terrestrial transmission network to Norsk Rikskringkasting AS of NOK 238 million in 2017 and NOK 283 million in 2016.

Transactions with associated companies and joint ventures

	2017		2016	
NOK in millions	Sales to	Purchases from	Sales to	Purchases from
	575	**(842)**	926	(1 072)

Amounts receivable from and amounts due to associated companies and joint ventures

	2017		2016	
NOK in millions	Receivables	Payables	Receivables	Payables
	52	**(21)**	165	(281)

In 2017 and 2016, sales to associated companies include network access charges to Norges Televisjon AS of NOK 366 million and NOK 360 million, respectively. Sales to VEON Ltd. amount to NOK 154 million in 2017 and NOK 545 million in 2016 (VEON Ltd. was deconsolidated as an associated company in April 2017).

Purchases from associated companies include VEON Ltd. with NOK 151 million in 2017 and NOK 543 million in 2016 (VEON Ltd. was deconsolidated as an associated company in April 2017). Furthermore, purchases from Strex AS regarding mobile content services were NOK 420 million in 2017 and NOK 147 million in 2016. In addition, a substantial part of the purchases in 2017 and 2016 from associated companies concerns sales and marketing support for distributors of the Group's products and services in Norway and Thailand.

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 of 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 24.

See note 13 for uncertain tax positions.

Grameenphone

1) BTRC – Audit claim

In 2011, Bangladesh Telecommunication Regulatory Commission (BTRC) conducted audits of the existing mobile operators in Bangladesh, including Grameenphone. On 3 October 2011, Grameenphone received a claim amounting to approximately NOK 3.0 billion from BTRC referring to findings of the audit. Grameenphone has filed various court proceedings seeking an injunction restraining BTRC from claiming the said demand, in which Grameenphone has contended that acceptable audit standards and practices have not been followed during and after the audit and that the claims made remain unfounded, unsubstantiated and without merit. On 20 October 2011, the High Court Division of the Supreme Court directed the parties (of the district court case) to maintain 'as is situation' (status quo) in respect of the claim made by BTRC later on extended until the disposal of the appeal. The case is still pending. The next hearing of the district court case is expected to take place during the second quarter of 2018.

In 2013, the High Court Division of the Supreme Court declared the appointment of auditors by BTRC illegal.

In 2015, BTRC appointed a new auditor through a fresh appointment process and conducted an information system audit on Grameenphone dating back from 1997 to 2014. Grameenphone has been given the opportunity to provide input and feedback to draft audit observations during January 2018. The auditor is now expected to share the final report with BTRC.

2) SIM tax on replacement SIM cards

On 16 May 2012, National Board of Revenue (NBR) issued a notice to Grameenphone claiming SIM tax and interest of NOK 1.6 billion on replacement SIM cards issued during the period from July 2007 to December 2011. Grameenphone challenged the demand to the High Court Division of the Supreme Court. In April 2014 a special commission appointed by the Government presented their report stating principally same amounts as the initial NBR conclusions. Grameenphone contested the report.

On 18 May 2015, LTU-VAT issued a claim for principal amount of NOK 1.0 billion (excl interest) as SIM tax. The revised claim includes substantially all replacements done by Grameenphone in the period between July 2007 and December 2011. On 13 August 2015, Grameenphone filed an appeal to the VAT Appellate Tribunal against the 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 prescribed by law. Since there are strong legal arguments to defend the claim, any payment related to this claim is likely to be adjustable upon the court's conclusion of the case in favour of Grameenphone. On 5 June 2017, the Tribunal pronounced its judgement upholding the demand. Grameenphone filed an appeal to the High Court Division of the Supreme Court, which passed an order of stay on the Judgment of the Tribunal. The order of stay is still in force.

In July 2017 LTU-VAT issued a show-cause notice to Grameenphone relating to SIM tax on replacement SIMs, for the period July 2012 – June 2015. To the extent this Show Cause Notice could lead to a final tax demand, the total demand for the period from July 2007 to December 2011 and July 2012 to June 2015 may 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 demand.

dtac

1) Dispute between TOT, CAT and dtac regarding Access Charge/Interconnection

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

On 17 November 2006, dtac issued a written notification informing 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 on the basis that the rate and the collection of access charge under the Access Charge Agreements were contrary to the law in a number of respects. dtac also informed TOT and CAT that it would pay the interconnection charge to TOT when dtac and TOT have entered into an interconnection charge 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 has concluded that TOT is obligated to commence negotiations with dtac. TOT still rejects entering into an interconnection agreement and has appealed the matter to Supreme Administrative Court. The matter is now under consideration of the Court.

On 9 May 2011, TOT filed a plaint with the Central Administrative Court requiring the court to order dtac and CAT to jointly pay access charge to TOT, together with the default interests, in the amount of approximately NOK 28.5 billion. dtac submitted a defense to the court on 26 January 2012.

On 10 October 2014, dtac was informed that TOT increased its claim for the period May 2011 - July 2014 by NOK 33.3 billion so that the total claim amounts to approximately NOK 61.8 billion, including interest fee, penalty charge and VAT surcharge (calculated until July 2014). Presently, this case is under consideration of the Central Administrative Court. 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 2017 has been a reduction of dtac's expenses of approximately NOK 17.4 billion.

2) Disputes between dtac and CAT regarding revenue sharing payment under Concession Agreement

CAT and dtac have a number of disputes and disagreements over understanding and reach of the concession agreements.

Excise tax

On 11 January 2008, CAT submitted a claim to the Arbitration Institute requesting dtac to make concession revenue sharing payments for the 12th – 16th concession years (16 September 2002 to 15 September 2006) amounting to NOK 5.6 billion including penalties. The basis for the claim is the fact that revenue share paid by dtac to CAT was made after deduction of excise tax. Dtac's opinion is that it was entitled to do so by virtue of the resolutions made by the Thai Council of Ministers on 11 February 2003 and a letter of 27 March 2003 issued by CAT allowing such deduction. On 28 May 2012, the Arbitral Tribunal rendered an award in favour of dtac and dismissed CAT 's claim for Excise tax on Revenue Sharing Payment. However, on 31 August 2012, CAT filed a lawsuit with the Central Administrative Court in order to revoke the arbitration award. On 29 January 2016, dtac was notified by the Central Administrative Court that the court had decided the case in dtac's favour.

CAT has appealed the case to the Supreme Administrative Court.

Additional revenue sharing on interconnect
On 31 August 2011, CAT submitted several statements of claim to the Arbitration Institute requesting dtac to pay additional revenue sharing on interconnection charge for the 16th concession year (16 September 2006 to 15 September 2007) in the amount of NOK 1.0 billion plus penalty interest at the rate of 15% p.a. from 16 December 2007 based on the grounds that dtac has no right to deduct any interconnect expenses from its revenue and has 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 gave an award in the matter, in which they dismissed certain parts of the claim from CAT. Both dtac and CAT filed objections with the Central Administrative Court on 3 and 4 December 2014, respectively. The case is under the consideration of the Central Administrative Court.

CAT has filed an additional statement of claims to the Arbitration Tribunal requesting for additional revenue sharing for the 17th to the 20th concession years (16 September 2007-15 September 2011) in the amount of NOK 3.7 billion including interest of 15% p.a. and has further sent letters to dtac requesting for additional revenue sharing for the 21st concession year to the 25th concession year (16 September 2011 to 15 September 2016) of NOK 4.2 billion.

Porting of subscribers
The disputes related to the concession agreements also include how the new 3G regime is to be understood in relation to the concession agreements. CAT has threatened to terminate the concession agreements, due to alleged breaches by dtac of these agreements. CAT served dtac notices to claim compensation from dtac due to porting of its subscribers to its subsidiary dtac TriNet during September 2013 – May 2015 in the amount of NOK 4.2 billion.

dtac is of the opinion that the company is operating in accordance with applicable laws and regulations and refutes any allegations from CAT that dtac is operating in violation of concession agreements.

3) Foreign ownership
One of dtacs 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 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 alleging that NBTC (as an administrative agency) has negligently not performed its duties by allowing dtac to operate telecom business. Therefore, the Central Administrative Court has issued a summon requesting dtac to be a co-defendant to this case. On 26 November 2015, the Central Administrative Court ruled that the Court cannot revoke dtac's right to operate. However, the Court has ordered NBTC to perform its duty by investigating whether dtac is in breach of the Foreign Dominance Notification within 90 days from the date the verdict of this Court becomes final. Both NBTC and dtac has filed an appeal to the Supreme Administrative Court. Currently, these two cases are under the consideration of the Royal Thai Police and the Supreme Administrative Court. Telenor is of the opinion that the Group's ownership structure in dtac was established, and is, in accordance with Thai law as well as the established practices in Thailand.

Telenor India
On 2 February 2012, the Indian Supreme Court quashed all 122 2G licences awarded in 2008, including those granted to Unitech Wireless. Following this decision, the Supreme Court ordered that the 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. The Supreme Court order dated 15 February 2013 opened up for possible retroactive spectrum fee payments for the licences quashed by the Supreme Court order on 2 February 2012, applicable to the licensees who have continued business until new licences were issued, see also note 13. Department of Telecommunications in India (DoT) issued a notice dated 17 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 as per direction of the Supreme Court dated 15 February 2013 for the licences quashed by the Supreme Court order on 2 February 2012. Telenor India has replied to the above notice on 29 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 by DoT). Telenor India has challenged such demand and the interpretation by DoT of the Supreme Court judgment before Telecom disputes settlement and appellate tribunal (TDSAT). A stay order has been obtained until the next date of hearing.

Telenor India is also involved in several other disputes with DoT. DoT has issued a notice to 8 entities of Unitech Wireless as to why a financial penalty of NOK 1.3 billion should not be imposed, due to an alleged violation of the prior approval by DoT of a merger of 7 Unitech Wireless companies into Unitech Wireless (Tamilnadu) Private Limited. The merger was effective from 1 October 2010 by virtue of a court order from the High Court of Delhi. Telenor India has contested the basis for the claim as set out in Show Cause notice.

