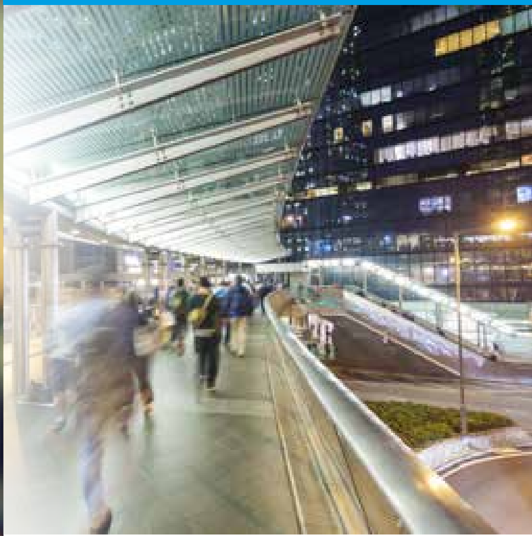
Annual Report 2016



CONTENT

LETTER FROM THE CEO

VALUE CREATION IN CHANGING TIMES

Looking back at 2016, I am pleased to see what we have accomplished at a time when our industry is undergoing a fundamental shift to adapt to a digital world. We continued to grow revenues and delivered a record high EBITDA in 2016. We also made significant progress on network deployment throughout the year, supporting our customers' increasing data usage spanning from Bangladesh and Pakistan to Sweden and Malaysia.

During the year our customers in Scandinavia were introduced to new mobile subscriptions, allowing them to use their included data volumes while travelling in the EU. In addition, we also stepped up our fibre deployment in Norway and Sweden, targeting to strengthen our market position within high-speed broadband. In Central and Eastern Europe, we build on our 4G network positions and reported healthy cash flow margins. We reported double-digit revenue growth in the post-paid segment in our mature Asian markets, and focused on pre-to-post migration of our customers amid intense competition. In emerging Asia, solid revenue growth was fuelled by increasing data consumption; while we continued to focus on network roll-outs and saw Myanmar turning cash flow positive, only two years after service launch.

Telenor has a proud history and comes from a strong position. We have a diversified portfolio with solid market positions in Europe and Asia and we have strong operations based on quality networks and mass-market distribution capabilities. In addition, Telenor's majority ownerships enable strong governance and global scale benefits.

Digital services have become a core part of the lives of people everywhere in the world. In all of our markets, our customers spend multiple hours per day on their mobile handsets. They expect the mobile network to keep them constantly connected. We also observe how our customers, from Myanmar to Norway, are more similar than different in how they consume and leverage digital content and tools. Increased digitisation also entails an opportunity to review our cost base, through among others increased use of automation and analytics.

We have a solid foundation with a good mix of assets, solid market positions and scale we can leverage going forward, in a globalized and digital future. This world represents new opportunities as mentioned above and also includes growth opportunities in digital areas adjacent to the core telecom business. We have set out our direction towards 2020 and we will focus on executing on it.

We aim to continue growing revenues and significantly improving our efficiency, supported by a digital transformation of our core business. The key to our future success lies within the opportunities related to digitising customer interactions, leveraging scale within networks and IT. I firmly believe that our strategy, which we presented in February to the financial market, will strengthen our cash flow generation, and support our commitment to deliver a growing dividend.

"We have a solid foundation with a good mix of assets, solid market positions and scale we can leverage going forward, in a globalized and digital future. This world represents new opportunities as mentioned above and also includes growth opportunities in digital areas adjacent to the core telecom business. We have set out our direction towards 2020 and we will focus on executing on it.

– Sigve Brekke, CEO

I would also like to highlight steps taken in 2016 that brought Telenor in the direction of our ambitions. We announced a change to our organisational structure and my executive management team in order to transition into a more integrated global company and to deliver on our strategy. The group is now firmly unified around our joint ambitions and objectives.

Telenor has an ambition to responsibly contribute to economic, environmental and social development in the countries in which we operate. A responsible business conduct is key to long term value creation, both for our shareholders, and the people in the markets where we operate. In 2016, Telenor's trust was challenged by several high-profile cases. Telenor made significant steps to strengthen its compliance processes and further train its employees in responsible business conduct and we will continue to strengthen accountability across the company, including compliance and internal control. We continuously work to further enhance, strengthen and integrate the Telenor Way, which defines our aspirations and sets the standard for how we do business, in all parts of our operations and stay true to our vision of empowering societies.

GROUP EXECUTIVE MANAGEMENT

Sigve Brekke
President and Chief Executive Officer

Wenche Agerup
EVP, General Counsel and Chief Corporate Affairs Officer

Jon Gravråk
EVP and Head of Digital Businesses

Petter-Børre Furberg
EVP and Head of Emerging Asia Cluster, CEO Grameenphone

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

Ruza Sabanovic
EVP and Head of Technologies & Services

Morten Karlsen Sørby
EVP and Head of Transformation

Jørgen C. Arentz Rostrup
EVP and Chief Financial Officer

Lars-Åke Norling
EVP and Head of Mature Asia Cluster, CEO dtac

Berit Svendsen
EVP and Head of Scandinavian Cluster, CEO Norway

Jon Erik Haug
EVP and Head of People

Gunnar Sellæg (interim)
EVP and Head of Products and Marketing

Svein Henning Kirkeng will take over as EVP and Head of Products and Marketing in 2017.

SUMMARY OF THE YEAR

HIGHLIGHTS 2016

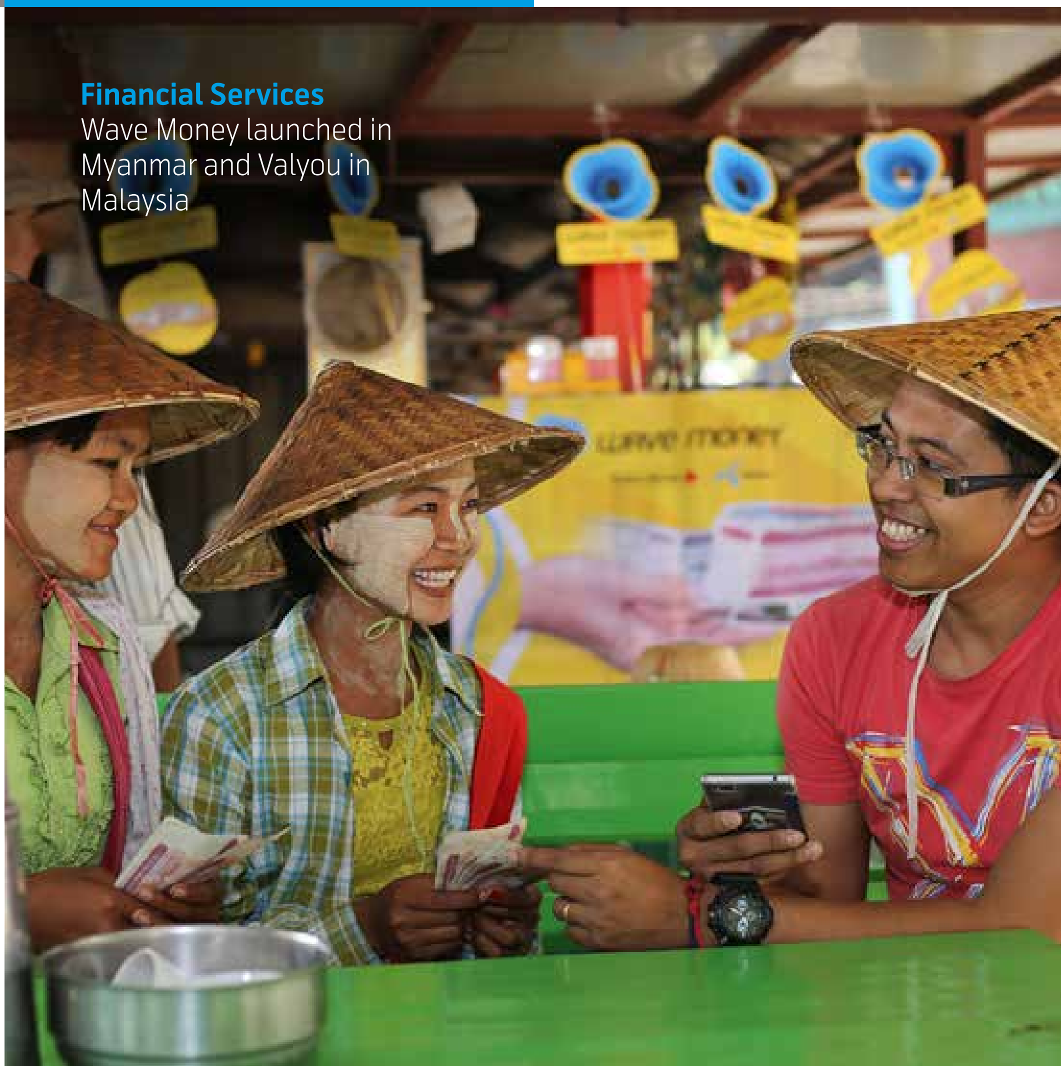
Revenues & EBITDA
Record high revenues and EBITDA for the year

Roaming
Introduction of included roam-like-at home offerings in Norway and Sweden

January
Telenor acquires New York-based marketing technology firm Tapad Inc.

April
Deloitte Advokatfirma submits final report on Telenor's handling of VimpelCom Ltd. ownership

Financial Services
Wave Money launched in Myanmar and Valyou in Malaysia



3G and 4G
Completion of major 3G network expansion in Bangladesh; Telenor Pakistan begins rolling out 4G

December
Telenor sets new Sustainability direction, focusing on UN SDGs and Reduced Inequalities

September
Telenor starts divestment of minority stake in VimpelCom Ltd.

Myanmar
Myanmar turns cash flow positive, only two years after service launch

Youth Forum
Telenor kicks off year-long programme that challenges young leaders to tackle big, social issues

FINANCIAL ACHIEVEMENTS

(NOK in billions)	2014	2015	2016
Revenues	111.4	128.2	131.4
Organic revenue growth (%)	3%	5%	1%
EBITDA before other income and other expenses	38.5	44.2	46.5
EBITDA before other income and other expenses/Revenues (%)	34.5%	34.5%	35.4%
Profit after tax and non-controlling interest	9.1	3.4	2.8
Capex excl. licences and spectrum/Revenues (%)	15.6%	18.4%	17.3%
Capex/Revenues (%)	20.7%	19.7%	20.0%
Mobile subscriptions - total (mill.)	186	203	214

FINANCIAL CALENDAR 2017

4 May 2017	Telenor's result for the 1st quarter 2017
10 May 2017	Annual General Meeting
17 July 2017	Telenor's result for the 2nd quarter 2017
25 October 2017	Telenor's result for the 3rd quarter 2017

Revenues

131
NOK billion

Mobile subscriptions

214
million

EBITDA

46
NOK billion

Capex/Revenues

20
per cent

EBITDA margin

35
per cent

OUR STRATEGY

Our vision is to empower societies. We provide the power of digital communication, enabling everyone to improve their lives, build societies and secure a better future for all. Our strategy towards 2020 is driven by the ambition to become our customers' favourite partner in digital life.

Customers' favourite partner in digital life

By satisfying each customer's digital needs in a personal and relevant way, we are building strong and lasting relationships with our customers.

A range of relevant digital products, developed both within Telenor and by partners, and delivered over high quality networks. We push for innovation through increased openness and by working with partners developing compelling services. New digital verticals like financial services, online classifieds, m-health, ad tech, and Internet of Things, give us access to new capabilities and user data, supporting our ambition to make digital distribution a competitive advantage, and enabling us to capture new revenue streams.

Most efficient operator

We aim to continue growing and significantly improving our efficiency, driven by a digital transformation of the telecom business and a strict prioritization of resources.

Across Telenor we have an increasing focus on cash-flow, and simultaneously seeking to leverage scale, both through global operations and synergies. We innovate efficiently, by relying on low cost experimentation.

Advanced analytics will enable us to continuously measure and prioritise investments based on value creation, from base-stations to individual customer offers.

Winning team

To deliver on our customer promises and pursue the objective of becoming more efficient, we are enhancing collaboration and standardisation across functions and borders, working more integrated and efficiently, supported by an increasingly collaborative working environment. We are building in-house digital competences that can be leveraged globally.

Our ambition is to be an attractive employer for people with digital competence and digital mindset.

Responsible business conduct

It is our responsibility and our ambition to contribute to economic, environmental and social development of the countries where we are present, acting with accountability and transparency. By showing our long-term commitment we will attract the best partners, the right investors, customers and employees, all of whom share and appreciate our high ethical standards.

We aspire to be a trusted company, recognised for strong business ethics and for creating long-term value for both shareholders and societies.

OUR GLOBAL IMPACT

In 2016, Telenor commissioned KPMG United Kingdom Plc (KPMG) to conduct an independent study assessing a number of the economic and social impacts we have across our 13 markets in which Telenor directly operates. The report "Telenor's Global Impact" was published in December 2016, reflecting figures from 2015. Below are some of the highlights from the report.

Gross Value Added (GVA)

$20.3 billion in direct, indirect and induced GVA in 2015.

Employment

1.2 million employees comprising direct, indirect and induced employees in 2015.

Investment

$3.2 billion of total investment in 2015, including $3.1 billion of capital expenditure.

Fiscal contributions

$11.7 billion comprising contributions directly, through the supply chain and induced activity, and through employees in 2015.

Digital inclusion

$8.0 billion estimated net GDP contribution through greater digital access (2G and the shift to 3G and 4G) between 2014 and 2015.

Financial inclusion

$27.6 billion in financial transactions in 2015 using Telenor's network, including $8,9 billion in transactions using Telenor's own financial services.

Gender

$3.1 billion of the estimated $8.0 billion net GDP contribution across all subscribers between 2014 and 2015 from greater digital access attributed specifically to female subscribers.

Supply chain sustainability

2.1 million employees benefitting from working for companies with high standards of labour rights and working conditions, following Telenor's supply chain sustainability policy in 2015.

WHERE WE OPERATE

Norway
#1 telecoms operator

Sweden
#3 mobile operator

Demark
#2 mobile operator

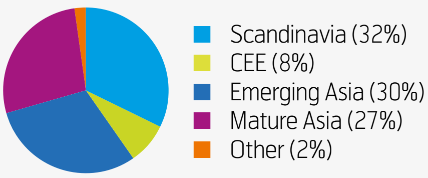
Hungary
#2 mobile operator

Serbia
#1 mobile operator

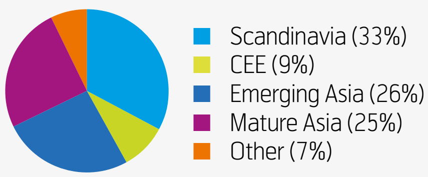
Montenegro
#1 mobile operator

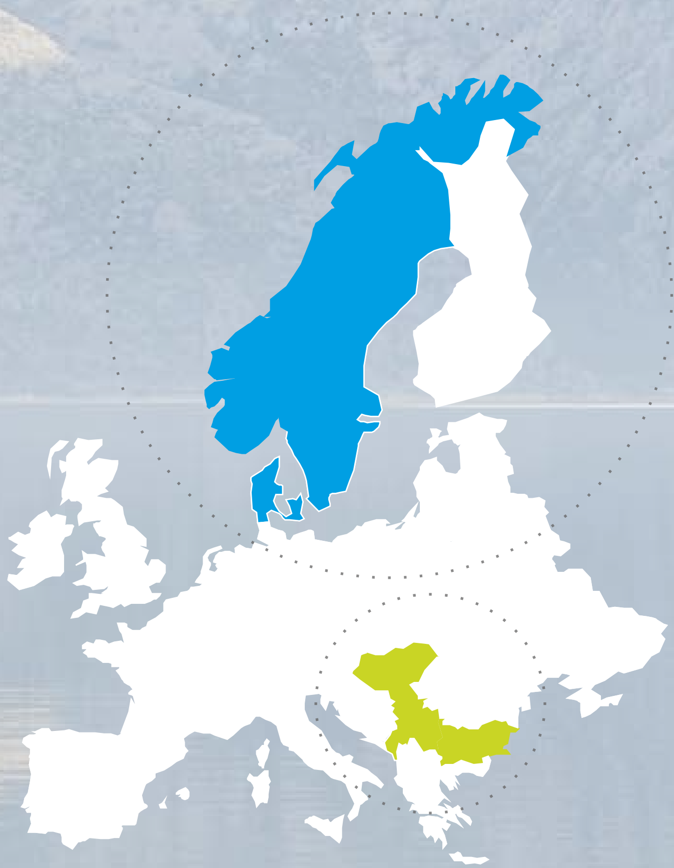
Bulgaria
#1 mobile operator

EBITDA per cluster
In per cent

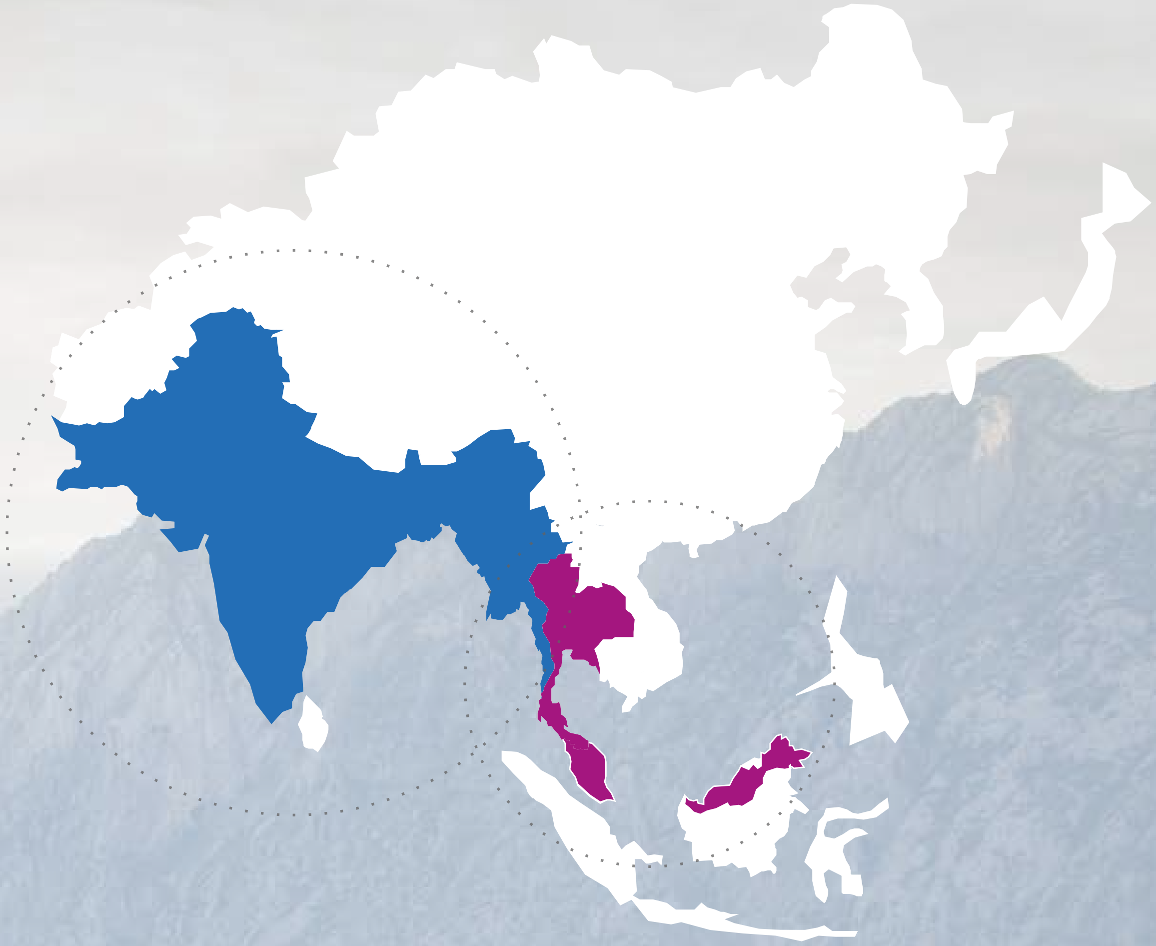


Revenue per cluster
In per cent





Based on market revenue share



Pakistan
#2 mobile operator

Malaysia
#2 mobile operator

Bangladesh
#1 mobile operator

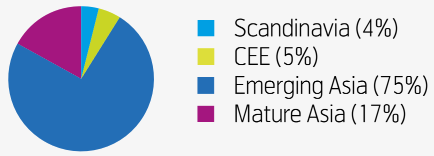
India
#4 in our operational circles

Thailand
#3 mobile operator

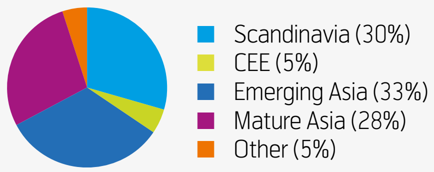
Myanmar
#2 mobile operator

Telenor ASA is listed on the Oslo Stock Exchange

Subscribers per cluster
In per cent



CAPEX excl. licence per cluster
In per cent



STAKEHOLDER ENGAGEMENT

Telenor's business impacts society in many ways: Digitalisation enables new services and industries to emerge. Applications may raise privacy challenges or security concerns. Digitalisation continuously creates new interdependencies between industry and society. Telenor is constantly involved in industry dialogues with authorities and peers in our markets - including privacy issues, consumer protection, sustainable business practices, licensing, taxation, and civic freedoms.

Telenor is constantly involved in industry dialogues **with authorities and peers in our markets**

To secure coherent positions and external messages, Telenor's dialogue is being conducted by the business entity of each market. Business Environment Management (BEM) is our integrated mindset and tools to achieve business objectives in dialogue with local stakeholders, and align with society to address social needs. In all our markets, we pursue three common objectives: To demonstrate that we do business in the right way, to secure our license to operate, and to enable the digital transformation of our industry. This often includes appeals to modernise legislative and regulatory frameworks that are not yet adapted to the new digital era.

Telenor aims for transparency and open discussion about the benefits and challenges of digitalisation. We report our economic and tax impact, country by country. We actively exercise a zero-tolerance position against corruption and fraud, which includes the way we conduct our dialogue and relations with authorities. And we prefer to exercise that dialogue through transparent public hearings, industry dialogues, and accessible legislative processes. We advise governments to practice good governance, high ethical requirements, transparent legislation, and predictable taxation and regulation in line with the best global standards. In market regulation, competition and taxation, we advise governments to pursue universality, cross-industry level playing field, resource efficiency, consumer interest, and human rights.

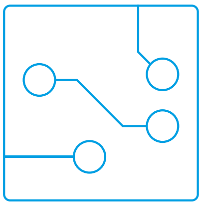
In order to ensure structured, transparent and relevant sustainability performance reporting, Telenor Group reports to external organisations including UN Global Compact, international reporting standard GRI and climate change disclosure body CDP.

INDUSTRY ENGAGEMENT

Specific dialogues may occur bi-laterally between Telenor and the relevant stakeholder or authority, while more general and universal dialogues often involve the whole industry. Stakeholders that our industry engages range from municipalities to national market regulators, competition authorities, ministries, and regional organisations like the EU and ASEAN.

Telenor Group is a member of industry associations such as the GSMA, ETNO, ESOA, GeSI and the Telecommunications Industry Dialogue on Freedom of Expression and Privacy along with national industry federations and chambers of commerce. Telenor works actively to enhance dialogue with market and competition regulators, relevant national ministries, BEREC, the EU Commission, ASEAN, the Asian Development Bank, the International Telecommunications Union (ITU), the United Nations, and the World Bank Group.

Telenor also takes an active part in industry dialogues on transparency and good business conduct, and addresses vital social issues together with UNICEF and non-governmental organisations (NGOs).



Telenor is a member of
GSMA, ETNO, ESOA, GeSI and other industry bodies

MESSAGE FROM THE CHAIR

Telenor has adopted a powerful vision: to empower societies. The internet is the platform upon which the world can integrate and advance the way we live, work, learn, share and solve global challenges for this generation, the next generation and the generations to follow. We aim to secure this future for the many, and not only the few.

This vison can only be achieved if we deliver great customer experiences, create value for shareholders, develop our employees and support societies, all through sustainable business conduct. In 2016, Telenor took important steps toward our vision by refining our strategy and making difficult prioritisations, while also strengthening Telenor's governance and compliance framework.

2016 was also a year when challenging issues were dealt with and brought to conclusions – with learnings taken.

I would like to express my thanks to the employees of Telenor for significant efforts and achievements in a challenging 2016.

"In 2016, Telenor took important steps toward our vision by refining our strategy and making difficult prioritisations, while also strengthening Telenor's governance and compliance framework.

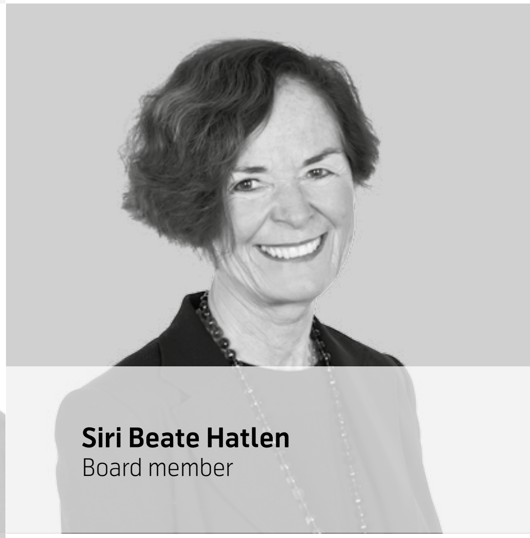
– Gunn Wærsted, Chair

THE BOARD

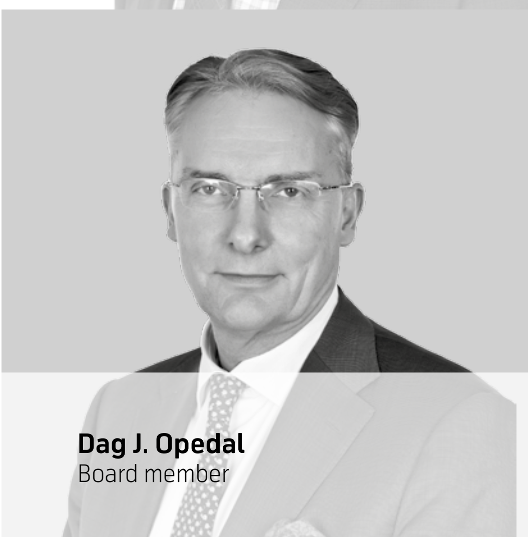
Gunn Wærsted
Chair

Jacob Aqraou
Board member

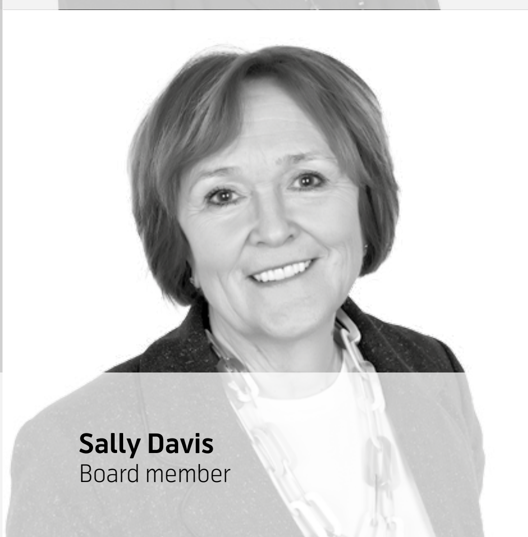
Jon Erik Reinhardsen
Board member



Siri Beate Hatlen
Board member



Dag J. Opedal
Board member

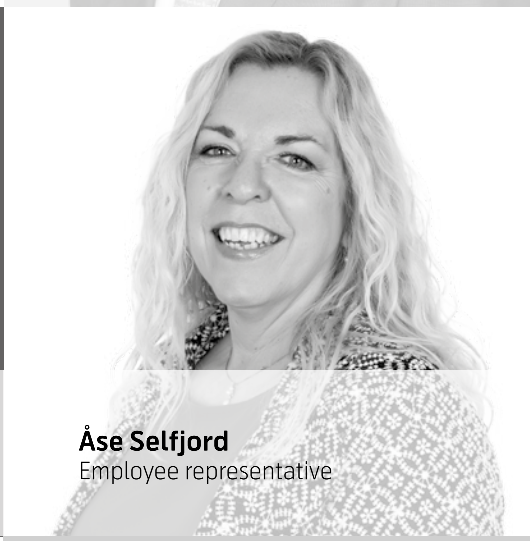


Sally Davis
Board member


Ashok Vaswani
Board member


Regi Aalstad
Board member


Harald Stavn
Employee representative


Åse Selfjord
Employee representative


Per Gunnar Salomonsen
Employee representative

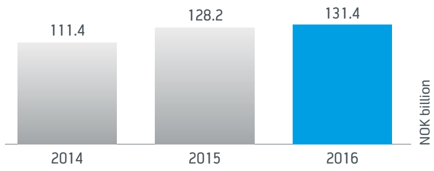
On 11 May 2016, the Corporate Assembly elected Ashok Vaswani, Jacob Aqraou and Siri Beate Hatlen as new members of the Board of Directors of Telenor ASA.