There is also a dispute related to the basis for calculation of the license fee for the years 2008-2014 and Telenor India has received claims from DoT related to this in the amount of NOK 1.15 billion. This is an industry issue currently pending at the Supreme Court.

Telenor Pakistan
1) Federal Excise Duty disputes
The Federal Board of Revenue (FBR) had alleged that the Cellular Mobile Operators (CMO's) have evaded Federal Excise Duty (FED) in relation to interconnect revenues, the alleged liability for Telenor Pakistan was approximately NOK 0.6 billion, excluding penalty and interests.

The CMOs collectively decided to challenge the chargeability of the FED on interconnect charges through a Writ Petition in the Islamabad High Court as they had collected and paid the FED on the full value of call under "caller party pay" regime. The case was decided in favor of the CMOs in January 2014. The decision of the single bench was appealed by the FBR on 24 January 2014 which is still pending before the division bench.

2) Dispute over the legality of the Telecommuniaction Policy and Directive
China Mobile Pak Ltd (with its brand name Zong) filed a petition on 7 January 2017 before the Islamabad High Court, whereby it challenges the legality of the Telecommunication Policy 2015 ("Policy") and the Policy Directive ("Directive") dated 26 April 2017, pursuant to which Telenor Pakistan has been granted the 4G License in 850 MHz spectrum. The primary ground on which the petition has been filed is that, based on the Supreme Court's decision in a separate matter, allegedly the Policy and the Directive did not receive the sanction of the Federal Government, as constituted by the Prime Minister and the Federal Cabinet. Therefore, it is claimed by Zong that the Directive was not validly issued and therefore all decisions taken under the authority of the Directive have no

legal effect. Telenor Pakistan was initially not a party to this case, but has now joined the proceedings since it is the beneficiary of the decisions taken under the Policy and the Directive. Telenor Pakistan has followed the spectrum auction process in a transparent manner and any decision by the Court against the Policy/Directive would be on account of procedural error by the Government of Pakistan and such a decision would be vigorously appealed by Telenor Pakistan.

Telenor Norway

The Norwegian Competition Authority (NCA) and EFTA Surveillance Authority (ESA) carried out an inspection of Telenor Norge AS on 4-13 December 2012 based on suspected abuse of dominant position and/or anti-competitive collaboration concerning Telenor Norway's mobile operation.

On 1 February 2016 the ESA sent a Statement of Objections to Telenor, setting out its preliminary views of possible breach of Telenor's dominant position on the Norwegian mobile market in relation to margin squeeze in the segment mobile broadband standalone to consumers and lock-in agreements on subscription level to business customers. ESA is considering imposing a fine, but has not suggested a fine amount.

On 23 November 2016, NCA sent a Statement of Objection setting out its preliminary assessment of Telenor's behaviour in the mobile market. The preliminary allegations from the NCA are that it is considering imposing a fine of NOK 906 million against Telenor for a historical breach of the prohibition against abuse of a dominant position related to NCA's concern for the roll-out of the third mobile network in Norway.

Telenor's position in both cases is that we have not breached competition law. It will still take time before final conclusions are reached.

Telenor Sweden

On 25 April 2017, the European Commission has initiated an investigation related to possible abuse of a collective dominant market position and/or possible anti-competitive practices between mobile network operators in Sweden. Similar investigations were simultaneously initiated towards other Swedish mobile network operators.

Telenor Hungary

On 24 January 2018, the Hungarian competition authorities initiated an investigation on the premises of Telenor Hungary outside Budapest. The investigation pertains to network cooperation and allegations of anticompetitive behavior in relation to a frequency auction in 2014.

NOTE 34 Remuneration to management etc.

Board of Directors

Remuneration to the Board of Directors consists of a board fee, which is fixed for the year depending on role in the board, and fees received for being part of other board committees if applicable. All board fees are set by the Corporate Assembly.

The aggregate remuneration to the Board of Directors and the Corporate Assembly recognised in 2017 was NOK 3.7 million and NOK 0.7 million respectively. In 2016 this was NOK 4.2 million and NOK 0.7 million, respectively. In 2017 the aggregate remuneration to the board committees was NOK 1.6 million (NOK 1.6 million in 2016).

The members of the Board of Directors are entitled to a fixed compensation per meeting in the committees that they attend. They are not entitled to remuneration in the event of termination or change of office, neither to other types of remuneration such as bonus, profit sharing, and options or similar. The number of shares owned by the members of the Board of Directors, deputy board members and the Corporate Assembly as of 31 December 2017 and 2016 is shown below. Shares owned by the Board of Directors and deputy board members include shares owned by their related parties. None of these members have any share options.

NOK in thousands, except number of shares	Number of shares as of 31 December 2017[1]	Board fee 2017	Fee for Board elected committees 2017	Number of shares as of 31 December 2016[2]	Board fee 2016	Fee for Board elected committees 2016
Board						
Gunn Wærsted	12 000	623	103	12 000	601	95
Grethe Viksaas (from 10 May 2017)	-	211	58	-	-	-
Harald Stavn	6 213	312	159	6 027	300	131
Jacob Aqraou	10 000	397	108	10 000	254	32
Jon Erik Reinhardsen	1 500	312	122	-	300	106
Jørgen Kildahl (from 10 May 2017)	2 000	283	58	-	-	-
Roger Rønning (from 19 June 2017)	3 071	159	16	-	-	-
Sabah Qayyum (from 19 June 2017)	160	159	27	-	-	-
Sally Davis	-	407	121	-	444	103
Ashok Vaswani (until 9 May 2017)	-	132	8	-	243	32
Brit Østby Fredriksen (until 18 June 2017)	-	17	-	-	-	-
Dag J. Opedal (until 9 May 2017)	-	117	70	-	324	139
Per Gunnar Salomonsen (until 9 May 2017)	-	152	16	929	300	62
Regi Aalstad (until 9 May 2017)	-	132	69	3 500	465	102
Siri Beate Hatlen (until 9 May 2017)	-	101	85	-	202	63
Åse Selfjord (until 18 June 2017)	-	154	32	145	300	69

[1] Shareholdings not included for representatives who are no longer members as of 31 December 2017.
[2] Shareholdings not included for representatives who were not members as of 31 December 2016.

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 has loans from the Group.

Deputy Board Members

	Number of shares as of 31 December 2017[1]	Number of shares as of 31 December 2016
Hilde Caroline Rossland	–	–
Esben Smistad	–	–
Irene Vold	4 720	4 720
Jan Otto Eriksen	4 201	3 917
Åse Selfjord	193	145

[1] Shareholdings not included for representatives who are no longer deputy members as of 31 December 2017.

Corporate Assembly

	Number of shares as of 31 December 2017[1]	Number of shares as of 31 December 2016
Anders Skjævestad (chairman)	100	100
Espen Egeberg Christiansen (deputy member)	423	221
Håkon Lønsethagen (deputy member)	801	665
Haakon Bratsberg (deputy member)	5	5
Hege Ottesen	519	1 210
Jeanine Lilleng	696	696
Laila Fjelde Olsen (deputy member)	494	494
Magnhild Øvsthus Hanssen	2 329	2 559
May-Iren Arnøy	22	22
Pål Ligaard (deputy member)	231	215
Sune Johannes Jakobsson (deputy member)	8 625	8 392
Tarald Trønnes (deputy member)	319	1 129
Tom Westby	640	640

[1] Shareholdings not included for representatives who are no longer members as of 31 December 2017 and who has not held shares during 2016 or 2017.

The President and CEO and the Group Executive Management

The overall remuneration policy in Telenor Group is being continued from the previous year. There is however a change to the long-term incentive plan, which is one of the key remuneration elements for the President and CEO and Group Executive Management. This is described in section 3.3.1.

1. Remuneration policy

The remuneration policy shall help Telenor Group attract, engage and retain the right people to deliver sustainable value for shareholders in accordance with the Telenor way. Key principles:

Group-wide remuneration principles:

1. Reward for performance:
   Remuneration shall be based on the results of an individual's overall performance evaluated against objective and transparent criteria.
2. Support balanced goals:
   Remuneration shall be tied to a balanced combination of goals that align individual's goals with Telenor's business goals and the economic interests of its shareholders.
3. Offer competitive total reward:
   Telenor seeks to offer total remuneration that is attractive and competitive (but not market-leading).

2. Remuneration governance

The Board of Directors approves the remuneration to the President and CEO of Telenor Group.

The Board of Directors has appointed a People and Governance Committee (PGC) to act as an advisor to the Board on people and governance related matters. The Committee is responsible for monitoring, evaluating and recommending remuneration policies and programmes to the Board for approval and has no independent decision-making authority except where granted by the Board.

Key remuneration related responsibilities of PGC:

- Review Telenor Group remuneration policies and programmes including base salary, short-term and long-term incentive plans, employee share purchase programme and other key benefits such as pension and insurance plans.
- Recommend remuneration for the President and CEO and Group Executive Management including all remuneration elements mentioned above.
- Review market trends and insight in order to advice the Board on remuneration decisions.
- Review the declaration regarding the determination of salary and other remuneration to senior executives pursuant to section 6-16a in the Act relating to Public Limited Companies.

The Committee comprises of the Chairman of the Board, two of the shareholder elected Board members and one employee representative. The Group President and CEO and EVP and Chief People Officer normally attend the Committee meetings. Other management representatives attend based on invitation.

3. Key remuneration elements 2018

The total remuneration to executives shall be competitive and help support the development of the Telenor Group. It shall reflect Telenor Group's commitment to be compliant with the at all times prevailing external regulations and responsible business conduct guidelines.

In brief the executive remuneration shall reflect the:
- Market situation and business environment
- Business strategy and key priorities
- Responsible business conduct
- Scope and impact of role

Element	Key purpose
Base salary	Provide the basis for a competitive, but not market leading total remuneration. This is the main element of the total remuneration for all executives.
Short-term incentive	Help drive leadership behaviours and deliver results across different areas of the business to achieve the strategic ambitions.
Long-term incentive	Foster alignment of interests between executives and shareholders, as well as contribute to retention of key people.
Pension and insurances	Offer competitive pension and insurance plans that provide security and support in different life situations.