BOARD OF DIRECTORS' REPORT

KEY FIGURES 2016

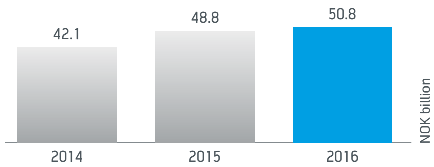
Revenues

Revenues in 2016 were NOK 131.4 billion; a reported growth of 3% compared to NOK 128.2 billion in 2015. The organic revenue growth was 1%[1)], mainly the result of strong performance in Bangladesh, Pakistan and Myanmar. The reported revenue growth was higher than the organic revenue growth, due to the depreciation of the Norwegian Krone towards most of the business units' reporting currencies. Positive currency effects on revenues amounted to NOK 1.3 billion.



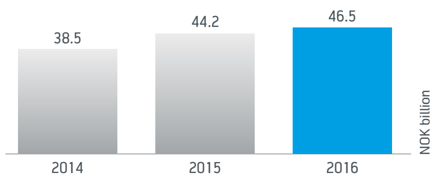
Operating expenditure[1)]

In 2016, operating expenditures (opex) grew by NOK 2.0 billion to NOK 50.8 billion, of which NOK0.5 billion was a result of currency effects. The opex increase was to a large extent attributable to the expansion of the operation in Myanmar, increased Group activities and new businesses, primarily from the acquisition of Tapad in February.



EBITDA before other income and other expenses[2)]

EBITDA before other income and other expenses strengthened by 5% or NOK 2.3 billion to NOK 46.5 billion. Organic EBITDA[1)] grew by 5% following the expansion in Myanmar, strong performance in Bangladesh and Pakistan, as well as positive contribution from the Indian operation. The EBITDA margin[1)] improved by 1 percentage point to 35% from 2015.

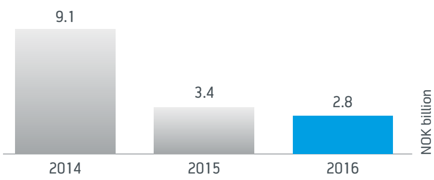


1) Please refer to page 165 for descriptions of alternative performance measures

2) Please refer to note 6 in the financial statements for reconciliation and page 165 for definition and descriptions of alternative performance indicators

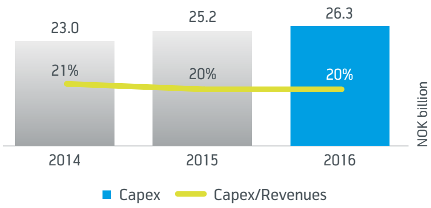
Net income

Operating profit ended at NOK 17.1 billion, down from NOK 22.8 billion in 2015 as the improved EBITDA was more than offset by higher impairment losses and increased depreciations. Impairment losses were mainly related to Telenor India and Tapad. Profit before tax was NOK 11.7 billion compared to NOK 13.0 billion in 2015. Share of net income from associated companies in 2016 was NOK 1.5 billion compared to NOK -7.1 billion in 2015, which was affected by an impairment of NOK 5.5 billion. In addition, losses on disposal of associated companies of NOK 3.3 billion were recorded mainly related to sales of 163.9 million American Depository Shares in VimpelCom Ltd. Net financial expenses increased to NOK 3.5 billion from NOK 2.9 billion in 2015. Income taxes in 2016 were NOK 5.9 billion, down from NOK 6.3 billion in 2015, and the effective tax rate for 2016 ended at 51%. Net income attributable to shareholders of Telenor ASA in 2016 was NOK 2.8 billion, or NOK 1.89 per share. The corresponding figure for 2015 was a net income of NOK 3.4 billion, or NOK 2.27 per share.



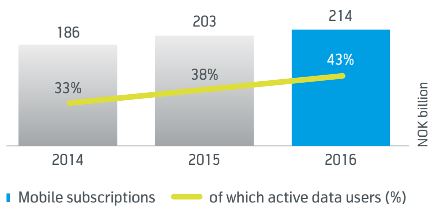
Capital expenditure[1]

Total investments in 2016 amounted to NOK 29.9 billion, of which NOK 26.3 billion were capital expenditure (capex) and NOK 3.6 billion were investments in businesses. Capex increased by NOK 1.1 billion compared to 2015. Lower capex in the broadcast business, as a result of the satellite launch in 2015, was more than offset by the acquisition of the new spectrum licence in Pakistan and higher investments in Norway, Bangladesh and Sweden. Capex for spectrum licences amounted to NOK 3.6 billion in 2016, an increase of NOK 2.0 billion compared to 2015. Capex as a proportion of revenues, excluding licences and spectrum, decreased from 18.4% in 2015 to 17.3% in 2016.



Mobile subscription development

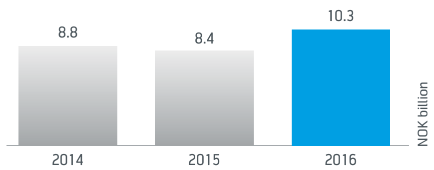
During 2016, the total number of mobile subscriptions increased by 11 million aided by strong growth in the emerging Asian operations. The share of active data users increased from 38% to 43% during the year.



Free cash flow[1]

Free cash flow in 2016 was NOK 10.3 billion, an increase of NOK 1.9 billion compared to 2015. Higher cash inflow from operating activities was partially offset by higher cash outflow from investing activities and supply chain financing programmes.

Net cash inflow from operating activities during 2016 was NOK 39.8 billion, an increase of NOK 2.7 billion compared to 2015, mainly due to increase in profit after tax adjusted for items without cash effect or not related to operating activities[2] of NOK 2.1 billion, partly offset by



[1] Please refer to page 165 for descriptions of alternative performance measures

[2] Items without cash effect or not related to operating activities adjusted for include:
- Depreciation, amortisation and impairment losses.
- Net (gains) losses from disposals, impairment and change in fair value of financial assets and liabilities.
- Loss (profit) from associated companies and joint ventures.
- Currency (gains) losses not related to operating activities

higher taxes paid of NOK 0.6 billion and positive net effect from net operating working capital[1] and other of NOK 1.2 billion.

Net cash outflow related to investing activities during 2016 was NOK 21.1 billion, an increase of NOK 0.8 billion compared to 2015. Cash outflow related to purchase of property, plant and equipment and intangible assets was NOK 2.6 billion higher during 2016. The acquisition of Tapad Inc. in the first quarter of 2016 of NOK 2.8 billion mainly explains higher cash outflow related to investments in subsidiaries and associated companies of NOK 4.0 billion. Higher proceeds from disposal of subsidiaries and associated companies of NOK 3.9 billion are mainly due to proceeds from partial disposal of Telenor's stake in VimpelCom Ltd. of NOK 4.6 billion and disposal of real estate of NOK 0.5 billion during 2016 as compared to sale of shares in Evry ASA of NOK 1.3 billion in 2015.

Net cash outflow related to financing activities during 2016 was NOK 9.0 billion. This is mainly explained by dividends paid to shareholders in Telenor ASA of NOK 11.2 billion, dividends paid to non-controlling interest of NOK 3.1 billion offset by net proceeds from borrowings of NOK 5.3 billion.

Cash and cash equivalents increased by NOK 9.2 billion during 2016 to NOK 23.0 billion as of 31 December 2016.

[1] Please refer to note 22 for definition and reconciliation

Financial position

During 2016, total assets increased by NOK 1.4 billion to NOK 206.3 billion. The main changes were cash proceeds from issuance of exchangeable bonds into VimpelCom Ltd. ADS of NOK 8.2 billion (see note 27 for further information), offset by an impairment loss recognised in Telenor India, and an impairment of goodwill in Tapad Inc. (see note 16 for more information).

Net interest bearing debt[1] increased by NOK 0.3 billion to NOK 54.4 billion. Interest bearing liabilities excluding licenses increased by NOK 9.9 billion and fair value of hedging instruments decreased by NOK 0.2 billion. This was partly offset by increase in cash and cash equivalents (including bank overdraft) of NOK 9.1 billion and short-term investments of NOK 0.7 billion.

Total equity decreased by NOK 7.7 billion to NOK 55.4 billion, mainly due to dividends to non-controlling interests and shareholders of Telenor ASA of NOK 14.1 billion, partly offset by positive net income of NOK 5.8 billion.

At the end of 2016, total assets in the consolidated statement of financial position NOK 206.3 billion, with an equity ratio (including non-controlling interests) of 27% compared to NOK 204.9 billion and 31%, respectively, at the end of 2015. Total non-current liabilities at the end of 2016 were NOK 73.3 billion compared to NOK 76.8 billion at the end of 2015. Total current liabilities at the end of 2016 were NOK 77.6 billion compared to NOK 65.0 billion at the end of 2015, mainly because of issuance of exchangeable bonds into VimpelCom Ltd. ADS of NOK 8.2 billion. Net interest-bearing liabilities excluding licence commitments[1] increased from NOK 54.1 billion at the end of 2015 to NOK 54.4 billion by the end of 2016. Dividends of NOK 11.3 billion were paid to shareholders of Telenor ASA. 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.

Telenor's Annual Report for 2015 contained a financial outlook for 2016. The expectation was organic revenue growth in the range of 2% to 4%, EBITDA margin before other income and other expenses in the range of 33% to 34%, and capital expenditure as a proportion of revenues, excluding licences and spectrum, in the range of 17% to 19%. The outlook was revised in the second quarter to organic revenue growth in the range of 1% to 2%, EBITDA margin of around 35% and a capex to sales ratio, excluding licences, around 17%. The financial results for 2016 were in line with the revised outlook.

[1] Please refer to page 165 for description of alternative performance measures

Outlook for 2017

For 2017, we expect an organic revenue growth in the range of 1% to 2% and an EBITDA margin of around 36%. The capex to sales ratio excluding licences is expected to be 15% to 16%.

Annual Results and allocation

Telenor ASA's net income for the year 2016 was NOK 3 396 million, after receipt of a group contribution and dividend of NOK 8 060 million. The Board proposes the following allocation: Transferred to retained earnings: NOK 3 396 million. After this allocation, Telenor ASA's equity, after deduction of share capital, is 30 069 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 flexibity and ensure cost efficient funding, Telenor's aims to maintain a solid balance sheet through keeping net debt/EBITDA[1)] below 2.0x. As of 31 December 2016 the reported net debt ratio was 1.2x.

1) Please refer to page 165 for description of alternative performance measures

Dividends of 2016

The Telenor Board of Directors will propose a total dividend of NOK 7.80 per share (NOK 11.7 billion) to be resolved by the Annual General Meeting in May 2017 and paid out in two instalments of NOK 4.30 per share and NOK 3.50 per share in May 2017 and November 2017, respectively.

Events after reporting period

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 Tele-communications 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 close within 12 months. With effect from the first quarter of 2017, Telenor India will be treated as an asset held for sale and discontinued operations in Telenor Group's financial reporting.

In 2016, Telenor India's revenues were NOK 6.0 billion and the operating cash flow was negative with NOK 0.4 billion. Telenor services are commercially available in six telecom circles in India (Andhra Pradesh, Bihar & Jharkhand, Gujarat, Maharashtra, UP East and UP West), and the company also has spectrum in Assam. Total assets and liabilities recognised as of 31 December 2016 that will form part of the transaction with Airtel was NOK 1.3 billion and NOK 3.7 billion, respectively. Refinancing of Telenor India and recognition of the guarantees related to the DoT claims as of the transaction date will eliminate any gain arising from the derecognition of the net assets.

Key achievements in 2016 & strategy pillars

2016 marked the launch of Telenor's strategy to digitise and transform its business, fully leveraging its operational scale, global footprint, and international brand while driving more agile ways of working. This transformation has been further guided by the escalating fusion of physical and digital worlds, which is impacting all disciplines, economies and industries.

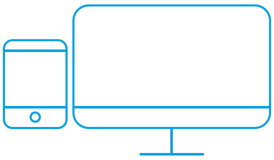
This growth strategy is marked by four pillars: to become the customers' favourite partner in digital life; be a most efficient operator; enable winning teams; and show responsible business conduct. Achievements highlighted within each of these pillars have contributed to the continued growth in revenues and a record high EBITDA over the past year and are expected to continue driving value creation for shareholders in the years to come.

Customers' favourite partner in digital life

Telenor has embarked on a journey to fulfil customers' new digital needs while simultaneously increasing efficiency. Areas of particular priority include digital interaction channels, digital services such as storage, and adjacent digital businesses such as financial services, online marketplaces and analytics. All of these services will continue to be delivered over high quality networks, providing seamless experiences.

To better deliver on these priorities, Telenor engaged in a Group-wide effort, starting in 2013, to actively and systematically seek feedback from customers, and use that input to drive improvements in customer journeys, products, network and channels.

DIGITAL INTERACTION CHANNEL. 2016 saw the start of the redevelopment and relaunch of My Telenor, the company's primary digital interaction channel, with the aim to make it the company's most important interface, allowing customers to interact with Telenor through its rich and personalised user experience; and as a result shift sales from third party physical channels to own digital channels, reduce future call center costs and improve efficiency of marketing campaigns, amongst other benefits.



Telenor has embarked on a journey to fulfil customers' new digital needs while simultaneously increasing efficiency.

HOME-GROWN, CENTRALLY DRIVEN INTERNET SERVICES. Telenor in 2016 doubled monthly active users on home-grown, centrally driven internet services such as cloud-storage service Capture, video communication service appear.in and WowBox, a mobile internet portal installed as an app on smartphones.

CLOUD-BASED SOFTWARE PLATFORM. Telenor has over the past years built a global cloud-based software platform to support the company's ambition of delivering globally engaging digital products to customers within the Telenor footprint and beyond. The platform, called Global Backend, hosts key digital enablers, such as a global digital identity and payment solutions. The platform, used to connect Telenor's business units with external ecosystems and global partners, gained significant momentum in 2016. Registered global IDs quadrupled and purchases via the global payment solution almost tripled versus 2015.

PARTNERSHIPS (non-exclusive) with major internet companies such as Youtube, Facebook and Google remained important in driving internet adoption, data usage and monetisation. In 2016, Telenor also signed a global frame agreement with Netflix, rolled out a global campaign with gaming giant Supercell, and established global marketing agreements with Facebook and Google. In addition, the company secured preferred partner status with several of its existing key partners.

ANALYTICS/ADVERTISING TECHNOLOGIES. In 2016, Telenor continued to build analytics capabilities in its business units to enable real-time, contextual and personalised offers and to use data insights. In 2016, Telenor entered the ad tech industry via the acquisition of New York-based Tapad Inc., the market leader in unified cross-device marketing with both media execution and data licensing business lines. This platform powers the capability to understand, analyse and target users as one audience across verticals. The move enables Telenor to build a position within the increasingly global AdTech industry and leverage capabilities to power Telenor's step-up within analytics and digital sales & marketing.

ONLINE MARKETPLACES. Telenor invested in Online Classifieds in 2013, a strategically attractive digital area that can contribute growth, broad reach and increased user engagement. Today, together with Telenor's partners Schibsted, Naspers and Singapore Press Holdings, the company owns eight online classifieds businesses in Asia and Latin America , reaching approximately 100 million customers monthly.

FINANCIAL SERVICES. In March 2016, Telenor acquired the remaining 49 per cent of shares of Tameer Microfinance Bank Ltd. in Pakistan. Via Easypaisa, Telenor and Tameer have over 21 million active customers who utilise mobile money. In Myanmar, Wave Money was the first company to launch a mobile money service and receive a registration certificate by the Central Bank of Myanmar. To strengthen its position in Malaysia, Telenor Group acquired Prabhu Money Transfer, a licensed money services business. Telenor Banka in Serbia is the fastest growing digital bank in the region.

M2M AND INTERNET OF THINGS (IOT). Telenor also has significant competence and experience within M2M and IoT primarily through Telenor Connexion. Telenor is the market leader in the Nordic M2M and IoT connectivity business and has a leading position within key industry areas, where new business models are emerging based on sensor data and analytics. These include automotive, fleet management, smart cities, health and manufacturing.

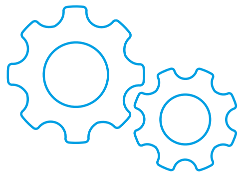
Most efficient operator

Telenor aims to continue growing and significantly improving the company's efficiency, driven by the digital transformation of the core business and a strict prioritization of resources. To deliver of Telenor's financial ambitions, the company will prioritize cash flow generation through efficiency improvements.

Telenor's focus is to deliver global, efficient, high quality, and secure infrastructure and services to ensure affordable connectivity and engaging digital services to customers. Telenor also explores and pilots technologies that potentially can have disruptive impact on the traditional core telco business.

NETWORK EFFICIENCY continued to be a key focus area across all of Telenor's operations in 2016. Competitive network service delivery, along with energy efficiency, allowed Telenor to achieve significant cost savings. New operating models leveraging both passive and active infrastructure sharing will result in more efficient investments.

TELENOR COMMON OPERATION, an internal, regional managed service provider delivering network and IT services to Telenor's European business units, further expanded into Bulgaria in 2016. In Asia, Telenor approved a common delivery center operating model in 2016. The implementation of the new operating model will continue through 2017.



Operational efficiency remains a strategic pillar for the Telenor Group in delivering on financial ambitions.

IMPROVING UTILIZATION OF NETWORK ASSETS in a smart way remains a key principle in delivering cost efficient and high quality connectivity services to customers. In 2016, Telenor accelerated 4G roll-out and continued to build readyness for 5G. Telenor also successfully launched voice over 4G and voice over WiFi in several markets, improving the customer experience as well as efficiency and capacity utilization.

NETWORK VIRTUALISATION. In the future, network virtualisation will provide even greater levels of efficiency and programmes have already been established at Group level to set guidelines and directions for adoption.

Telenor has started the journey to move IT and network functions from dedicated hardware to virtualised datacenters and establish the Telenor hybrid cloud.

In 2016, IT transformation efforts have focused around standardisation of applications across business units, transformation of architecture including simplification and changes in the operating model.

APPLICATION PROGRAMMING INTERFACES. Telenor laid a solid foundation to standardise technology solutions across the Group to move towards more open platforms and offer data and functionality as a service both internally and to partners through Application Programming Interfaces (APIs). An API gateway has been designed and implementation is well underway in five business units in Asia and Norway. Going forward, the focus for Telenor will continue to be radically simplifying legacy systems and migrating to standardised IT solutions. This would reduce operational costs, lead to faster time to market, and increase customer satisfaction.

Telenor continued to streamline customer touchpoints & services for a seamless customer experience. Telenor Norway achieved significant efficiency gains and higher utilisation of resources in the customer service area through digitalisation and employing systems leading to improved processes. Dtac and Digi have also initiated projects on shifting sales and service interactions to digital channels, responding not only to customer behavior but also to the need for cost effective channels. To accelerate this shift, Telenor set the ambition to launch the Telenor app in all markets in 2016, which will result in significant reduction of both service and sales channels cost in the years to come. Telenor aims to have 80 per cent of customer interactions digitised by 2020.

Responsible business conduct

Telenor's ambition is to responsibly contribute to economic, environmental and social development everywhere it operates, acting with accountability and transparency. In 2016, Telenor set a new direction for its Sustainability ambitions focusing on three specific areas: change the way it manages risks, create digital services designed to empower societies, and being firmly committed to focusing its agenda on the United Nation's Sustainable Development Goals (SDG). Telenor chose to focus in particular on SDG#10: Reduced Inequalities, as this is where Telenor continues to deliver the most impact. For more information on specific commitments chosen to support this goal, see www.telenor.com/media/articles/2016/group-sustainability-sets-a-new-direction-for-2017-2020.

In 2016, Telenor commissioned KPMG to outline and quantify its impact on the societies it serves. The study showed that Telenor contributes to USD 20.3 billion in annual global economic growth directly through its output, indirectly through the economic activity it generates with suppliers, and via its employees' contribution to local economies. Telenor also generated 1.2 million jobs around the world in 2015; and for every 1 job that Telenor created directly, an additional 33 jobs were created via indirect and induced means.

Telenor actively uses sustainability and ethical compliance when evaluating external suppliers across all categories. Furthermore, Telenor is one of the few telecommunications companies to require all suppliers to sign up to a contractually binding Agreement on

In 2016, Telenor Group focused on digital competence building, as well as employee education and understanding of the corporate strategy and transformation programme.

In addition, an internal innovation programme for employees was established, Ignite Incubator, to increase the pipeline of products and encourage an agile way of work within the Group.

responsible Business Conduct (ABC) across all its markets. According to the KPMG report, 2.1 million employees across almost 10,000 companies were benefitting from working conditions following Telenor's supply chain sustainability policy and Agreement on responsible Business Conduct (ABC); of these, 81% were based in Asian markets. Also in 2016, Telenor established cross-functional supplier governance and acquired new tools to enhance supplier pre-qualification. For more information on these and other socio-economic highlights, please see the KPMG report: www.telenor.com/sustainability/global-impact.

Telenor continued to work on improving the company's corporate governance structures and operate responsibly in all aspects of its business. Several measures were initiated during the year to further develop Telenor's work with governance and compliance. For further information, see the Sustainability Report on page 41 and Corporate Governance Report. In addition, view press releases issued during 2016 www.telenor.com/media/press-releases/2016/regarding-compliance-cases-handled-by-telenor-group-asa-and-its-subsidiaries and www.telenor.com/media/press-releases/2016/deloitte-advokatfirma-submits-final-report-on-telenors-handling-of-the-vimpelcom-ownership.

Finally, business security was high on the agenda in 2016 in order to address global security challenges affecting the telecommunications industry. Telenor also strengthened its governance, organisation and capabilities related to security, an effort that will continue in 2017. For further information, see www.telenor.com/about-us/corporate-governance/security-in-telenor-group.

Winning team

In 2016, Telenor Group focused on digital competence building, as well as employee education and understanding of the corporate strategy and transformation programme.

A GLOBAL WORKFORCE AND DIVERSE TALENT POOL. In 2016, Telenor continued to strive and challenge itself further on improving gender balance and diversity of its workforce. While there is still ground to be covered, recent efforts have yielded positive results. At year-end 2016, Telenor's Board included five female board members out of a total of eleven board members. The percentage of women in Telenor's Group Executive

Management increased from 16 per cent (2015) to 25 per cent (year-end 2016). The percentage of women senior leaders improved from 22 per cent to 23 per cent. Women leaders in middle management in Telenor's major business units improved from 29 per cent to 31 per cent.

The nationality split amongst senior leaders, included, about 59 per cent Scandinavians, 13 per cent from the rest of Europe, 24 per cent Asians, and 4 per cent others. At year-end, Telenor Group had about 37,000 employees (including Tapad and Tameer) across its 13 markets, of which 33 per cent are women. In Telenor ASA, 37 per cent of employees are of a non-Norwegian background. Integration of skilled personnel with migrant backgrounds also continued in Norway. The sickness absence rate for all employees in 2016 was 1.6 per cent.

DISABILITY INCLUSION remained on the agenda with five business units running the Open Mind Programme, which provides training opportunities to persons with disabilities at the workplace.

WOMEN'S INSPIRATION NETWORK (WIN). In 2016, the company launched WIN which has been subsequently rolled out in all Telenor markets and now includes more than 200 women leaders. In addition, Telenor implemented its global minimum six-month paid maternity leave policy from January 1, 2016, which impacts some of Telenor's Asian operations in particular where the local standard is less than six months leave.

TRAINEE PROGRAMMES. Telenor ASA in 2016 ran trainee programmes targeting top talents among graduate students from diverse educational backgrounds. The 2016 management trainee group consisted of 69 per cent women.

INTRAPRENEURSHIP PROGRAMME. Telenor established an internal programme for all its employees, Ignite Incubator, to increase the pipeline of products and encourage an agile way of work within the Group. More than 500 ideas were submitted and five teams of innovators were selected from the programme to continue as fully-fledged startups within Telenor. A second round of Ignite was launched for 2017.

GLOBAL UNION. As a global employer, Telenor renegotiated its global agreement with UNI Global Union in 2016, as a platform and framework for the company's dialogue on fundamental labour rights for its employees.

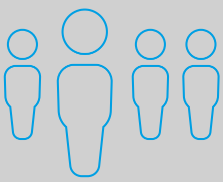
LIVING THE CODE. In 2016, Telenor launched a new group-wide anti-corruption training programme, which includes the roll-out of a new mandatory e-learning to employees and a scenario training programme to be conducted by managers. The training programme was developed to reinforce anti-corruption awareness on all levels in the organisation of the Telenor Group companies. In addition, Telenor continued its Code of Conduct training, which served to remind and re-educate employees on their commitments in the Code of Conduct.

Research and Innovation

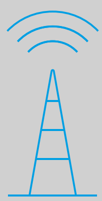
Telenor spent NOK 2.8 billion in 2016 on innovation in new infrastructure, services and processes, of which NOK 0.6 billion were costs related to research and development. The acquisition of Tapad strengthened Telenor's innovation activities within services in 2016. In comparison, the total spend on innovation was NOK 3.4 billion in 2015, of which NOK 0.5 billion were costs related to research and development.

During 2016, Telenor's research unit continued to provide insights and competences in further developing areas such as customer insight, data analytics, organizational models, machine learning and digital services.

ARTIFICIAL INTELLIGENCE. Telenor launched the Digitise Norway initiative in 2016 to support entrepreneurship and competence building in Norway. In collaboration with the Norwegian University of Science and Technology (NTNU), Telenor will establish a lab within Artificial Intelligence (AI) and Big Data at NTNU in Trondheim. Telenor will also roll out a dedicated, next-generation IoT network in selected Norwegian cities. Startups and students will get cost-free access to this network. Telenor also became a core member of



Telenor continued in 2016 **to increase the diversity** of its workforce.



Network efficiency continued to be a key focus area across all operations

Digital Norway – Toppindustrisenteret AS, a new arena for cooperation between companies and professionals.

By using cutting edge methodologies, Telenor has measured the revenue contributions of digital services in selected markets. World leading research on AI has been applied and piloted on new innovative services and marketing processes. Automatic image recognition is now technically feasible, and computers can recognize objects in pictures with high accuracy. Telenor has implemented automatic image recognition for improving user experiences and reducing the moderation workload for Telenor's online classified sites.

JOINT INNOVATION AND STRATEGIC COLLABORATIONS. Telenor also continued to explore and verify solutions for improved customer experience and better efficiency, through joint innovation and strategic collaborations. These included: emerging mobile technologies such as spectrum efficient mechanisms, advanced antenna/coverage, small cell utilisation, flexible high-capacity backhaul, cloud/virtualisation, Internet of Things, and 5G preparedness. Telenor has also developed a software based core network that is run from the cloud. Using the company's own code or open-source software, this technology can plug into low-level mobile virtual network operator interfaces with host operators. Telenor is also active in European research collaborations on next generation mobile technology 5G.

During 2016, Telenor continued to build relationships with world leading institutions, including Harvard, Massachusetts Institute of Technology (MIT) and the EU through the Horizon 2020 programme. Research was also conducted through long-term collaboration with the Norwegian School of Economics (NHH), NTNU and the University of Oslo. Through the AI-lab initiative Telenor strengthened the collaboration with NTNU considerably in 2016.

Telenor spent NOK 2.8 billion in 2016 on innovation in new infrastructure, services and processes

In 2016, Telenor set a new direction for its **Sustainability ambition**

Group operations

Telenor Group is one of the world's major mobile operators with 214 million mobile subscriptions and a strong footprint in 13 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 and South America through a joint venture with Schibsted. Telenor also has a minority stake of 23.7 per cent in VimpelCom Ltd. ("VimpelCom").