3.1 Base salary

Base salary constitutes the main element of the total remuneration for all executives. It is set to reflect market and business context, role scope and responsibilities, as well as the person's experience and competence level relevant for the role.
The base salaries are normally reviewed on an annual basis, taking into consideration the following key aspects:
- Performance in accordance with business priorities
- Demonstrated leadership in accordance with the Telenor Way
- Current salary level relative to market

3.2 Short-term incentive

The short-term incentive (STI) plan is designed to help drive desired leadership behaviours and deliver results in different areas of the business. It is a cash-based plan where the maximum annual earning is 50% of the annual base salary for the President and CEO and Group Executive Management.

The design reflects the key priorities of Telenor Group and contains both financial, operational and responsible business conduct related performance targets:
- Financial KPIs to drive financial results: gross profit uplift, opex control and free cash flow generation.
- Operational KPIs to drive progress on the transformation: customer satisfaction, number of monthly active users of digital channels and services, and organizational effectiveness.
- Responsible Business Conduct to drive sustainable business operations across all markets.

Responsible business conduct continues to be a key priority across the Telenor Group and the supply chain. This is embedded in the short-term incentive plan as a holistic measure for each participant, reflecting the executives' role and responsibilities in this area. Key aspects being measured are signing of Telenor Group Code of Conduct, completion of relevant training, as well as implementation of relevant policies and processes.

The results on responsible business conduct can have both a negative and positive impact on the overall achievement. It should also be noted that should a participant fail to comply with Telenor Group standards of business conduct and/ or local laws and regulations the short-term incentive may be forfeited altogether.

Calculation of outcome
The short-term incentive outcome is calculated based on the results for the respective KPIs as described above. In addition, a Total Shareholder Return (TSR) multiplier can increase the final outcome for each participant up to two times the KPI achievement, provided certain conditions are met.

Requirements for the TSR multiplier to be applied:
- The Telenor ASA share must have an absolute positive TSR over the two-year period from December 2016 to December 2018.
- The Telenor ASA share must perform better than the STOXX® Europe 600 Telecommunications index (SXKGR) over the two-year period from December 2016 to December 2018.

This means that if the gross return on the Telenor ASA share develops better than SXKGR over the two year period, the multiplier will range from 1 to 2 corresponding to Telenor ASA share's performance of 0 to 15 percentage points above the index. The multiplier increases linearly between 0 and 15 percentage points.

Vacation pay, pensionable earnings and tax related to this plan are subject to local laws and regulations.

The President and CEO and Group Executive Management should as a minimum keep shareholdings in Telenor ASA corresponding to the value of one annual base salary. In order to fulfil this requirement, the employees are required to invest up to 20% of the short-term incentive in Telenor ASA shares.

3.3 Share programmes

Telenor Group offers two share-based programmes to its employees. The key objectives of these are to align the interest of employees and shareholders, and give employees an opportunity to take part in the value creation and long-term development of the Group.

3.3.1. Long-term incentive (LTI)

The long-term incentive plan is a share-based plan for executives and a limited group of key experts across Telenor Group. It is designed to align the interests of the employees and shareholders, provide employees an opportunity to take part in the long-term value creation, as well as contribute to retaining key employees.

The President and CEO and Group Executive Management can receive a maximum LTI grant of 30% of their annual base salary. The size of the actual grant will be connected to the Telenor Group performance in the previous financial year. Free cash flow is defined as the key performance indicator to be applied for the LTI plan. This implies that Telenor Group performance must be above a certain free cash flow threshold set by the Board of Directors for LTI to be granted. If the Telenor Group free cash flow performance is equal to or below the threshold, no LTI will be granted.

Telenor will on behalf of all participants invest the after tax LTI grant amount in Telenor ASA shares. For participants on international assignment the maximum LTI grant is 15% due to their net salary terms.

To foster retention all participants are obliged to hold the LTI shares for a lock-in period of four years. If the participant should leave Telenor during the lock-in period he/she will lose the right to any locked shares. In case of a participant's retirement, disability or death the shares will be unlocked and made available to the participant.

3.3.2 Employee share programme (ESP)

Telenor Group offers all employees to purchase Telenor ASA shares for 1, 2, 3, or 4 percent of their annual gross base salary at a discount of maximum 25% of the invested amount (capped at NOK 2,000). The minimum investment amount is NOK 2,000.

If the Telenor ASA share performs better than the STOXX® Europe 600 Telecommunications index (SXKGR) over a 2 year period, the participants will be granted ESP bonus shares on the following terms:

- If the Telenor ASA share performs less than the index, no ESP bonus is awarded.
- If the Telenor ASA share performs better than the index, the ESP bonus is equal to the current value of the initial ESP shares (1:1 matching).
- If the Telenor ASA share performs minimum 15 percentage points better than the index, the ESP bonus is three times the current value of the initial ESP shares (3:1 matching).

The ESP bonus shares are granted given that the individual is still employed in the Telenor Group.

3.4 Other general benefits

The President and CEO and the Group Executive Management are entitled to additional benefits, as per local policies and country specific practices:

- Pension and insurance plans
- Company car or car allowance
- Electronic communication
- Newspapers

Pension and insurance plans

Since 1 June 2006, externally recruited members of the Group Executive Management who are employed in Norway have been enrolled in the collective defined contribution scheme for employees in Norway. From 1 January 2017 the contribution is 5% of the participant's annual base salary from 0 - 7.1 G, and 18% from 7.1–12 G.

From 1 July 2017, individual pension agreements (if any) related to pensionable salary above 12G are discontinued for internal hires to the Group Executive Management. Individual pension agreements for the Group Executive Management members entered into before 2016 have been honoured (see table "Individual terms for GEM members").

Group Executive Management members employed in Norway before 2012 are entitled to retire at the age of 62 or 65 years based on individual agreements. From 2012 the retirement age has been 67 years.

Group Executive Management members employed outside of Norway have pension and insurance schemes in accordance with legislation and practice in the respective markets. See separate overview. Employees on international assignments will remain in the home country pension scheme if possible; otherwise the host country scheme will be applied. If none of these options are available an allowance is provided in lieu of a pension scheme.

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

Severance pay

The President and CEO and Group Executive Management are entitled to severance pay equal to six months of their annual base salary calculated as from the expiry of the notice period. The severance pay is given under the condition that the employee waives his/her employee protection rights.

4. Key remuneration principles and implementation 2017

The key remuneration principles applied in 2017 are similar to those described above with the exception of the key performance indicator that is being introduced for the 2018 long-term incentive plan.

Individual terms for the President and Chief Executive Officer and Group Executive Management

During 2017, the Group Executive Management consisted of the following members:

Member	Position(s)
Sigve Brekke	President and Chief Executive Officer (P&CEO)
Jørgen C. Arentz Rostrup	EVP and Chief Financial Officer (CFO)
Cecilie Blydt Heuch	EVP and Chief People Officer from 1 December 2017
Jon Gravråk	EVP and Chief Digital Officer
Morten Karlsen Sørby	EVP and Chief Transformation Officer
Ruza Sabanovic	EVP and Head of Technologies and Services
Svein Henning Kirkeng	EVP and Head of Products and Marketing from 1 June 2017
Wenche Agerup	EVP, General Counsel and Chief Corporate Affairs Officer
Alexandra Reich	EVP CEE Cluster and CEO of Telenor Hungary
Berit Svendsen	EVP Scandinavia Cluster and CEO of Telenor Norway
Lars-Åke Norling	EVP Developed Asia Cluster and CEO of dtac, Thailand
Petter Børre Furberg	EVP Emerging Asia Cluster from 1 March 2017 EVP and CEO (acting) of Grameenphone, Bangladesh until 1 March 2017
Jon Erik Haug	EVP and Chief People Officer until 30 November 2017
Gunnar Sellæg	EVP and Chief Marketing Officer (interim) until 31 May 2017
Albern Murty[1)]	EVP and CEO of Digi, Malaysia until 1 March 2017
Ingeborg Øfsthus[1)]	EVP and CEO of Telenor Montenegro and Serbia until 1 March 2017
Irfan Wahab Khan[1)]	EVP and CEO of Telenor Pakistan until 1 March 2017
Jesper Hansen[1)]	EVP and CEO of Telenor Denmark until 1 March 2017
Lars Erik Tellmann[1)]	EVP and CEO Telenor Myanmar until 1 March 2017
Michael Foley[1)]	EVP and CEO of Telenor Bulgaria until 1 March 2017
Patrik Hofbauer[1)]	EVP and CEO of Telenor Sweden until 1 March 2017
Sharad Mehrotra[1)]	EVP and CEO Telenor India until 1 March 2017

1) Stepped down from Telenor's Group Executive Management team. The business unit CEOs continued to be CEOs of their respective business units.

Individual terms for GEM members per 31 December 2017

Name	Contract type	Pension scheme
Sigve Brekke	Local Norway	Defined benefit: 60% of annual pensionable salary until the age of 75, thereafter 58%. Individually agreed retirement age of 65. Pensionable salary is capped at NOK 5,258 thousand (subject to annual index regulation).
Jørgen C. Arentz Rostrup	Local Norway	Part of general Telenor ASA defined contribution scheme.
Cecilie Blydt Heuch	Local Norway	Part of general Telenor ASA defined contribution scheme.
Jon Gravråk	Expatriate	Allowance at 8% of annual base salary in lieu of pension.
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.
Ruza Sabanovic	Expatriate	Part of general Telenor ASA defined contribution scheme.
Svein Henning Kirkeng	Local Norway	Part of general Telenor ASA defined contribution scheme.
Wenche Agerup	Local Norway	Part of general Telenor ASA defined contribution scheme.
Alexandra Reich	Expatriate	Allowance at 11% of annual base salary in lieu of pension.
Berit Svendsen	Local Norway	Defined benefit: 60% of annual pensionable salary until the age of 72, thereafter 58%. Individually agreed retirement age of 62.
Lars-Åke Norling	Expatriate	Maintaining home (Sweden) pension scheme, as described below. Defined contribution: 30% of annual pensionable salary and 30% of annual bonus and voluntary contribution up to 5% of annual pensionable salary.
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.