All comments below are based on the development in local currency for 2016 compared to 2015, unless otherwise stated. EBITDA is EBITDA before other income and other expenses, unless otherwise stated.

Key operational trends in 2016:

SCANDINAVIA:

- Migration to new mobile tarrifs with roam-like-home in EU
- Fibre step up in Norway and Sweden
- 4G roll-out

CENTRAL AND EASTERN EUROPE:

- Focus on value customers, building on 4G network positions
- Competitors going FMC (fixed-mobile convergence)

EMERGING ASIA:

- Solid revenue growth, fuelled by increasing data usage
- Susbstantial network roll-out
- Myanmar turned cash flow positive

MATURE ASIA:

- Intense prepaid competition
- Double-digit revenue growth in postpaid segment
- Focus on pre-to-post migration

Scandinavia:

NORWAY:

The total subscription base fell 3% to slightly below 3.1 million from fewer data cards and prepaid subscriptions. The share of active data users increased to 77% and the median data usage increased by 60% compared to the previous year. Total revenues decreased by 2%. Revenues from the mobile operation remained stable as higher share of contract subscriptions, customers choosing tariffs with larger data buckets, and higher handset sales, offset effects of lower roaming and interconnect rates. Fixed revenues decreased by 4% as increased revenues from internet and data services were offset by the continuing decline in legacy telephony and wholesale revenues. The EBITDA margin remained stable at 42%, as the declining contribution from high-margin mobile roaming and fixed legacy revenues was offset by reduced operating expenses. Telenor Norway invested NOK 4.8 billion in infrastructure for fixed and mobile services. The total number of high-speed fixed broadband connections increased by 53,000 to 597,000, whereas total fixed broadband connections increased by 11,000 to 865,000.

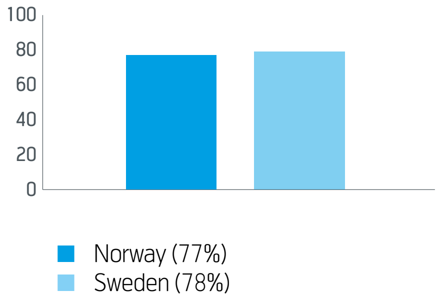
SWEDEN

Telenor Sweden ended the year with 2.6 million mobile subscriptions, with 78% being active data users. Telenor's Swedish mobile customers remain by far the most data consuming in the Group with median data consumption of 1.8 GB per month. Revenues from the mobile operation decreased by 6%. Telenor Sweden stopped being the principal for handsets sold through external channels. In addition, revenues were impacted by a provision for an unfavourable decision from the Swedish Tax Agency on treatment on VAT during 2013-2014. 50,000 fixed high-speed broadband connections were added throughout the year, bringing the user base to 525,000 at year end. This expansion turned the previously negative revenue trend in fixed into 1% growth. The EBITDA margin remained stable at 29%, negatively impacted by the VAT adjustment mentioned above. Capex was mainly related to network improvements in Telenor Sweden's home network, increased 4G coverage through the infrastructure joint operation Net4Mobility, in addition to fibre to the home roll-out.

DENMARK

2016 has been a year of transformation of the Danish operation with a complete swap of business support systems aimed at providing significantly better customer experiences and enable an efficient operation. Telenor Denmark strengthened its customer portfolio to 1.8 million mobile subscriptions, of which the vast majority are active data users. Total revenues decreased by 6% as a result of lower mobile ARPU, reduced handset sales as well as continued decline in fixed line revenues. The EBITDA margin remained stable at slightly below 12% as reduced revenues were compensated by reduced operating expenditure in several activities. As a consequence of the unfavourable market conditions, capex was reduced further also this year, with a reduction of 24% from 2015. Investments were primarily related to network capacity and customer equipment. In an auction in September 2016, Telenor Denmark renewed its licence in the 1800 MHz frequency band through its joint network company for a total consideration of NOK 520 million, of which Telenor will pay 50%. The renewal is valid from June 2017.

Active data users



Active data users is not reported for Telenor Denmark

Central Eastern Europe:

HUNGARY

Telenor Hungary ended 2016 with 3.1 million mobile subscriptions, of which 51% were active data users. Revenues decreased by 4% compared to last year following lower handset sales and reduced interconnect rates. 8% of total revenues were related to the sale of mobile phones. The EBITDA margin remained stable at 31%. Capex was mainly related to coverage expansion, 4G roll-out and shop renovation.

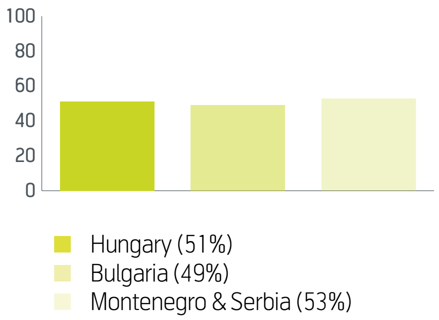
BULGARIA

In Bulgaria, Telenor's subscriber base ended at 3.4 million and the share of active data users increased to 49% aided by the new 4G network launched in 2015. High focus on 4G and network quality has resulted in an award for fastest network, value oriented propositions and prepaid to postpaid migration. Total revenues increased by 4% following an ARPU uplift. The EBITDA margin decreased by 1 percentage point to 38% due to increased traffic cost. Capex was mainly related to network roll-out supporting 4G coverage as well as rebranding of stores. Population coverage on 4G reached 78% at the end of the year.

MONTENEGRO AND SERBIA

The combined operation in Montenegro and Serbia ended 2016 with 3.3 million mobile subscriptions, slightly less than the previous year. The share of active data users was 49% in Montenegro and 54% in Serbia. Total revenues remained stable as slightly lower mobile revenues were compensated by increased handset sales. The EBITDA margin decreased by 1 percentage points to 34% mainly driven by growth in low margin services and handset sales. Capex was primarily related to network roll-out. Mobile population coverage in Serbia reached 99% on 3G and 53% on 4G. In July 2016, Telenor Montenegro renewed and increased spectrum holdings in the 900, 1800 and 2100 MHz frequency bands. In Serbia, the licences in the 900, 1800 and 2100 MHz frequency bands have been extended for 10 years, in line with the condition set out when Telenor entered the country in 2006.

Active data users



Mature Asia:

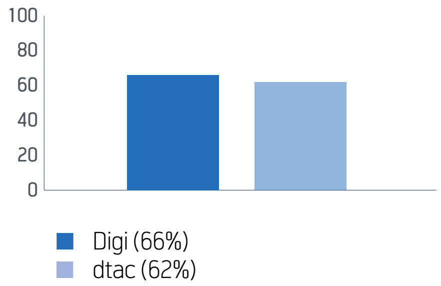
DTAC - THAILAND

Mobile data consumption continued to grow strongly and the average active data user in dtac consumes nearly 4GB of data per month, representing nearly a doubling from 2015 level. By the end of 2016, 62% of dtac's 24.5 million subscribers were active data users and the strong growth in usage is supported by the efforts to drive smartphone penetration of 68% and roll-out of 4G population coverage to more than 70%. Revenues decreased by 6% driven by reduced subscription revenues following aggressive competition in the prepaid market, lower interconnect rates and lower device sales. The full year EBITDA remained stable as pressure on subscription and traffic revenues and increased device subsidies was offset by regulatory cost reductions due to the transition from concession to license network. Dtac is currently operating under a concession agreement with the state-owned company CAT in which dtac builds, operates and commercially offers services object to a revenue share (currently 30%) of service revenues from 850MHz and 1800MHz networks. This agreement expires in September 2018. Capex was in line with the previous year at NOK 4.8 billion related to 3G and 4G network expansion and quality improvement to enhance network perception.

DIGI - MALAYSIA

The Malaysian market remained competitive on international traffic and domestic data offerings in 2016. Data growth more than doubled on the back of 65% smartphone penetration and 85% population coverage on 4G. By year-end, 66% or 8 million subscribers were active internet users. Revenues decreased by 5% caused by reduced handset sales and reduced subscription and traffic revenues following the continued fierce competition. The EBITDA margin improved by 1 percentage point to 45% from improved margins on international voice traffic and lower share of handset sales partly offset by higher opex following network expansion. Capex was mainly related to expansion of network coverage and capacity, backhaul transmission and modernization of IT systems to support ongoing digitalization. On 1 November, Digi accepted the offer in respect of the spectrum assignments by the regulator for 2x5MHz of 900MHz and 2x20MHz of 1800MHz spectrum bands and the one-time fee component of NOK 1.2 billion was paid the same day. In addition to the upfront payment, Digi is committed to annual payments of in total NOK 1.5 billion over 15 years effective from 1 July 2017.

Active data users



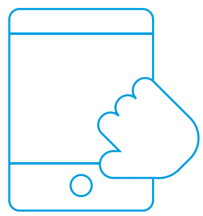
Emerging Asia:

GRAMEENPHONE - BANGLADESH

During 2016 all Bangladeshi telecom operators had to biometrically verify their complete customer base and disconnect all unverified SIM cards, resulting in an intermediate drop in total number of subscriptions. Despite this, Grameenphone was still able to continue the strong growth and added another 2% subscriptions during 2016, increasing the base to 59 million by year-end. Mobile penetration is estimated to be around 73%, there is still an untapped growth potential. Grameenphone's 3G network position has been reinforced during 2016 and focus has been to drive initiatives securing a healthy data growth, resulting in a data revenue growth in 2016 of 70%. 3G phones are becoming more affordable and Grameenphone's launch of several internally developed data centric content services like Wowbox, GP Music, GPay and MyGP has helped to increase the active data user base to 42%. Total revenues increased by 10% and the EBITDA margin improved by additional 2 percentage points to 55%. Capex, excluding licences and spectrum, increased by 10% following the continued roll-out of 3G coverage, whereby expanding the 3G population coverage to above 90% and the estimated smartphone penetration to around 24%.

PAKISTAN

Telenor Pakistan continued the strong growth and added 14% more subscriptions during 2016, reaching a total of 39.4 million at the end of the year. In the second quarter, Telenor Pakistan was awarded 4G spectrum and it subsequently launched LTE services in the major provinces of Pakistan. This has further contributed to increasing the number of active data users to 36% of Telenor Pakistan's subscription base with a smartphone penetration of around 26%. Total revenues in local currency continued to show strength and increased by 10%, primarily driven by data usage, growth in financial services and higher incoming international traffic volumes. The EBITDA in local currency increased by 10% keeping the margin stable at 41%. Capex, excluding licences and spectrum, increased by 12% and was focused towards the continued roll-out of the 3G and 4G network, whereby expanding the 3G population coverage to 67%.



Telenor continued to roll out
3G and 4G in its markets

MYANMAR

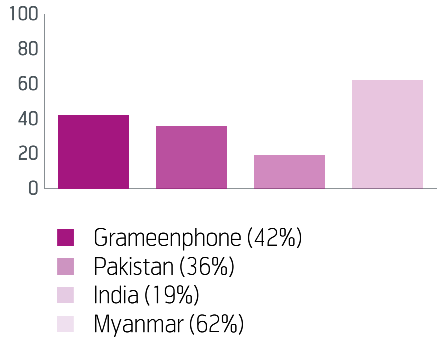
Telenor Myanmar added a total of 4.6 million mobile subscriptions in 2016, ending the year with 18.3 million, of which 62% were active data users. The strong growth in subscriptions came as a result of the continued roll-out of network coverage, with almost 7,300 sites on air, as well as a solid network of retailers across the country, with approximately 90,000 points of sales at the end of 2016. Total revenues were NOK 7.0 billion for 2016 compared to NOK 4.8 billion in 2015. The EBITDA margin came in at 43% for the full year on the back of strong revenue growth, positive traffic balance and disciplined cost management. Capex remained high at NOK 2.7 billion due to the investments in coverage and capacity in order to cater for the surge in traffic volumes and to connect extended parts of the Myanmar population.

INDIA

At the end of 2016, the Indian operation had 44.0 million mobile subscriptions, an increase of 1.4 million from the year before. 19% of the customers were active data users. Revenues for 2016 in local currency increased by 9%, driven by the increase in subscriptions and higher incoming traffic, partly offset by lower usage. EBITDA before other items improved from NOK -47 million in 2015 to NOK 434 million in 2016 as a result of the revenue growth and the positive effects coming out of the network modernization initiated in 2015, as well as other operational efficiency initiatives. Operating profit was impacted by NOK 6.8 billion in impairments and write-downs during the year. Capex was mainly driven by the network modernization. The current spectrum position has not been sustainable to cater for the enormous growth in data traffic in the market. As a result, a review of the strategic options for the operations has been conducted during 2016, concluding that the significant investments needed to secure Telenor India's future business on a standalone basis would not have given an acceptable level of return. On 23 February 2017, Telenor ASA 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, and is expected to close within 12 months.

With effect from first quarter 2017, Telenor India will be treated as an asset held for sale and discontinued operations in Telenor Group's financial reporting.

Active data users



BROADCAST

At December 2016, Telenor Broadcast had 862,000 subscribers in their TV services subsidiary Canal Digital Satellite, a reduction of 35,000 from December 2015. Canal Digital launched several product improvements in 2016, including a new set-top box and an online product available on Apple TV, and ended 2016 with 18% active online users. Revenues increased by 2% in Broadcast, or 1% excluding currency effects, primarily as a result of a positive onetime effect related to a settlement in Norkring. Telenor Satellite decreased their revenues by 6% mainly due to declining prices in the data communication market. EBITDA increased by 10%. Capex was mainly related to customer driven installation and DAB network investments in Norkring, while in Canal Digital, product development and digitalisation of customer journeys were the main investments.

VIMPELCOM

In 2016, VimpelCom's financial results contributed NOK 4.9 billion to Telenor's financial results. In addition, an impairment loss of NOK 2.8 billion was recognized, based on the market value of VimpelCom shares. The market value of the VimpelCom shares represents approximately 7% of Telenor's market capitalisation as of 31 December 2016.

In September 2016, Telenor commenced the sale of a portion of its stake in VimpelCom, reducing its economic stake to 23.7%, from 33%. This minority stake is included as an associated company in Telenor's financial reporting. This move followed the company's announcement on 5 October 2015 of its intention to divest its stake in VimpelCom.

In February 2016, VimpelCom admitted FCPA violations and reached a settlement agreement with US and Dutch authorities after an investigation relating to VimpelCom's business in Uzbekistan and prior dealings with Takilant Ltd. As part of the settlements, VimpelCom will pay USD 795 million in fines and disgorgements to US and Dutch authorities, and retain an independent corporate monitor for at least three years. In November 2015, Telenor's Board engaged Deloitte Advokatfirma (Deloitte) to conduct a review of Telenor's follow up and handling of its VimpelCom ownership. In April 2016, Deloitte delivered its final report, concluding that no Telenor employees were involved in corrupt actions or any other legal offences. The report however uncovered internal weaknesses in Telenor. The Board and management have initiated several measures to improve the company's work with governance, compliance and transparency. For further details see the Corporate Governance Report and the press release issued on 29 April 2016 www.telenor.com/media/press-releases/2016/deloitte-advokatfirma-submits-final-report-on-telenors-handling-of-the-vimpelcom-ownership.

Norway

Telenor's commitment to digitising Norway is significant: more than NOK4 billion is spent yearly to upgrade and modernise the fixed and mobile network in the country to deliver future-proof services to its customers. Telenor's capital expenditure was 18 per cent of the entire revenues for Norway. The investment underscores Telenor's commitment to put its customers first and in advancing Norway as a world leader and innovation driver.

To ensure the best coverage and connectivity for its customers, Telenor stepped up the modernisation of its mobile base stations by upgrading 2G sites to 4G. In December 2016, Telenor Norway reached the 5000 mark of 4G base stations. The majority of the base stations support 4G+ (4.5 G), and almost all Norwegian municipalities now have 4G+ coverage. As a result of the increased upgrading speed of base stations, Telenor Norway is now ahead of the roll-out plan, with area coverage of 64 per cent and population coverage of 98 per cent. Telenor Norway also launched Voice over WiFi in June 2016, which has substantially improved indoor coverage.

In parallel to the mobile upgrade, Telenor invested heavily in fibre and network modernisation which resulted in an increase of 53,000 customers with high-speed broadband in the consumer and business market. Telenor Norway also rolled out more fibre in the private and business market in 2016, and acquired fibre company Nordix Data AS, to meet increased demand for network capacity caused by increased data consumption driven by cloud and streaming services. Telenor Norway launched its upgraded T-We solution to better serve as the customers entertainment hub.

Telenor Norway has since the launch of the Smart Municipality initiative in 2015 worked closely with the public sector and municipalities in particular, to develop their digital strategies. By end of 2016 Telenor had projects with 50 municipalities. The initiative uses network intelligence and analytics to help them become more efficient on different aspects of public administration – from healthcare to waste management and traffic control.

Telenor Norway was also the first telco in Norway to introduce roam like home in the EEA/EU area with new subscriptions. Around one in three subscriptions in the consumer segment now include EU roaming and during the summer 2016, roaming traffic increased with 300 per cent.

In addition, Telenor removed speed caps on all subscriptions in 2016 to the benefit of all Telenor's customers. Digital sales through the My Telenor-app have increased, and the app was revamped in 2016 to strengthen the digital customer journey and simplify orders.

Increased connectivity also requires increased responsibility, and much of Telenor Norway's corporate responsibility work focused on safe digital behaviour and fighting digital bullying. In September 2016, 6,000 children in Oslo, Trondheim and Svalbard were invited to social events against digital bullying.

Telenor Norway has since December 2012 been investigated by both the Norwegian Competition Authority (NCA) and EFTA's Surveillance Authority (ESA) for possible breach of competition law in the Norwegian mobile market. These are two separate investigations and relate to possible abuse of dominate position. ESA set out its preliminary view in a notice in February 2016 and is considering imposing a fine on Telenor for possible breach of competition law. In November 2016 Telenor received a notice from NCA setting out its preliminary concerns. NCA is considering imposing a fine of NOK 906 million against Telenor, for a historical breach of competition law. For further details on both cases, see note 33.

Shares and shareholder issues

The Telenor share is listed on the Oslo Stock Exchange (OSE). Including reinvested dividends, the total shareholder return of the Telenor share was -8 per cent in 2016, whereas the benchmark index STOXX Europe 600 Telecommunications Index Gross Return (SXKGR) decreased by 12 per cent. The telecom sector was the worst performing sector in Europe in 2016. The Oslo Stock Exchange Benchmark Index (OSEBX) increased by 12 per cent. The Telenor share closed at NOK 129.00 at year-end 2016, corresponding to an equity value of NOK 194 billion. In 2016, Telenor paid out ordinary dividends of NOK 7.5 per share, around NOK 11.3 billion in total, for the fiscal year 2015. In 2015, Telenor moved to semi-annual dividends, to align Telenor's competitive shareholder remuneration with the company's cash flow profile throughout the year. At year-end, 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 2016.

Telenor had approximately 42,300 shareholders at year-end, practically unchanged from the previous year. The 20 largest shareholders held 75 per cent of the registered shares. Norwegian institutional investors, including the Norwegian state, held 65 per cent of the total issued share capital at year-end. US institutional investors owned 13 per cent, while UK institutional investors and other European institutional investors held 5 per cent and 9 per cent of the shares, respectively. Telenor does not hold any treasury shares as of 31 December 2016. Through active communication with the capital market and shareholders in 2016, 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 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.

Telenor had 42,300 shareholders at year-end. The 20 largest shareholders held 75% of the registered shares.

FINANCIAL

Financial risk includes credit risks, liquidity risks, currency risks and interest rate risks. Telenor Group's exposure to credit risk mainly related to accounts receivable, deposits with financial institutions, financial derivatives and investment in Government debt securities. In 2016 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 at 31 December 2016, Telenor's net debt/ EBITDA ratio was 1.2. This is well within the cap of 2.0 as stated in the financial policy. 73 per centof 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 1.6 years as of 31 December 2016 The risk is managed using both fixed and floating rate debt, as well as interest rate derivatives.

REGULATORY

Telenor Group's operations are subject to regulatory requirements. 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.

Telenor Group depends on licenses, access to spectrum and numbering resources in order to provide telecommunications services. Spectrum processes, including renewal of existing spectrum licenses in some markets, are expected over the next 1–3 years. If

Telenor Group is not successful in acquiring spectrum licenses or is required to pay higher rates than expected, this might impact Telenor Group's business strategy, and/or Telenor Group could be required to make additional investments to maximize the utilization of existing spectrum. Further, unforeseen events may cause disruption in roll-out plans, resulting in risks of not meeting the mobile license obligations.

In most of the countries where Telenor Group operates, the wholesale market (e.g. copper and fiber access, Mobile Termination Rates, site sharing etc.) is to some extent regulated. Changes to terms and conditions for wholesale access (including regulated prices) may impact Telenor Group's business. Furthermore, the transition from voice to data services is influenced by a number of regulatory levers, e.g. Mobile Termination Rates levels and net neutrality provisions. Finally, 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 behavior open up for new business models in the telecom sector, leading to structural changes and increased industry dynamics. Telenor has started embarking on a vital transformation agenda to adapt accordingly. Failure to respond to the dynamics, and to drive a change agenda to meet mature and developing demands in the marketplace, will impact the Telenor Group's position in the value chain, service offerings and customer relationships.

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 coming from cyber

2016 marked the launch of Telenor's strategy to digitise and transform its business, fully leveraging its operational scale, global footprint, and international brand while driving more agile ways of working. This transformation has been further guided by the escalating fusion of physical and digital worlds, which is impacting all disciplines, economies and industries.

security 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 confidential information. Loss, mismanagement or unauthorized disclosure of such information, may adversely affect the Group's business and reputation.

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.

SUSTAINABILITY AND COMPLIANCE

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.

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 human rights, health and safety, labor rights, environment and anti-corruption. Engaging with and monitoring of suppliers to ensure long term risk reduction is a priority.

Sustainability

Sustainability is not only an integral part of Telenor's corporate culture, but a key element of the business strategy. 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 2016 based on the GRI G4 principles of materiality, clarity and balance. These material issues have been framed in the Sustainability Report respecting the requirements of the Norwegian Accounting Act, 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 where relevant.

The report on how Telenor is delivering on its responsible business principles and practices can be found in a separate and more detailed section of the Annual Report for 2016, see pages 41-69

Corporate governance

REPORT ON CORPORATE GOVERNANCE

Telenor ASA is a publicly limited liability company established under Norwegian law. Telenor is subject to specific rules and regulations in all countries where the 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 "Code of Practice") issued by the Norwegian Corporate Governance Board (NCGB). An account of Telenor Group's corporate governance principles and practices, pursuant to Section 3-3b of the Norwegian Accounting Act, and how Telenor operates in accordance with the NCBG's Code of Practice, including any deviations, is provided in the Board of Director's yearly "Report on Corporate Governance". The Board of Directors' signatures on the annual report shall be deemed to include the Report on Corporate Governance. The report is published as a separate document to the annual report and is publicly available on Telenor's web page www.telenor.com/about-us/corporate-governance/governance-in-telenor.

The Board's emphasis on maintaining and further developing Telenor's ethical platform and corporate governance standard has continued to be high on the Board's agenda in 2016. The Board and the Board's People and Governance Committee focus has been to ensure follow up on findings from the governance assessment performed in 2015 by PricewaterhouseCoopers AS (PwC). The report was delivered in 2016 and provides valuable input on Telenor's ownership principles and governance of both fully and partly owned companies going forward. For further details see Corporate Governance Report.

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.

COMPOSITION OF THE BOARD

Telenor's Board shall have a diverse composition and competence tailored to meet the company's needs. By year-end 2016, the Board consisted of eleven Board Members, of which three are employee elected members as required by Norwegian company law. The Board of Directors has established four committees of the Board: The People and Governance Committee, Risk and Audit Committee, Sustainability and Compliance Committee and Innovation and Technology Committee, which all are preparatory working committees of the Board. A detailed account of the composition of the Board and the Committees of the Board is found in the Corporate Governance Report 2016.

Information regarding the background, education and other board positions of each Board Member is further available on www.telenor.com/about-us/corporate-governance/board-of-directors.

Fornebu, 14 March 2017

Gunn Wærsted
Chair

Dag J. Opedal
Deputy Chair

Jon Erik Reinhardsen
Board member

Jacob Aqraou
Board member

Siri Beate Hatlen
Board member

Sally Davis
Board member

Ashok Vaswani
Board member

Regi Aalstad
Board member

Per Gunnar Salomonsen
Board member

Åse Selfjord
Board member

Harald Stavn
Board member

Sigve Brekke
President & CEO

telenor group

Sustainability Report 2016

SUMMARY OF THE YEAR

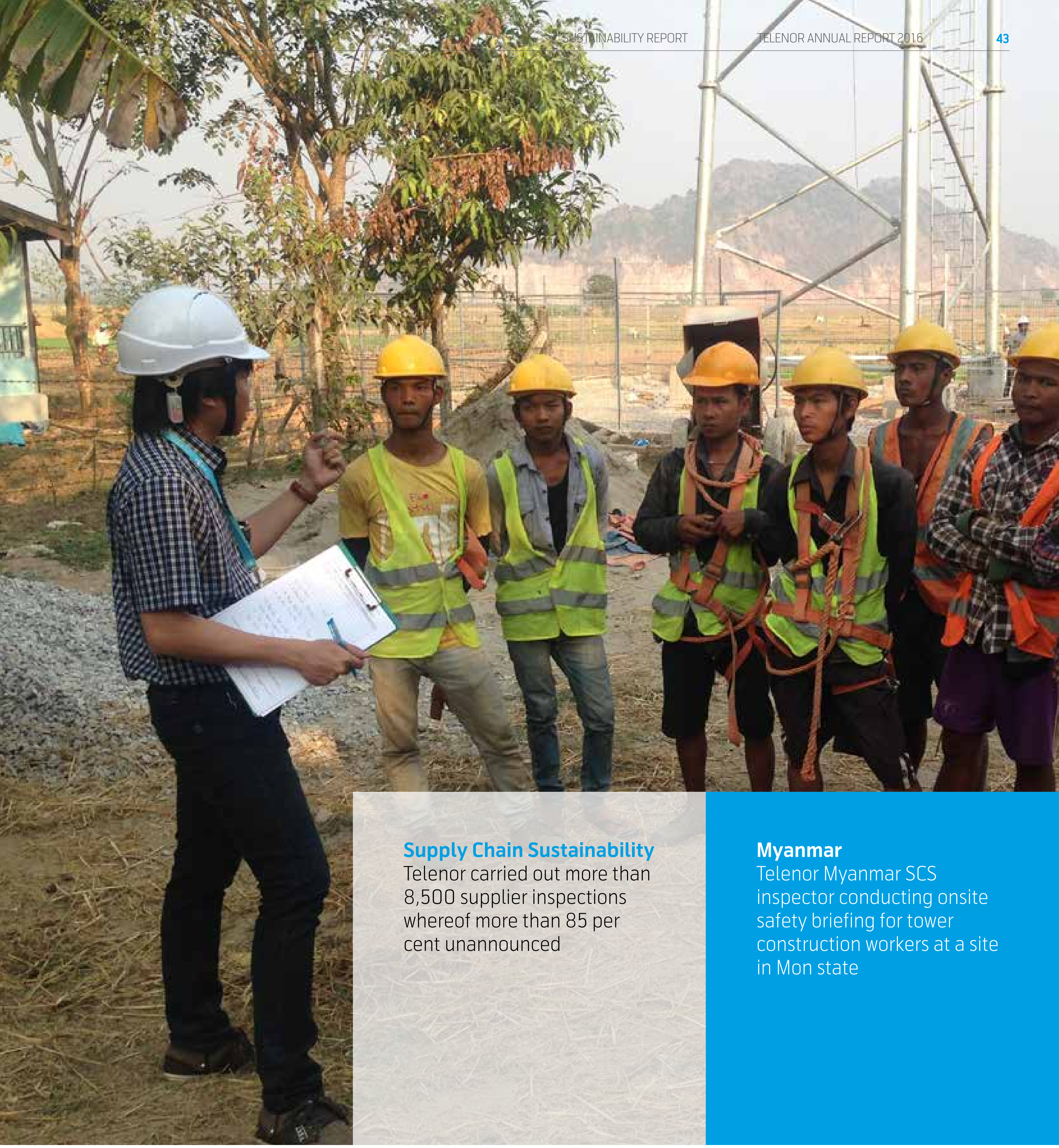
HIGHLIGHTS 2016

New Sustainability Direction
Telenor anchored its sustainability agenda with the UN Sustainable Development Goals – focusing on Goal #10: Reduced Inequalities

Ethics and Compliance
In 2016 Telenor logged 876 incoming compliance reports

Child Online Safety
Telenor and UNICEF collaborated on promoting child rights and Safe Internet in Bangladesh, Thailand, Malaysia, Hungary and Serbia

Economic Contribution to Society
A KPMG study found that the business and services produced by Telenor induced an ecosystem employment of 1.2 million people in services, retail distribution, vendor supplies, etc.