Remuneration to the Group Executive Management

Aggregate remuneration including pension cost for the Group Executive Management was NOK 115.3 million in 2017. The aggregate remuneration including pension cost was NOK 152.1 million in 2016. The compensation 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 2017 and 2016 respectively, where applicable.

Remuneration to Group Executive Management 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]	3 078	73	1 518	4 632	246	9 547
Morten Karlsen Sørby	4 068	914	1 874	184	2 342	9 382
Ruza Sabanovic[6]	3 953	359	1 986	1 406	121	7 824
Svein Henning Kirkeng (from 1 June 2017)	1 886	-	846	105	66	2 903
Wenche Agerup	3 181	390	1 500	191	119	5 381
Alexandra Reich[6]	3 551	103	1 521	1 805	391	7 371
Berit Svendsen	3 302	712	1 550	184	1 321	7 070
Lars-Åke Norling[6]	4 858	473	2 295	5 657	2 466	15 748
Petter Børre Furberg[6]	2 998	322	1 473	3 650	325	8 769
Jon Erik Haug[7] (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)	367	18	178	645	38	1 245
Irfan Wahab Khan[6] (until 1 March 2017)	688	68	302	221	76	1 355
Jesper Hansen (until 1 March 2017)	464	39	229	30	44	806
Lars Erik Tellmann[6] (until 1 March 2017)	371	22	186	663	29	1 271
Michael Foley[6] (until 1 March 2017)	735	46	334	297	81	1 493
Patrik Hofbauer (until 1 March 2017)	572	55	270	12	221	1 130
Sharad Mehrotra[6] (until 1 March 2017)	602	53	291	482	66	1 494

Remuneration to Group Executive Management 2016

NOK in thousands	Base salary[1]	Long Term Incentive (LTI) expensed[2]	Short-term incentive (STI)[9]	Other Benefits[4]	Pension benefit[5]	Total remuneration
Sigve Brekke	6 491	925	885	195	3 163	11 659
Jørgen C. Arentz Rostrup (from 1 November 2016)	937	–	105	246	23	1 311
Morten Karlsen Sørby	3 817	829	718	198	2 124	7 687
Jon Erik Haug	2 730	631	499	152	490	4 501
Jon Gravråk[6]	3 699	183	595	5 224	407	10 107
Ruza Sabanovic[6]	3 675	263	743	954	75	5 710
Wenche Agerup	2 744	195	650	196	75	3 860
Albern Murty[10]	2 939	293	762	408	575	4 978
Alexandra Reich[6] (from 12 October 2016)	786	–	50	126	86	1 048
Berit Svendsen	2 900	652	530	192	1 219	5 493
Christopher Laska[6] (until 31 August 2016)	1 913	162	85	608	98	2 867
Ingeborg Øfsthus[6] (from 1 March 2016)	2 261	60	122	2 125	194	4 761
Irfan Wahab Khan[6] (from 1 August 2016)	2 040	129	338	1 046	224	3 777
Jesper Hansen	2 829	176	553	183	306	4 048
Lars Erik Tellmann[6] (from 1 August 2016)	984	55	157	1 924	71	3 190
Lars-Åke Norling[6]	4 963	409	855	6 114	2 883	15 223
Michael Foley[6]	4 252	160	639	2 086	468	7 605
Patrik Hofbauer[6]	3 422	287	638	87	1 522	5 956
Petter Børre Furberg[6] (until 31 July and from 1 November 2016)	1 994	190	398	1 598	243	4 423
Sharad Mehrotra[6]	3 243	257	668	2 446	357	6 971
Gunnar Sellæg (from 23 December 2016)	58	–	8	5	2	72
Ove Fredheim[6] (until 28 February 2016)	788	45	35	484	69	1 422
Pål Wien Espen[8] (until 29 April 2016)	853	–	–	5 225	317	6 396
Rajeev Sethi[6] (until 30 October 2016)	2 666	232	–	2 266	293	5 457
Richard Aa[9] (until 29 April 2016)	1 081	–	–	11 764	363	13 209
Stein Erik Vellan[6] (until 1 August 2016)	2 038	137	–	1 201	245	3 621
Vivek Sood[6] (until 23 December 2016)	3 520	363	684	1 828	387	6 782

1) Base salary includes holiday pay, if applicable.

2) LTI is reported on expensed basis, i.e. cost of all active programs in 2016 and 2017 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 2017 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 2018. Consequently, the actual taxes for 2017 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 2016 table have been updated according to the same method to reflect gross reconciled amounts.

7) The final settlement between Telenor and Jon Erik Haug amounts to NOK 5.1 million, and is reflected in the 'Other Benefits' column.

8) The settlement agreement between Telenor and Pål Wien Espen amounts to NOK 5.2 million. This amount is reflected in the 'Other Benefits' column.

9) The settlement agreement between Telenor and Richard Aa amounts to NOK 11.7 million, which includes NOK 6.7 million that relates to the closing of an individually agreed pension scheme. The amount was paid out in 2016, and is reflected in the 'Other Benefits' column.

10) The STI includes pay-outs of a local quarterly bonus program, which Albern Murty already had before joining GEM in October 2015. This bonus program applies to all local employees in Digi and is based on business performance in the subsidiary and paid out quarterly. Albern Murty is subject, in line with other GEM members, to a cap of short-term variable pay of 50% of annual base salary.

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.

Shares held during 2016

Name	Shares held as of 1 January/ start date for new members	Granted	Net Additions/ (Disposals)	Shares held as of 31 December[1]	Shares held as of 31 December of which are restricted
Sigve Brekke	105 287	7 244	1 959	114 490	15 765
Jørgen C. Arentz Rostrup	–	–	–	–	–
Morten Karlsen Sørby	81 712	1 257	1 178	84 147	8 892
Jon Erik Haug	15 012	2 815	823	18 650	9 690
Jon Gravråk	–	2 776	–	2 776	2 776
Ruza Sabanovic	4 589	2 432	621	7 642	4 738
Wenche Agerup	–	2 829	863	3 692	2 829
Albern Murty	5 091	4 942	2 346	12 379	8 787
Alexandra Reich	–	–	–	–	–
Berit Svendsen	31 750	3 204	217	35 171	9 931
Ingeborg Øfsthus	3 089	–	460	3 549	1 751
Irfan Wahab Khan[2]	5 675	–	–	5 675	7 042
Jesper Hansen	14 799	2 994	1 403	19 196	5 658
Lars Erik Tellmann	15 107	–	–	15 107	3 133
Lars-Åke Norling	26 904	3 932	(1)	30 835	9 806
Michael Foley	684	3 466	2 470	6 620	3 466
Patrik Hofbauer	14 573	3 363	4 134	22 070	8 644
Petter Børre Furberg	26 064	2 409	691	29 164	6 003
Sharad Mehrotra	3 445	3 047	1 822	8 314	6 204
Gunnar Sellæg	4 986	–	–	4 986	3 282

[1] Shareholdings not included for representatives who are no longer in GEM as of 31 December 2016.

[2] Shares held as of 31 December are actual Telenor ASA shares acquired when employed outside the current country of employment. Restricted shares awarded through LTI programme are phantom shares due to local requirements in the country of employment.

Loans to employees

Total loans to employees were NOK 23 million as of 31 December 2017 and NOK 21 million as of 31 December 2016.

Fees to the auditors

The table below summarises audit fees for 2017 and 2016 and fees for audit related services, tax services and other services incurred by the Group during 2017 and 2016. 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	2017	2016	2017	2016	2017	2016	2017	2016
Telenor ASA	**4.9**	5.0	**0.2**	0.3	**3.7**	3.8	**4.0**	1.0
Other Group companies	**31.5**	32.7	**1.2**	2.9	**7.2**	5.1	**16.6**	16.6
Total Group auditor	**36.4**	**37.7**	**1.3**	**3.1**	**10.8**	**8.9**	**20.7**	**17.6**
Other auditors in subsidiaries	**0.4**	0.4	**0.1**	0.2	**-**	-	**-**	-
Total	**36.8**	**38.1**	**1.4**	**3.3**	**10.8**	**8.9**	**20.7**	**17.6**

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 2017, Telenor ASA had a share capital of NOK 9,008,748,180 divided into 1,501,458,030 ordinary shares with a nominal value of NOK 6 each. There were no changes in the share capital during 2017. All ordinary Telenor shares have equal voting rights and the right to receive dividends. As of 31 December 2017, the company held 8,738,593 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. The authorisation is valid until the AGM in May 2018. Telenor has 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.

In accordance with the authorisation from the AGM, Telenor on 17 July 2017 announced the decision to initiate a share buyback programme for up to 30 million 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. From the announcement of the buy-back programme in July 2017 and up to year end 2017, Telenor repurchased 8,738,593 shares in the open market for the purpose of cancellation.

As of 31 December 2017, Telenor ASA had about 39,600 registered shareholders, compared with about 42,300 as of 31 December 2016.