Supply Chain Sustainability
Telenor carried out more than 8,500 supplier inspections whereof more than 85 per cent unannounced

Myanmar
Telenor Myanmar SCS inspector conducting onsite safety briefing for tower construction workers at a site in Mon state

Driving a Diverse Workforce
Telenor Group employed 37,000 people across its 13 markets, of which 33 per cent are women

Human Rights
Published Authority Request access report and reporting on alignment with the ID Guiding Principles

SUSTAINABILITY AT TELENOR

Responsible Business Conduct

Telenor has adopted a powerful vision: Empower societies. Connected societies are empowered societies. The Internet is the basis upon which we integrate the world with the opportunities that await them, advancing the way we live, work, learn, share and solve global challenges for the next generation, and the generations that follow.

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

Telenor has developed high standards in anti-corruption, labour rights, human rights and the environment as defined in international conventions and best practices, and these will be further strengthened. This also applies to the standards within supply chain sustainability, anti-trust and Telenor's role in contributing to society, e.g. financial services for financial inclusion or registration of child-births through a mobile device.

In 2016, Telenor's trust was challenged by several high-profile compliance cases, including VimpelCom Ltd.'s settlement with the U.S. Department of Justice over FCPA violations, deviations linked to site lease agreements in Thailand, unacceptable sponsorships in Bangladesh and suspicions of financial crimes in Bulgaria.

Responsible business conduct is one of the four pillars of Telenor's business strategy and an essential part of all Telenor's operations.

During 2016, Telenor made significant steps to strengthen its compliance processes and further train its employees in responsible business conduct. Telenor will contribute to increased transparency around topics such as human rights, corruption and labor rights across the markets that the company is present. Telenor will continuously work to further enhance, strengthen and integrate the Telenor Way, which defines Telenor's aspirations and sets the standard for how Telenor do business, in all parts of its operations and stay true to its vision of empowering societies.

A New Sustainability Direction

A new direction for how Telenor operates as a responsible business was drawn up in 2016 – further developing the company's way of managing risk, creating digital services designed to empower societies and anchoring its agenda within the framework of United Nations' Sustainable Development Goals (SDGs) – with a specific commitment to SDG#10; Reduced Inequalities.

Three main shifts will be driving Telenor's new sustainability direction during 2017:

STRENGTHEN MANAGEMENT OF SUSTAINABILITY RISKS: Telenor contributes to shaping business standards in many of the markets where it has operations. It's an inseparable part of being a responsible operator in these countries and a result of Telenor's firm commitment to mitigate corruption, human rights risks and poor working conditions amongst suppliers. Telenor recognises that there still are challenges across the Group and Telenor's compliance and control will continuously have to be strengthened going forward.

CREATE DIGITAL SERVICES DESIGNED TO EMPOWER SOCIETIES: It's not enough to enable Internet access: the benefits of connectivity should be enjoyed by the many, not the few. This requires meaningful solutions that can address social, economic and environmental problems, close the inequality gap and empower societies.

Consumers are demanding it, society needs it, and as a company Telenor will be measured on how it responds to it.

FOCUS ON UN SUSTAINABLE DEVELOPMENT GOAL #10; REDUCED INEQUALITIES: In 2015, the United Nations, including 193 world leaders, agreed to adopt a collective set of goals to end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. This move accelerated expectations for private sector leaders to join the international community in taking meaningful action. Telenor has publicly pledged support for this agenda, spreading the word to more than 100 million customers, partners and friends.

Telenor has aligned its sustainability agenda with the UN Sustainability Development Goals. There is one goal in particular where Telenor can deliver the greatest impact, Goal #10: Reduced Inequalities. This is because for the disempowered, the mobile internet can be a way out of poverty and the means to better education, health, economic development and security. From the access Telenor provides to the services it delivers and enables, reducing inequality is what Telenor and mobile do best. Telenor will prioritise activities and further optimise existing partnerships in 2017 against this goal.

More details: www.telenor.com/media/articles/2016/group-sustainability-sets-a-new-direction-for-2017-2020.

To underscore the company's commitment, in 2016 KPMG was commissioned to conduct an independent study assessing a number of the economic and social impacts that Telenor Group has across the 13 markets in which it directly operates. For further reading – see chapter "How Telenor impacts Societies".

Telenor has aligned its sustainability agenda with the UN Sustainability Development Goals. There is one goal in particular where Telenor can deliver the greatest impact, Goal #10: Reduced Inequalities. Telenor will prioritise activities and further optimise existing partnerships against this goal.

About the Report

The Sustainability report is one of the many mediums through which Telenor delivers on its commitment to transparency, openness and disclosure with respect to performance. The topics highlighted in the report have been articulated through a materiality assessment based on the Global Reporting Initiative G4 (GRI G4) principles and embody issues which are deemed to be most important to both Telenor and its stakeholders. The scope of the report covers the range of 'medium and high' rated material on social, economic and environment-related progress of the organisation. The content covers Sustainability at Telenor Group's 13 worldwide operations as well as other businesses. Details on Telenor's materiality assessment can be viewed at www.telenor.com/sustainability/reporting/scope-and-principles.

This report is also an integral part of the reporting requirements mandated by the Norwegian Accounting Act §3-3c, a description of which can be found in the BoD report page 39. Additionally, DNV GL was commissioned to carry out an independent review of the Sustainability Report, in particular to assess the accuracy of claims. DNV GL's independent review can to be found on the web site www.telenor.com/sustainability/reporting/our-performance.

RESPONSIBLE BUSINESS AT TELENOR

Performing business practices ethically and responsibly is fundamental to Telenor's sustainability work. This involves ensuring the right corporate governance platform for ethics, anti-corruption and transparency, undertaking social and environmental responsibility, and respecting human rights and labour rights.

Some of the markets in which Telenor operates are emerging economies with potentially complex and sensitive political and social contexts, and the associated risks related to corruption and human rights especially will continue to fare high on the wider telecommunication industry agenda. More details to be found in the section in the Board of Directors Report on 'Sustainability and Compliance'.

Corporate Governance

Telenor Group's corporate governance principles and practices define a framework of rules and procedures for the way business is governed and controlled in all Telenor business units. Each business unit adopts the relevant governing documents. The governance framework is used as a platform to integrate material sustainability issues into its business strategies, daily operations and relationship with stakeholders. In 2016, Telenor adopted revised principles for governance of companies not controlled directly or indirectly by Telenor ASA

Telenor's corporate values and ethical standards represent an important foundation for articulating and implementing the governance framework. Telenor works continuously to improve its governance regime. In 2015, the Board initiated a governance assessment conducted by PriceWaterhouseCoopers (PwC), which was finalised in 2016. Also, in April 2016, Deloitte Advokatfirma delivered its final review of Telenor's follow up and handling of Telenor's ownership in VimpelCom Ltd. The reports provided input into a continued revision and improvement of Telenor's corporate governance, which will also continue going forward in 2017. This includes revision of the governance, risk and compliance framework, the creation of necessary processes and tools, and support of implementation throughout the Group to ensure the framework is operational.

Information on Telenor's principles and practices for corporate governance can be read in Telenor's Report on Corporate Governance 2016 and at www.telenor.com/about-us/corporate-governance.

Reporting and Stakeholder Engagement

Telenor believes good corporate governance involves openness, trustful disclosure and engagement between all internal and external stakeholders.

Telenor'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 must be signed by all employees.

The principles of transparency at Telenor are part of the corporate governance framework and implemented within company operations. Transparency and openness around sustainability related dilemmas and challenges, will help the company drive continuous improvement based on an active dialogue with stakeholders.

Reporting

Expectations to sustainability reporting from major stakeholders continue to increase. Telenor firmly believes that reporting will contribute to open discussions and in building knowledge on challenging issues. In order to ensure structured, transparent and relevant reporting of sustainability performance, Telenor Group reports to various external organisations including UN Global Compact, the international reporting standard GRI and climate change disclosure through CDP.

Telenor uses the GRI G4-based materiality assessment process to involve a range of external and internal stakeholders to help identify social, economic and environmental topics that matter most both to them and Telenor's business. The scope of the current materiality assessment and engagement process can be found here: www.telenor.com/sustainability/reporting/scope-and-principles.

In 2016, both Telenor Group and many of Telenor's business units reported locally on their sustainability performance, which can be found on www.telenor.com/sustainability/reporting.

In March 2016, Telenor held its third sustainability briefing on Myanmar. Telenor presented an update on its ongoing work within key sustainability areas and corporate responsibility, set against its business growth in Myanmar. At this briefing, Telenor expressed that sustainable, responsible business practices will continue to be a focus for Telenor in the country. Telenor is committed to setting the right standards for its industry in Myanmar, and will continue to call on all related parties to play a role, and on media and civil society to continue raising scrutiny and expectations of all players. Further details; www.telenor.com/media/articles/2016/telenor-group-holds-sustainability-seminar-in-yangon-myanmar.

Telenor has continued its focus on human rights transparency and reporting, such as issuing an updated Authority Request access report and reporting on alignment with the guiding principles from Telecommunications Industry Dialogue on Freedom of Expression and Privacy (ID). The new reports for 2016 are available here www.telenor.com/sustainability/responsible-business/privacy-and-data-protection/handling-access-requests-from-authorities.

In 2016, Telenor Group was top rated based on its sustainability performance on global rankings such as Global 100 (sustainability), CDP (climate) and Newsweek Green Rankings (environment).

Stakeholder engagement

Telenor's business impacts society in many ways: Digitalization enables new public services and new industries to emerge. New digital applications may raise privacy challenges or security concerns. Virtualization of physical processes may create less strain on resources and environment.

As part of Telenor's strategic focus on responsible business conduct, the company aims to develop its stakeholder relations as a long-term owner and business partner, true to its commitments, values and the vision of empowering societies. The company will purposefully apply business standards that may be higher than what is decreed by law in its respective markets.

Privacy and freedom of expression were key areas in which Telenor engaged with peers and other stakeholders in 2016. As in previous years, the Telecommuni–cations Industry Dialogue on Freedom of Expression and Privacy (ID) remained a key forum for discussion. Telenor Group held the ID Chair for a term during 2016.

Telenor strives to continuously refine its work on ethics and anti-corruption and to identify development opportunities and areas for improvement. Telenor is part of the Telecom Integrity Initiative launched in 2015, which is supported by Transparency International.

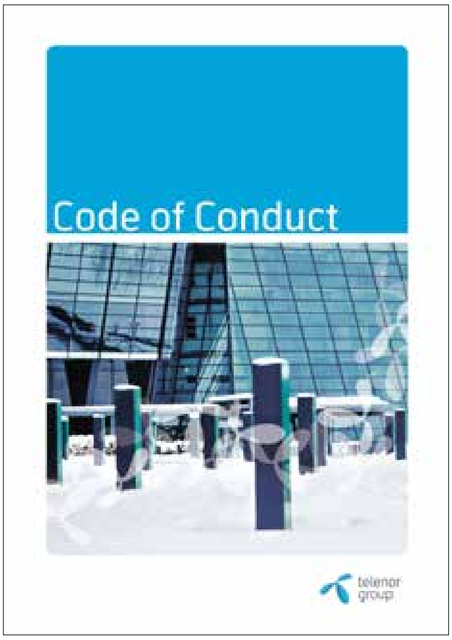
To continue stakeholder engagement within the sustainability area, Telenor will in 2017:

- Arrange sustainability seminars engaging investors and relevant stakeholders in the company's current sustainability challenges and opportunities.
- Demonstrate how Telenor can empower societies through its business and, for example, contribute to the UN Sustainable Development Goal of Reduced Inequalities.

Ethics and Anti-Corruption

Policy and Actions

Telenor's commitment to integrity and transparency is clearly stated in the Code of Conduct, which defines legal and ethical standards for how the company conducts its business around the world. Telenor also endorses the ten principles of the UN Global Compact (UNGC), which present clear standards on business ethics. As a member of the UNGC, Telenor reports annually on progress in embedding its ethical standards across all parts of its organisation.



Telenor'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 must be signed by all employees.

It is a personal responsibility of each Board member, each employee and each leader in Telenor to understand the Code and its 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.

Telenor is firmly opposed to corruption in all forms and is committed to doing business in accordance with the highest ethical standards. Telenor's zero tolerance on corruption and its ethical standards are set out in its Code of Conduct, Group Anti-Corruption Policy

Telenor is firmly opposed to corruption in all forms and is committed to doing business in accordance with the highest ethical standards. Corruption includes bribery and trading in influence.

and other governing documents, which are implemented in all subsidiaries directly or indirectly controlled by Telenor ASA. Corruption includes bribery and trading in influence. Any corrupt activity – either in the public or private sector (between private parties) – is prohibited. It is prohibited to offer, give, ask for, accept or receive any form of bribe, including facilitation payments.

Telenor Group Anti-Corruption Policy states that Telenor shall actively strive to ensure that corruption does not occur in Telenor's business activities through an adequate and risk-based Anti-Corruption Programme. The programme is based on recognised international practice and includes several elements working together: proportionate procedures; top level commitment; risk assessment; integrity due diligence; communication and training; monitoring and review; and enforcement and sanctions.

The Anti-Corruption Programme is part of Telenor's Governance model with local autonomy in the different Business Units. Telenor's Governance framework clearly defines roles and responsibility for implementation of the Anti-Corruption Policy, both at Group and local business unit level. A global anti-corruption community, consisting of business unit policy managers or experts appointed by local policy owner contributes to best practice sharing across Group.

The Sustainability and Compliance Committee of the Board supports the Board in fulfilling its responsibilities with respect to corporate ethics and anti-corruption. The Anti-Corruption Programme operates together with Telenor's Ethics and Compliance function as important components of Telenor's governance, risk management and internal control systems.