The 20 largest shareholders as of 31 December 2017 from the shareholder register[1)]

	Name of shareholders	Number of shares	%
1	Ministry of Trade, Industry and Fisheries, Kingdom of Norway	810 264 928	53.97%
2	Folketrygdfondet	74 036 496	4.93%
3	Clearstream Banking S.A. (nominee)	23 813 311	1.59%
4	State Street Bank and Trust Company (nominee)	22 614 394	1.51%
5	State Street Bank and Trust Company (nominee)	19 367 087	1.29%
6	State Street Bank and Trust Company (nominee)	17 756 873	1.18%
7	State Street Bank and Trust Company (nominee)	15 366 791	1.02%
8	JPMorgan Chase Bank, N.A., London (nominee)	15 076 467	1.00%
9	Alecta Pensionsforsakring	14 631 857	0.97%
10	The Northern Trust Company, London Br (nominee)	13 348 766	0.89%
11	State Street Bank and Trust Company (nominee)	12 348 901	0.82%
12	The Bank Of New York Mellon Sa/Nv (nominee)	10 383 632	0.69%
13	JPMorgan Chase Bank, N.A., London (nominee)	8 906 757	0.59%
14	JPMorgan Chase Bank, N.A., London (nominee)	8 768 294	0.58%
15	Telenor ASA	8 738 593	0.58%
16	State Street Bank and Trust Company (nominee)	7 650 196	0.51%
17	Verdipapirfondet DNB Norge (IV)	7 424 468	0.49%
18	KLP Aksjenorge Indeks	7 066 302	0.47%
19	Invesco Funds	6 566 021	0.44%
20	State Street Bank and Trust Company (nominee)	6 056 209	0.40%
	Total held by 20 largest shareholders	**1 110 186 343**	**73.94%**
	Total all Telenor shares	**1 501 458 030**	**100.00%**

The 20 largest shareholders as of 31 December 2017 from the beneficial ownership[2)]

	Name of shareholders	Number of shares	%
1	Ministry of Trade, Industry and Fisheries, Kingdom of Norway	810 264 928	53.97%
2	Folketrygdfondet	74 036 496	4.93%
3	Deutsche Asset Management Investment GmbH	27 327 731	1.82%
4	BlackRock Institutional Trust Company, N.A.	24 248 413	1.61%
5	Templeton Investment Counsel, L.L.C.	19 964 471	1.33%
6	The Vanguard Group, Inc.	17 056 918	1.14%
7	Lazard Asset Management, L.L.C.	16 525 908	1.10%
8	DNB Asset Management AS	14 652 064	0.98%
9	Alecta pensionsförsäkring	14 631 857	0.97%
10	Storebrand Kapitalforvaltning AS	12 633 860	0.84%
11	KLP Forsikring	11 956 481	0.80%
12	JPMorgan Asset Management U.K. Limited	10 687 554	0.71%
13	SAFE Investment Company Limited	10 099 149	0.67%
14	Danske Capital (Norway)	9 051 082	0.60%
15	State Street Global Advisors (US)	8 787 645	0.59%
16	Allianz Global Investors GmbH	8 566 316	0.57%
17	APG Asset Management	8 421 311	0.56%
18	Acadian Asset Management LLC	8 246 604	0.55%
19	Capfi Delen Asset Management	7 251 500	0.48%
20	INVESCO Asset Management Deutschland GmbH	6 248 081	0.42%
	Total held by 20 largest shareholders	**1 120 658 369**	**74.64%**
	Total all Telenor shares	**1 501 458 030**	**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.

NOTE 36 Events after the reporting period

Acquisition of 4G license and 5MHz frequency in the 1800 MHz band in Bangladesh
Grameenphone acquired 5 MHz spectrum in the 1800 MHz band for 15 years at the spectrum auction held by the Bangladesh Telecommunications Regulatory Commission (BTRC) on 13 February 2018, and an approval for converting existing 22 MHz 2G spectrum to technology neutral spectrum for 8.75 years for NOK 1.2 billion and NOK 0.4 billion, respectively. Grameenphone also obtained a 4G/LTE Cellular Mobile Phone Services Operator License effective from 19 February 2018 from BTRC for NOK 9 million. The above fees are subject to 5% VAT.

Strategic partnership agreement with Ant Financial Services Group
On 13 March 2018 the Group reached a strategic partnership agreement with Ant Financial Services Group (“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 (“TMB”), a subsidiary of Telenor Group. The investment will be partly capital injection and partly consideration for sale of shares.

The first part of the transaction is expected to close within 12 months and result in a joint venture between Ant Financial and Telenor. With effect from first quarter 2018, Telenor Microfinance Bank will be classified as held for sale in the Group’s statement of financial position. Telenor Microfinance Bank together with Telenor Banka, which was classified as held for sale from third quarter 2017, will be classified as discontinued operations in our income statement and comparative numbers will be represented. Telenor Microfinance Bank and Telenor Banka are the main contributors to the operational segment Financial Services, disclosed as part of other units in the Group’s segment reporting.

Agreement to sell Central and Eastern European assets to PPF Group
On 20 March 2018 Telenor entered into an agreement to sell its assets in Central and Eastern Europe (CEE) to PPF Group for EUR 2.8 billion (around NOK 27 billion) on an enterprise value basis.

The transaction includes Telenor’s wholly-owned mobile operations in Hungary, Bulgaria, Montenegro and Serbia and the technology service provider Telenor Common Operation. The CEE operations contributed approximately NOK 11.8 billion or 9% of Telenor Group’s revenues and NOK 4.1 billion or 8% of EBITDA in 2017, and have more than 9 million customers and around 3,500 employees.

The transaction requires necessary regulatory approval. The transaction is expected to be completed within Q3 2018. As of first quarter 2018, the CEE operations will be treated as an asset held for sale and discontinued operations in Telenor Group’s financial reporting. The transaction is estimated to result in an accounting gain after tax of around 3 NOK billion to be booked after the completion of the transaction.

INCOME STATEMENT

Telenor ASA 1 January – 31 December

NOK in millions	Note	**2017**	2016
Revenues	1	**800**	767
Operating expenses			
Salaries and personnel costs	2, 3	(824)	(845)
Other operating expenses	4	(1 310)	(1 145)
Depreciation, amortisation and impairment losses	8	(39)	(46)
Total operating expenses		**(2 173)**	(2 036)
Operating profit (loss)		**(1 373)**	(1 269)
Gains on disposal of operations	1	**73**	-
Financial income and expenses			
Financial income	6	52 179	8 324
Financial expenses	6	(1 311)	(2 682)
Net currency gains (losses)	6	752	2 931
Net change in fair value of financial instruments	6	(98)	349
Net gains (losses and impairment) of financial assets	6	(74)	(2 118)
Net financial income (expenses)		**51 448**	6 804
Profit before taxes		**50 148**	5 535
Income taxes	7	(1 555)	(2 139)
Net income		**48 593**	3 396

STATEMENT OF COMPREHENSIVE INCOME

Telenor ASA 1 January – 31 December

NOK in millions	**2017**	2016
Net income	**48 593**	3 396
Other comprehensive income (loss)		
Remeasurement of defined benefit pension plans	(51)	(53)
Income taxes	12	13
Items that will not be reclassified to income statement	**(39)**	(40)
Other comprehensive income (loss), net of taxes	**(39)**	(40)
Total comprehensive income (loss)	**48 554**	3 356

STATEMENT OF FINANCIAL POSITION

Telenor ASA as of 31 December

NOK in millions	Note	2017	2016
ASSETS			
Non-current assets			
Deferred tax assets	7	1 630	1 748
Goodwill		20	20
Intangible assets	8	102	99
Property, plant and equipment		62	51
Shares in subsidiaries	15	99 754	99 754
Non-current interest-bearing receivables from Group companies	14	11 955	9 042
Other non-current financial assets	9, 11	2 862	3 546
Total non-current assets		**116 385**	**114 260**
Current assets			
Trade receivables from Group companies		568	461
Trade receivables external		5	3
Other current financial assets	9, 11	21 315	1 402
Liquid assets and short-term placements	11	4 320	7 667
Total current assets		**26 208**	**9 533**
Total assets		**142 593**	**123 793**
EQUITY AND LIABILITIES			
Equity	10	**74 468**	**39 078**
Non-current interest-bearing external liabilities	11	30 238	36 836
Non-current non-interest-bearing external liabilities	11	925	3 197
Pension obligations	3	487	471
Other provisions		48	15
Total non-current liabilities		**31 698**	**40 519**
Current interest-bearing liabilities to Group companies	11, 14	16 980	18 496
Current interest-bearing external liabilities	11	9 023	9 102
Drawings on Group`s cash pool	11	5 997	13 017
Current non-interest-bearing liabilities to Group companies	11, 12	114	58
Current non-interest-bearing external liabilities	11, 12	4 313	3 523
Total current liabilities		**36 427**	**44 196**
Total equity and liabilities		**142 593**	**123 793**

Fornebu, 20 March 2018

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	2017	2016
Profit before taxes	50 148	5 535
Income taxes paid	(730)	-
Net (gains) losses, impairment and change in fair value of financial assets and liabilities	99	1 769
Depreciation, amortisation and impairment losses	39	46
Net currency (gains) losses not relating to operating activities	501	(1 981)
Net changes in interest accruals against Group companies	12	(87)
Losses on guarantees and recourse against subsidiaries	-	1 307
Received dividend	22 055	-
Recognised dividend	(42 055)	-
Interest received	205	103
Interest paid	(1 396)	(1 047)
Net changes in other accruals	1 064	330
Net cash flow from operating activities	29 942	5 975
Purchases of property, plant and equipment and intangible assets	(18)	(33)
Purchases of and capital increase in subsidiaries	73	(1 636)
Net cash flow from investing activities	55	(1 669)
Proceeds from borrowings	2 332	7 240
Repayments of borrowings	(10 910)	(7 285)
Net change in Group`s cash pool	(4 417)	2 675
Purchase of treasury shares	(1 435)	-
Dividends paid to equity holders of Telenor ASA	(11 944)	(11 246)
Net cash flow from financing activities	(26 374)	(8 616)
Effect on cash and cash equivalents of changes in foreign exchange rates	50	(481)
Net change in cash and cash equivalents	3 673	(4 791)
Cash and cash equivalents as of 1 January	(5 350)	(559)
Cash and cash equivalents as of 31 December	(1 677)	(5 350)
Specification of cash and cash equivalents:		
Liquid assets and short term placements	4 320	7 667
Drawing from Group's cash pool	(5 997)	(13 017)
Cash and cash equivalents as of 31 December	(1 677)	(5 350)

STATEMENT OF CHANGES IN EQUITY

Telenor ASA for the years ended 31 December 2016 and 2017

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 2016	**1 501 458 030**	**9 009**	**-**	**69**	**99**	**(2 613)**	**40 415**	**46 979**
Net income for the period	-	-	-	-	-	-	3 396	3 396
Other comprehensive income for the period	-	-	-	-	(40)	-	-	(40)
Total comprehensive income	**-**	**-**	**-**	**-**	**(40)**	**-**	**3 396**	**3 356**
Dividend	-	-	-	-	-	-	(11 261)	(11 261)
Share based payment	-	-	-	-	-	4	-	4
Equity as of 31 December 2016	**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**

NOTES TO THE FINANCIAL STATEMENTS

Telenor ASA

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3 Pension obligations
4 Other operating expenses
5 Research and development costs
6 Financial income and expenses
7 Income taxes
8 Intangible assets
9 Other financial assets
10 Equity and dividends
11 Financial instruments and risk management
12 Current non-interest-bearing liabilities
13 Guarantees
14 Related parties
15 Shares in subsidiaries

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.

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	2017	2016
Salaries and holiday pay	**(590)**	(597)
Social security tax	**(86)**	(88)
Pension cost including social security tax (note 3)	**(75)**	(73)
Share-based payments[1)]	**(50)**	(26)
Other personnel costs	**(23)**	(61)
Total salaries and personnel costs	**(824)**	**(845)**
Number of labour-years employed, average	**481**	521

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

	2017			2016		
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	**(1 333)**	**862**	**(471)**	(1 254)	805	(449)
Service cost	(29)	-	(29)	(37)	-	(37)
Net interest	(33)	22	(11)	(33)	22	(11)
Sub-total included in Income Statement	**(62)**	**22**	**(40)**	(70)	22	(48)
Return on plan assets (excluding amounts included in net interest expense)	-	(39)	(39)	-	21	21
Actuarial changes arising from changes in financial assumptions	(41)	-	(41)	(22)	-	(22)
Experience adjustments	29	-	29	(51)	-	(51)
Sub-total included in Other Comprehensive Income	**(12)**	**(39)**	**(51)**	(73)	21	(53)
Effects of business combinations and disposals	68	(60)	8	(20)	9	(11)
Contributions by employer	-	48	48	-	62	62
Benefits paid	48	(29)	19	84	(57)	27
As of 31 December	**(1 291)**	**804**	**(487)**	(1 333)	862	(471)

Telenor ASA expects to contribute approximately NOK 49 million to the Telenor Pension Fund in 2018.

133 employees were covered by defined benefit plan of the Telenor Pension Fund. Telenor Pension Fund paid out pensions to 373 persons.

Components of net periodic benefit cost

NOK in millions	2017	2016
Service cost	**(33)**	(44)
One time effect following downsizing	**4**	7
Net interest cost	**(11)**	(11)
Contribution plan costs	**(42)**	(29)
Total pension costs recognised in the income statement	**(82)**	**(77)**
Of which reported as other expense (note 4)	**4**	7
Of which reported as pension cost (note 2)	**(75)**	(73)
Of which reported as net interest cost (note 6)	**(11)**	(11)

NOTE 4 Other operating expenses

NOK in millions	2017	2016
Operating expenses related to country offices and services from shared service centres	**(341)**	(258)
Cost of premises, vehicles, office equipment, operation and maintenance etc.	**(166)**	(140)
Marketing, representation and sales commission	**(89)**	(92)
Workforce reductions and onerous contracts	**(124)**	(44)
Other operating expenses[1]	**(590)**	(611)
Total other operating expenses	**(1 310)**	**(1 145)**

[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 206 million in 2017 and NOK 240 million in 2016. 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	2017	2016
Interest income from Group companies	220	171
Group contribution and dividends from subsidiaries	51 813	8 060
Other financial income	72	35
Other financial income from Group companies[1]	74	58
Total financial income	**52 179**	8 324
Interest expenses to Group companies	(122)	(103)
Interest expenses (external)	(1 138)	(1 217)
Losses on guarantees and recourse against subsidiaries	-	(1 307)
Other financial expenses	(51)	(55)
Total financial expenses	**(1 311)**	(2 682)
Foreign currency gain	843	3 106
Foreign currency loss	(91)	(175)
Net foreign currency gains	**752**	2 931
Net change in fair value of financial instruments at fair value through profit or loss	(222)	190
Net change in fair value of hedging instruments and hedged items	124	159
Net change in fair value of financial instruments	**(98)**	349
Impairment on receivables from Group Companies	(74)	(119)
Impairment losses on shares in subsidiaries	-	(1 999)
Net gains (losses and impairment) on financial assets[2]	**(74)**	(2 118)
Net financial income (expenses)	**51 448**	6 804

[1] Other financial income from Group Companies is mainly related to commissions for guarantees given, see note 13.

[2] Telenor ASA wrote down shares of Telenor GTI AS with NOK 2.0 billion in 2016. Impairment is related to the subsidiary's provisions for loan losses to Telewings Communications Services Private Ltd. in India. There are further provisions for losses on guarantee fee income from Unitech Wireless Private Ltd. in India with NOK 119 million in 2016 and NOK 74 million in 2017, see note 13.

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 2017, Telenor ASA received and recognised NOK 5.4 billion in taxable Group contribution, which relates to the financial year 2016. Telenor ASA received an additional group contribution of NOK 4.3 billion for the financial year 2016, as well as dividends of NOK 42.1 billion from Telenor Mobile Holding AS. NOK 20 billion of the dividend from Telenor Mobile Holding AS was approved in December 2017 subsequent to a reorganization 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 the 100% owner of the company. In 2016, Telenor ASA received and recognised NOK 6.8 billion in taxable Group contribution and NOK 1.3 billion in group contribution without tax effect for financial year 2015. The Group contribution for the financial year 2017 is estimated to be NOK 6.3 billion and this will be recognised in 2018.

NOTE 7 Income taxes

NOK in millions	2017	2016
Profit before taxes	**50 148**	**5 535**
Current taxes	(704)	(4)
Resolution of disputed items and adjustment in previous years' current income tax	(722)	(138)
Change in deferred taxes	(129)	(1 997)
Income tax	**(1 555)**	**(2 139)**
Tax basis:		
Profit before taxes	50 148	5 535
Effect of other comprehensive income and tax-free transfers	(51)	(53)
Non-deductible expenses and tax-free income	91	3 338
Group contribution previous year	(7 383)	(6 760)
Dividend – tax-free	(42 055)	-
Group contribution previous year – tax-free	(2 374)	(1 300)
Changes in temporary differences recognised in income statement	(1 744)	(530)
Group contribution current year	6 300	4 750
Correction of losses carried-forward from previous years	-	159
Tax loss carried-forward (utilised)	-	(5 123)
Tax basis for the year	**2 932**	**16**
Current taxes at nominal income tax rate in Norway (24%)	**704**	**4**
Effective tax rate		
Income tax expense at corporate income tax rate in Norway (24%)	(12 036)	(1 384)
Non-deductible expenses and tax-free income	(10)	(835)
Received Group contribution, tax-free	570	325
Accounting effect of received tax-free dividend	10 093	-
Resolution and adjustments of disputed item	(65)	(138)
Other	(19)	(42)
Effect of changes in tax rates	(89)	(66)
Income tax	**(1 555)**	**(2 139)**
Effective tax rate in %	**3.10%**	**38.64%**

NOK in millions	2017	2016	Changes
Temporary differences as of 31 December			
Non-current assets	22	22	-
Interest element in connection with fair value hedges of liabilities	(649)	(1 241)	592
Financial derivatives	774	(482)	1 256
Losses on guarantees	(280)	(280)	-
Other accruals for liabilities	(168)	(34)	(134)
Pension liabilities	(487)	(471)	(16)
Group contribution	(6 300)	(4 750)	(1 550)
Unused tax credits carried-forward	-	(46)	46
Total temporary differences as of 31 December	**(7 088)**	(7 282)	194
Tax rate	23%	24%	
Net deferred tax assets	**1 630**	1 748	(117)
Changes in net deferred tax assets:			
Effect after regulations on intercompany transfers			-
Recognised in other comprehensive income[1]			12
Recognised in the income statement			(129)

The general tax rate in Norway has changed from 24% to 23% with effect from 1 January 2018. In January 2017 tax rate changed from 25% to 24%.

[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.

Resolution of disputed items and adjustment in previous years' current income tax of NOK 722 million 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-deductible expenses of NOK 3,338 million in 2016 primarily relate to provisions for loss on guarantees for liabilities in Telenor India, and to write-down of shares in Telenor GTI AS that are impaired due to it's provisions for losses on loans to Telenor India.

Adjustments of disputed items in 2016 of NOK 138 million concerns ruling by Nowegian tax authorities with reassessment of taxable income in Telenor ASA for the income year 2008, which has been appealed. Correction of losses carried-forward from previous years for 2016 of NOK 159 million primarily concerns changes in group contribution with tax effect in Telenor ASA after reassessment of taxable income in previous years for other group companies, which also have been appealed.

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

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**

2016

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	-	-	(29)	(244)	89
Software purchased (5 years)	434	1	(6)	(6)	(427)	2
Work in progress	8	-	-	-	-	8
Total intangible assets	**775**	**1**	**(6)**	**(35)**	**(671)**	**99**

NOTE 9 Other financial assets

NOK in millions	2017	2016
Capital contribution in Telenor Pension Fund[1)]	**298**	298
Derivatives financial instruments	**748**	877
Fair value hedging instruments	**1 603**	2 074
Other financial assets external	**213**	297
Total other non-current financial assets	**2 862**	**3 546**
Current interest-bearing receivables	**95**	255
Current interest-bearing receivables from Group companies	**306**	301
Receivables from Group companies[2)]	**20 217**	340
Other current financial assets external	**697**	506
Total other current financial assets	**21 315**	**1 402**

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 20 billion is approved dividend from Telenor Mobile Holding AS which was settled on 31 January 2018. As settlement Telenor ASA received a loan agreement on the same amount between Telenor Mobile Holding AS and Telenor Networks Holding AS. On 15 February 2018 Telenor ASA subscribed for new shares in Telenor Networks Holding AS, and the debt for new shares were set off against the loan.

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 2017, Telenor ASA had 8,738,593 treasury shares.

Dividends paid and proposed

	2017	2016
Dividends per share in NOK – paid	**7.80**	7.50
Dividends per share in NOK – proposed by the Board of Directors	**8.10**	7.80

Dividend of NOK 11.7 billion has been recognised to equity in 2017 (NOK 11.3 billion in 2016). Total paid dividend is NOK 12 billion, which includes withholding tax for dividend distribution in November 2016 of NOK 0.3 billion (NOK 11.0 billion in 2016).

In respect of 2018, the Board of Directors will propose a dividend of NOK 8.10 per share (NOK 12.0 billion) to be resolved by the Annual General Meeting on 2 May 2018. The dividend will be split into two tranches of NOK 4.20 and NOK 3.90 per share to be paid out in May 2018 and November 2018, respectively.

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 30 million shares. The proposed cancellation is subject to approval by the Annual General Meeting on 2 May 2018 and if approved, the estimated effect on distributable equity is NOK 5.2 billion. The market part of the buyback programme was finalised in February 2018 following the repurchase of 13.81 million shares in the open market at a weighted average price of NOK 172.47. 8,738,593 shares at an average of NOK 169 had been acquired per 31 December 2017.

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 2020.

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 statement, these 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 the fair value of financial instruments in the Fair value through profit and loss and Available for sale categories:

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

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 2017 and 2016, respectively.

The table below shows the maturity profile for Telenor ASA's liabilities in nominal values:

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	-	556	284	-
Total interest-bearing liabilities external	**39 261**	**38 683**	**9 023**	**12 156**	**17 504**	**-**
Other interest-bearing liabilities Group companies	16 980	16 980	16 980	-	-	-
Drawing on Group cash pools	5 997	5 997	-	-	-	5 997
Interest-bearing liabilities Telenor Group	**22 977**	**22 977**	**16 980**	**-**	**-**	**5 997**
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 non-current liabilities	939	939	-	622	317	-
Other non current non interest-bearing liabilities	**48**	**48**	**-**	**48**	**-**	**-**
Total non-interest-bearing liabilities	**4 475**	**4 475**	**3 488**	**670**	**317**	**-**
Total	**66 713**	**66 134**	**29 491**	**12 826**	**17 822**	**5 997**
Future interest payments	-	3 927	916	1 966	1 045	-
Total including future interest payments	**66 713**	**70 061**	**30 407**	**14 792**	**18 867**	**5 997**

2016

NOK in millions	Carrying amount	Total as of 31 December 2016	2017	2018-2020	2021-2025	2026->
Interest-bearing liabilities						
Bonds and Commercial Papers	45 879	44 766	9 086	19 779	15 901	-
Other interest-bearing liabilities	59	59	-	59	-	-
Total interest-bearing liabilities external	**45 938**	**44 825**	**9 086**	**19 838**	**15 901**	**-**
Other interest-bearing liabilities Group companies	18 496	18 496	18 496	-	-	-
Drawing on Group cash pools	13 017	13 017	-	-	-	13 017
Interest-bearing liabilities Telenor Group	**31 513**	**31 513**	**18 496**	**-**	**-**	**13 017**
Non-interest-bearing liabilities						
Trade and other payables external	1 013	1 013	1 013	-	-	-
Trade and other payables Group companies	58	58	58	-	-	-
Other current non-interest-bearing liabilities	628	628	628	-	-	-
Derivative financial instruments non-current liabilities	3 197	3 197	-	1 914	1 283	-
Total non-interest-bearing liabilities	**4 896**	**4 896**	**1 699**	**1 914**	**1 283**	**-**
Total	**82 347**	**81 234**	**29 281**	**21 752**	**17 184**	**13 017**
Future interest payments	-	4 602	1 015	2 204	1 383	-
Total including future interest payments	**82 347**	**85 836**	**30 296**	**23 955**	**18 567**	**13 017**

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	2017	2016
As of 1 January	**45 939**	48 822
Change in cash flow from financing activities	(8 578)	(44)
Change due to hedge accounting	(592)	(187)
Effects from changes in foreign exchange rates	2 523	(2 693)
Interest[1]	57	40
Increase in licence liability	(16)	(13)
Other changes	(72)	14
As of 31 December	**39 261**	45 939

[1] Classified as cash flow from operating activities.

NOTE 12 Current non-interest-bearing liabilities

NOK in millions	Category	2017	2016
Trade payables to Group companies	FLAC[1]	114	58
Current non-interest-bearing liabilities within the Group		**114**	58
Trade payables external	FLAC	890	1 013
Government taxes, tax deductions, holiday pay etc.	NF[2]	117	123
Income taxes payable	NF	842	144
Financial derivatives	FVTPL	939	575
Other current liabilities[3]	FLAC	1 525	1 668
Current non-interest-bearing external liabilities		**4 313**	3 523

[1] FLAC: Financial liabilities at amortised cost.

[2] NF: Non-financial assets and liabilities.

[3] In 2016 other current liabilities included NOK 1.3 billion related to a guarantee issued by Telenor ASA on behalf of Telenor India. In 2016 other current liabilities also included NOK 250 million in withholding tax on dividends paid in January 2017.

NOTE 13 Guarantees

NOK in millions	2017	2016
Guarantee liabilities	2 564	6 020

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 is kept unchanged for 2017.

In relation to the licence issuance in Myanmar, a performance bond of NOK 0.9 billion (NOK 1.3 billion as of 31 December 2016) 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 2017 and 2016 of NOK 51,813 million and NOK 8,060 million, respectively, are received from companies within Other units. Dividends from Telenor Mobile Holding AS of NOK 20,000 million are included in Other units receivables.

Sales and purchases of services, receivables and liabilities

	2017				2016			
NOK in millions	Sales	Purchases	Receivables	Liabilities	Sales	Purchases	Receivables	Liabilities
Subsidiaries								
Norway	197	78	29	29	187	41	50	10
Sweden	72	6	20	(3)	80	8	22	1
Denmark	33	2	27	1	35	8	15	-
Hungary	36	7	15	3	33	4	11	2
Serbia	22	2	20	1	23	-	32	-
Bulgaria	25	1	15	-	25	1	15	1
Montenegro	4	1	1	-	5	1	2	-
dtac – Thailand	68	-	81	3	67	-	66	10
Digi – Malaysia	56	1	57	1	61	2	95	-
Grameenphone – Bangladesh	48	7	208	-	31	-	146	2
Pakistan	14	6	6	1	46	2	45	1
India	21	3	128	36	53	1	103	1
Broadcast	17	-	6	(12)	21	-	7	-
Myanmar	46	-	29	-	53	-	28	-
Other units	138	624	20 477	54	36	535	415	30
Total	**797**	**738**	**21 119**	**114**	756	603	1 052	58

Financial transactions, receivables and liabilties

	2017				2016			
NOK in millions	Financial income	Financial expense	Receivables	Liabilities	Financial income	Financial expense	Receivables	Liabilities
Subsidiaries								
Norway	181	97	8 937	12 104	110	81	5 516	12 047
Sweden	12	-	1 798	257	12	-	985	947
Denmark	12	-	815	44	25	-	1 965	615
Hungary	-	-	31	81	1	6	54	124
Montenegro	-	-	-	-	-	-	67	-
Broadcast	7	10	368	1 034	11	16	453	2 268
Singapore	-	16	-	2 409	-	1	-	936
Myanmar	8	-	-	-	11	-	-	-
Other units	-	-	6	1 050	1	-	1	1 559
Total	**220**	**122**	**11 955**	**16 980**	171	103	9 042	18 496

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 % 2017	Ownership interest in % 2016	Carrying amount as of 31 December 2017	Carrying amount as of 31 December 2016
Telenor Networks Holding AS[2]	Norway	100.0	100.0	13 124	13 124
Telenor International Centre AS	Norway	100.0	100.0	-	-
Telenor Global Shared Services AS	Norway	100.0	100.0	626	626
Telenor Communication II AS	Norway	100.0	100.0	3 571	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	Norway	100.0	100.0	4 159	4 159
Telenor KB AS	Norway	100.0	100.0	-	-
Telenor Forsikring AS	Norway	100.0	100.0	300	300
Telenor Maritime AS[1]	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	Norway	100.0	100.0	-	-
Digital Businesses AS	Norway	100.0	100.0	-	-
Total				**99 754**	**99 754**

[1] The remaining 1.1% of shares in Telenor Maritime AS are owned by Telenor Communication II AS.

[2] Capital increase of NOK 20 billion in February 2018, see comments to Note 9.

Shares in subsidiaries owned through subsidiaries

	Office	Ownership interest in % 2017	Ownership interest in % 2016
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[1]	Norway	100.0	49.6
Datametrix AS	Norway	100.0	100.0
Telenor International Centre AS			
Telenor Russia AS	Norway	100.0	100.0
Telenor India Private Ltd	India	99.9	99.9
Telenor Communication II AS			
Telenor Kapitalforvaltning AS	Norway	100.0	100.0
Telenor Media Invest AS	Norway	100.0	100.0
Telenor Cloud Services AS[2]	Norway	-	100.0
Telenor Online Partner AS	Norway	100.0	100.0
Telenor Common Operation Zrt	Hungary	100.0	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.[6]	Singapore	100.0	-
SnT East Holding AS[6]	Norway	100.0	-

Telenor Mobile Holding AS			
Telenor Mobile Communications AS	Norway	**100.0**	100.0
Telenor Norge AS[1)]	Norway	**-**	50.4
Telenor Danmark Holding A/S	Denmark	**100.0**	100.0
Telenor Sverige Holding AB	Sweden	**100.0**	100.0
Telenor East Holding II AS	Norway	**100.0**	100.0
Telenor Connexion Holding AB	Sweden	**100.0**	100.0
Nye Telenor Mobile Communications III AS	Norway	**100.0**	100.0
Nye Telenor Mobile Communications II AS	Norway	**100.0**	100.0
Telenor Broadcast Holding AS			
Telenor Satellite AS (earlier Telenor Satellite Broadcasting 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	Hungary	**100.0**	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
Kongens gate 8 / Kirkegaten 9 AS[3)]	Norway	**-**	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	Norway	**100.0**	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 (earlier ABC Tech Ltd)[4)]	Thailand	**99.0**	99.0
Video Communication Services AS[5)]	Norway	**100.0**	-
Digital Businesses AS			
Tapad Norway AS (earlier Digital Businesses IP Solutions AS)	Norway	**100.0**	100.0

1) Shares in Telenor Norge AS are sold from Telenor Mobile Holding AS to Telenor Networks Holding AS in 2017.
2) Merged with Telenor Norge AS in 2017.
3) Sold in 2017.
4) Remaining shares are owned by other Telenor companies.
5) Demerged from Telenor Digital AS.
6) Acquisitions from 33.33% to 100% in June 2017.

Other significant subsidiaries (owned through holding companies)

	Office
Telenor Sverige AB	Sweden
Telenor A/S	Denmark
Digi.com Bhd	Malaysia
Telenor Magyarország Zrt	Hungary
Telenor d.o.o.	Serbia
Telenor Pakistan (Private) Ltd.	Pakistan
Total Access Communications Plc. (dtac)	Thailand
GrameenPhone Ltd.	Bangladesh
Unitech Wireless Private Limited	India
Telewings Communications Services Private Ltd.	India
Telenor Bulgaria EAD	Bulgaria
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 2017 have been prepared in accordance with IFRS as adopted by the EU, and that the financial statements for the parent company for the year ended 31 December 2017 have been prepared in accordance with the Norwegian Accounting Act and simplified IFRS in Norway, give a true and fair view of the Company's and Group's assets, liabilities, financial position and results of operations, and that the Report of the Board of Directors gives a true and fair review of the development, performance and financial position of the Company and the Group and includes a description of the principle risks and uncertainties that they face.

Fornebu, 20 March 2018

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 22 March 2018, 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 2017 as presented to the Corporate Assembly by transfer of NOK 48,593 million to retained earnings and a dividend payment of NOK 8.10 per share to be paid out in two instalments of NOK 4.20 per share and NOK 3.90 per share in May and November 2018, respectively.

AUDITOR'S REPORT

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Statsautoriserte revisorer
Ernst & Young AS

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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 2017, 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. The consolidated financial statements comprise the statement of financial position as at 31 December 2017, 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 2017, 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 2017 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 2017. 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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Impairment assessments – goodwill

Telenor performed goodwill impairment assessments as of 31 December 2017. Impairment charges have been recognised in prior periods and uncertainty with respect to market conditions and technological developments increases the risk. In 2017, Telenor recorded an impairment loss of NOK 1.7 billion on Tapad Inc.

The determination of recoverable amount, being the higher of fair value less costs of disposal and value in use, requires management's judgment. When Telenor considers value in use as the appropriate basis for determining recoverable amount, the recoverable amount is estimated based on a discounted cash flow model. Key assumptions when estimating future cash flows are market growth, market share, profit margins and capital expenditures. External information has been taken into consideration when estimating future cash flows. Cash flow projections in the explicit forecast period are based on forecasts and business plans approved by management whereas cash flow projections beyond the explicit period are extrapolated. The growth rates beyond the explicit period are based on long-term expectations about the relevant market and do not exceed the relevant market's long-term average growth rate. Future income is discounted using a market based weighted average cost of capital (WACC) specific to the cash generating unit.

These impairment assessments was a key audit matter because there is considerable estimation uncertainty related to projection of future cash flows.

We evaluated management's identification of cash generating units, and assessed the design and tested operational effectiveness of management's internal controls related to impairment assessments. Our audit procedures included evaluation of the impairment models applied, the scenarios and assumptions used. Based on the sensitivity analysis, we paid particular attention to Tapad and 701 Search. We evaluated the key assumptions in the explicit forecast period by comparing them to historical performance and management approved forecasts and business plans. We considered the accuracy of previous forecasts against actual results.

We compared key assumptions with external evidence where available. Furthermore, we tested the calculations and mathematical accuracy of the cash flow models and compared the values with external market based valuations obtained by management where available. We included valuation specialists in our team to assist us with evaluation and testing of valuation models, assessment of key assumptions and analysis of external evidence. We also assessed the note disclosures.

We refer to Telenor's disclosures about impairment models, key assumptions and estimation uncertainty in notes 3 and 16 to the consolidated financial statements.

Regulatory matters - dtac

dtac, a subsidiary of Telenor, is involved in a number of disputes with the state-owned telecommunication companies TOT and CAT regarding network charges, revenue sharing, use of concessionary assets and the scope of the concessionary agreement and in other regulatory matters regarding foreign ownership and ownership structure. These regulatory matters are under legal or arbitrational proceedings and they are uncertain in timing of resolutions and amount or consequences.

These 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 in Thailand. 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 legal opinions obtained by dtac and compared these with management's information and position on measurement 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.

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Regulatory matters – India

On February 23, 2017, an agreement was reached with Bharti Airtel to dispose of Telenor India on a debt free basis, with indemnification to Bharti Airtel for legal claims from the Department of Telecommunications (DoT). The transaction will close after approval by DoT and there are risks related to the outcome of the legal claims. Telenor India is classified as held for sale and presented as discontinued operations in the consolidated financial statements.

The regulatory matters in India were a key audit matter due to the amounts involved, potential consequences and the inherent difficulty in assessing the outcome. The assessment of the probability of an unfavourable outcome of each claim involves judgment from management.

We discussed the claims 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 legal opinions obtained by Telenor and compared these with management's information and position on measurement and note disclosures. 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

The Telenor Group is subject to taxation in a number of jurisdictions. As described in note 13 to the consolidated financial statements Telenor has certain uncertain tax positions in Pakistan, India 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.

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 President 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

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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
- 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

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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.

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, 20 March 2018
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.

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 related parties 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 may not, therefore, be comparable with similarly titled measures reported by other companies).

NOK in millions	2017	2016	Change whole year	Change YoY
Reported revenue growth	**124 756**	125 395	(639)	(0.5%)
Impact using exchange rates for 2017	**-**	(1 746)	1 746	
M&A	**(459)**	(209)	(250)	
Organic revenue growth	**124 297**	123 441	857	0.7%

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 related parties 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).

NOK in millions	2017	2016	Change whole year	Change YoY
Reported subscription and traffic revenue growth	**94 803**	94 245	559	0.6%
Impact using exchange rates for 2017	**-**	(1 523)	1 523	
M&A	**-**	-	-	
Organic subscription and traffic revenue growth	**94 803**	92 722	2 081	2.2%

Subscription and traffic revenues

NOK in millions	2017	2016
Mobile subscription and traffic	**78 763**	78 379
Fixed telephony	**1 951**	2 329
Fixed Internet/TV	**8 880**	8 333
Fixed data services	**697**	674
Canal Digital DTH	**4 513**	4 528
Subscription and traffic revenues	**94 803**	94 245
Other revenues	**29 953**	31 151
Total revenues	**124 756**	125 395

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.

NOK in millions	2017	2016
Salaries and personnel cost	**(12 802)**	(12 690)
Other operating expenses	**(31 923)**	(34 192)
Operating expenses	**(44 725)**	**(46 882)**

EBITDA before other income and other expenses

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. This measure is useful to users of Telenor's financial information in evaluating operating profitability on a more variable cost basis as it excludes depreciations and amortisation expense related primarily to capital expenditures and acquisitions that occurred in the past, non-recurring items, as well as evaluating operating performance in relation to Telenor's competitors. EBITDA before other income and other expenses are reconciled in note 5 to the consolidated financial statements.

The EBITDA margin presented is defined as EBITDA before other income and other expenses divided by total revenues.

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 related parties 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.

NOK in millions	2017	2016	Change whole year	Change YoY
Reported EBITDA growth	**48 992**	45 966	3 026	6.6%
Impact using exchange rates for 2017	**-**	(867)	867	
M&A	**66**	(19)	86	
Organic EBITDA growth	**49 059**	**45 081**	**3 978**	**8.8%**

Capital expenditure

Capital expenditure (capex) is investments in tangible and intangible assets, excluding business combinations and asset retirement obligations. Capex is a measure of investments made in the operations in the relevant period and is useful to users of Telenor's financial information in evaluating the capital intensity of the operations. Capex 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.

NOK in millions	2017	2016
Purchases of PPE and intangible assets (Note 22)	**18 361**	23 727
Working capital movement in respect of capital expenditure	**3 298**	2 500
Less:		
Asset retirement obligations	**(370)**	32
Discontinued operations	**(3)**	(917)
Capex	**21 286**	**25 342**
Licence and spectrum fee - capitalised	**(3 052)**	(3 504)
Capex excl. licence and spectrum fee	**18 235**	**21 838**
Revenue	**124 756**	125 395
Capex excl. licence and spectrum/ Revenues (%)	**14.6%**	**17.4%**
Total Capex / Revenues (%)	**17.1%**	**20.2%**

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

NOK in millions	2017	2016
Capital expenditures	**21 286**	25 342
Investments in businesses	**2 252**	3 588
Investments	**23 538**	**28 930**

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.

NOK in millions	2017	2016
Non-current interest-bearing liabilities	51 587	60 391
Current interest-bearing liabilities	22 710	25 970
Less:		
Cash and cash equivalents	(22 546)	(23 085)
Adjustments:		
Licence obligations	(2 257)	(4 884)
Hedging instruments	(1 777)	(2 329)
Financial instruments	(849)	(1 683)
Net interest-bearing debt excluding licence obligations	**46 868**	**54 381**

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.

NOK in millions	2017	2016
Net debt	46 868	54 381
EBITDA	48 891	45 049
Net debt/EBITDA	**0.96**	**1.21**

Free cash flow

Free Cash Flow is defined as net cash flow from operating activities plus net cash flow from investing activities, less dividends paid to and purchases of shares from non-controlling interests, payments in Supply Chain Financing programs (classified as repayments of borrowings) and payments on interest-bearing licence obligations.

Free Cash Flow is a useful measure of Telenor's liquidity and ability to generate cash through operations.

Reconciliation

NOK in millions	2017	2016
Net cash flows from operating activities	42 046	39 778
Net cash flows from investing activities	(9 710)	(21 105)
Repayments of borrowings - licence obligations	(973)	(1 562)
Repayments of borrowings - supply chain financing	(3 909)	(3 672)
Dividends paid to and purchase of shares from non-controlling interests	(2 586)	(3 139)
Free cash flow	**24 867**	**10 300**

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