The Group Ethics and Compliance Officer reports functionally to the Sustainability and Compliance Committee of the Board as well as administratively directly to the CEO. The local Ethics and Compliance Officers report functionally to the local Board/Board Committee, as well as administratively to a local manager at the level below CEO (CXO-level). To strengthen the independence of the function, the local Ethics and Compliance Officers also report functionally directly to Group Ethics and Compliance and operate together as one global team.

The Board decided in January 2017 to establish an adjusted organisation of internal control functions in Telenor ASA and its subsidiaries. The new organisation will consist of a Compliance unit and a separate Internal Audit and Investigation unit. The latter will report directly to the Board. The purpose of the adjusted organisation is to ensure independent assurance of internal control. The change will be implemented in 2017.

A description of Telenor's Anti-Corruption Programme and the Ethics and Compliance function is publicly available on the web sites: www.telenor.com/about-us/corporate-governance/ethics-compliance and www.telenor.com/about-us/corporate-governance/anti-corruption.

Status and Ambition

CONTINUOUS IMPROVEMENT INITIATIVES: Telenor strives to continuously refine its work on ethics and anti-corruption and to identify development opportunities and areas for improvement. Telenor is part of the Telecom Integrity Initiative launched in 2015, which is supported by Transparency International. Telenor became a member of the Conference Board Compliance

Council in 2015, a network where Compliance executives exchange experiences, access relevant research and expertise, and gain insights into new developments.

Telenor Group's Anti-Corruption Programme has been effective for years. Regular reviews, alignment with prevailing international guidelines and implementation of learnings are essential for maintaining an effective Anti-Corruption Programme. The programme is assessed and revised on a regular basis, both as part of internal reviews, such as the annual Group Governance Work Programme, and from time to time with external input. An external benchmark against peers was conducted in 2010. In 2015, PwC conducted an external walk-through of the Anti-Corruption Programme. The purpose of the walk-through was to review the maturity of the Telenor Group Anti-Corruption Programme compared to international business practice and identify areas for improvements. Learnings from the review have been followed up on in 2016, both as part of the governance review project and with the introduction of a new global training programme (described further below). Information on the governance review project can be found in the Corporate Governance report.

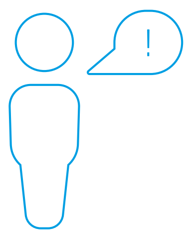
The Code of Conduct must be signed by all employees upon joining the company. From 2016 onwards, the Code of Conduct is signed annually in the HR management system (Workday). A new mandatory global Code of Conduct online learning module was introduced in February 2016 to accompany the signing process.

In Telenor, all employees have a personal responsibility to act with integrity and speak up if they become aware of potential breaches. Leaders have a particular responsibility to act as good role models and to build a safe, trustful and transparent culture in their teams.

Managing breaches of the Code of Conduct and Governing Documents is an important pillar of Telenor's ethics and compliance work. Employee confidence in reporting incidents is central to ensuring an ethical corporate culture.

A new web-based Ethics and Compliance Hotline was launched in January 2016. The Hotline is a confidential channel where anyone can ask questions and raise concerns about possible breaches of Telenor's Code of Conduct, including relevant laws, regulations and governing documents. The report intake of the new Hotline is operated by an external provider, Navex Global, while investigations are still handled by Ethics and Compliance Officers in Telenor, now in a global case management system. Reports that are brought to the Ethics and Compliance organisation via email or personal contact are also recorded in the same system. Around 45 per cent of all incoming reports in 2016 came in through the hotline, with the percentage increasing throughout the year. The Hotline and case management system together have enabled stronger global oversight for the Group Ethics and Compliance Officer. Employees, suppliers and other stakeholders are encouraged to speak up through the Hotline. The new reporting mechanism – together with strengthened focus on communication and training – contributed to an increase in the total number of concerns which were brought to the attention of the Ethics and Compliance function in 2016. With the new global case management system, concerns are sorted and classified in a more reliable manner, and the general quality and transparency of the case handling procedure is improved.

Every large business will have its concerns on potential breaches and wrongdoing by the employees, and it is generally viewed as a sign of openness and trust that employees and other stakeholders speak up about their concerns. This allows the organisation to address the issues, investigate and take disciplinary action when needed and especially to learn and aim to prevent issues from recurring. The reporting volume per 100 employees in 2016 ended up at 2.4 which is a solid increase from 1.4 in 2015. These numbers are not directly comparable due to the improved capture and documentation of reports in 2016, but they provide an indication of the direction. The Navex Global 2016 Benchmark report (annual analysis of all customer data) has a stable median level of 1.1 – 1.3 global value over the past five years. But by looking only at the companies which capture reports from multiple intake channels such as Telenor, the comparable median is 1.9. Telenor believes a healthy organisation should have at least 1 report per year per 100 employees.



In 2016, Telenor launched a new webbased **Ethics & Compliance Hotline**

Of all the incoming reports, 28 per cent chose to report anonymously. As a comparison, the Navex Global 2016 Hotline Benchmark report shows that median level has been stable at around 60 per cent anonymous reports since 2008. A low number of anonymous reports might be an indication of trust in the Ethics and Compliance function and the reporting mechanism, and trust in the company as such. Still, this percentage is expected to rise as more reports are filed through the web hotline allowing the option of anonymity.

In 2016, Ethics and Compliance logged 876 incoming reports, an increase from 645 recorded in 2015. Around 58 per cent (511) were compliance incidents that are being handled by the Ethics and Compliance organisation, along with 12 per cent (104) requests for advice. The remaining 30 per cent of the incoming reports were concerns pertaining to other parts of the organisation, such as line management, HR or supply chain. All incoming reports receive an answer from Ethics and Compliance - either through the confidential and anonymous communication mechanism or via their preferred means of communication. The compliance incidents were mainly in Business Integrity (35 per cent), Theft & Embezzlement (24 per cent) and Working Environment (21 per cent).

About 60 per cent of the 511 compliance incidents were substantiated. Of these substantiated incidents, around 65 per cent of them resulted in termination of employment or other disciplinary sanction. In comparison the Navex Global 2016 Hotline Benchmark report find substantiation rates around 40 per cent the recent years. The reason for Telenor's higher score may reflect that we get high quality reports, but it probably also indicates that the scope of cases for many customers in the benchmarking study is wider, including many HR cases which generally are more difficult to substantiate.

Compliance incidents are handled and concluded in accordance with the requirements of the global Ethics and Compliance framework, while other issues are brought forward to the responsible part of the organisation. The number of reports classified as compliance incidents is at a similar level compared to reported compliance incidents over recent years.

Please refer to chapter Responsible Business Conduct above for overview of high-profile compliance cases challenging Telenor's trust in 2016

SAY NO TO CORRUPTION: Telenor's anti-corruption training activities for employees range from on-boarding of new employees and online learning programmes to targeted dilemma-training and town halls. In 2016, Telenor launched the SAY NO to Corruption programme – a new group-wide anti-corruption training programme which includes the roll out of a new e-learning programme and a scenario training programme to be conducted by managers. The training programme was developed to reinforce anti-corruption awareness on all levels in the organisation of the Telenor Group companies.

The scenario training has been based on a train-the-trainer approach through a cascading process starting with the Group CEO, where the end result will be that all employees have been trained by their own manager.

Completion rate by Group employees enrolled on Telenor Campus, the global e-learning platform, was 93 per cent by 31 December 2016.

Telenor's Anti-Corruption Handbook was revised in 2016 in alignment with the annual policy revision. The Handbook is a downloadable web-app publicly available on Telenor.com. The Handbook is a practical guide to help all employees understand Telenor's anti-corruption policy and help each employee to make the right decisions. The e-learning, trainings and Handbook cannot provide answers to every situation and dilemma that Telenor's employees may face and all employees are strongly encouraged to seek advice when in doubt.

Integrity is a vital part of Telenor's business. Telenor's management is committed to sending clear, unambiguous and regular messages to all staff and business partners that corruption and bribery are unacceptable. Telenor's governing documents set one single standard which shall govern all business activities, regardless of where such activities take place. Nevertheless, some markets in which Telenor operates are emerging economies with potentially complex and sensitive political and social contexts, including markets associated with high corruption risks. This creates challenges that require robust, targeted measures to mitigate such risks. All Telenor business units have a responsibility to conduct regular risk assessments and risk-based reviews of their anti-corruption procedures and implement remediating measures to mitigate risks. Telenor is focused on continuous improvement of risk management processes. In 2016, the roll out and implementation of an enterprise-wide risk management system to improve assessment, monitoring and reporting of risks was initiated. More details to be found in the section in the Board of Directors Report on 'Sustainability and Compliance Risk'.

LOOKING AHEAD: Telenor recognises that its business partners, whether new investors, partners, agents, consultants, contractors or suppliers, will be associated with Telenor and due care shall be exercised in the selection and use of business partners to ensure compliance with Telenor's ethical standards. Telenor has requirements and procedures for risk-based integrity due diligence (IDD) of business partners. More details to be found in the section Supply Chain Sustainability.

Labour Rights and Standards

Policy and Actions

Telenor is committed to respecting labour rights principles as laid down in UN Global Compact and ILO's fundamental conventions. These principles relate to respecting the rights to freedom of association and collective bargaining, the elimination of forced labour, child labour and discrimination in the work place, and

Maintaining a working environment and a culture that nurtures occupational health, safety and personnel security is important at Telenor.

are reflected in Telenor's Code of Conduct, Group People Policy and Supplier Conduct Principles.

Telenor believes in empowering employees through management dialogue with employees or their recognised employee representatives. By utilising the employees' experience and insight to influence working conditions and contribute to sustainable business growth, Telenor also aims to empower the societies in which it operates. Telenor Group is, throughout its operations, promoting partnerships based on good and trusting dialogue, e.g. in relation to acknowledged unions or through local cooperation bodies such as People Council.

All workforce restructuring in Telenor should be done with the aim to create and sustain long term business value. Workforce restructuring should be done in a responsible manner, through verifiable processes and in accordance with the Telenor Way and applicable legal requirements and legislation.

Maintaining a working environment and a culture that nurtures occupational health, safety and personnel security (OHS&S) is important at Telenor. The OHS&S approach covers employees as well as in-house contractors, vendors and suppliers. Telenor believes that OHS&S of employees is vital to its business and makes a difference in employee engagement, thereby increasing productivity, e.g. by reducing absenteeism and thus reducing costs. The company works across all of its business units to maintain and improve the identification of and readiness to respond to safety and personnel security risks.

At Telenor, attracting and retaining the best talent through training and development opportunities as well as career prospects is fundamental to continued competitiveness and growth. Telenor also strives for diversity, inclusion and equal employment opportunities in accordance with the People Policy.

Status and Ambition

EMPOWERING EMPLOYEES THROUGH TRUSTFUL DIALOGUE INITIATIVES:

Based on Telenor's global agreement with UNI Global Union, the company continued its dialogue and information exchange on fundamental labour rights, in particular with focus on its operations in Bangladesh.

In 2016 Telenor Works Council – Europe (TWC-E) held three meetings, where European employee representatives met with the Telenor Group Management. The objective was to enhance information exchange and discussions in relation to transnational issues impacting employees. Telenor has aimed at nurturing a good dialogue with the TWC-E representatives.

Additionally, Telenor has reinforced its commitment to further develop employee involvement in operations throughout the Group. Most of Telenor's operations in Europe and Asia are providing for employee involvement through dialogue between management and recognised employee representatives, e.g. in relation to acknowledged unions or through People Council as a local cooperation body. In June 2016, Telenor's operation in Bulgaria established a People Council, meeting with the local management on a regular basis.

In Bangladesh, Labour Appellate Tribunal has announced a verbal verdict in a case filed by employees of Grameenphone related to union registration, allowing for

Telenor aims to foster a diverse and dynamic workforce at all levels of the organisation, be it in terms of nationality, gender or competence required for future.

union formation in Grameenphone. The involved parties are currently awaiting the verbal verdict for further guidance on the establishment of a union in the company. In early 2016 the government announced a review of the labour rules and their application to the private service sector, and it is likely that this will result in needed legal clarifications. Telenor view positively initiatives from its employees of establishing a union in Grameenphone according to applicable local laws and regulations.

OCCUPATIONAL HEALTH, SAFETY AND PERSONNEL SECURITY PERFORMANCE:
In 2016, the Sickness Absence Rate (SAR) for the entire Telenor Group was 1.6 per cent. This number is reported with the acknowledgement of variations in reported data based on different local national procedures and regulations related to sickness reporting. In 2016, more than 30,000 employees and in-house contractors attended Health Safety Security & Environment related awareness training sessions.

There were three work-related employee or in-house contractor fatalities reported in Telenor Group for 2016. All three was related to traffic, two in Pakistan and one in India. Telenor will continue to work with its partners and vendors to monitor and implement health and safety measures and provide them with proactive support in OHS&S matters.

DRIVING A DIVERSE WORKFORCE:
Telenor aims to foster a diverse and dynamic workforce at all levels of the organisation, be it in terms of nationality, gender or competence required for future. Gender balance and diversity initiatives in 2016 included the following:

In 2016, Telenor implemented WIN (Women Inspirational Network) as a leadership development platform that was established for more than 200 middle managers across all of its business units.

In 2016, Telenor implemented a six-month paid maternity leave policy for women employees as a minimum standard globally.

In 2016, Telenor also updated its recruitment policy to ensure 50/50 (women/men) in the interview process, when possible, and formation of People Committee to continue to focus on recruitment of senior leaders.

In 2016, Telenor was strongly focused on communicating its stance on gender balance and diversity via women@Telenor on web site Telenor.com.

In 2016, Telenor continued to strive and challenge itself further on improving gender balance and diversity of its workforce. While there is still ground to be covered, recent efforts have yielded positive results. At year-end 2016, Telenor's Board included five female board members out of a total of eleven board members. The percentage of women senior leaders improved from 22 per cent to 23 per cent. Women leaders in middle management in Telenor's major business units improved from 29 per cent to 31 per cent during 2016. The nationality split amongst senior leaders at year end 2016, included, approximately 59 per cent Scandinavians, 13 per cent from rest of Europe, 24 per cent Asians, and 4 per cent others.

During 2016, disability inclusion remained on Telenor's agenda with 5 business units running the Open Mind Programme, which provides training opportunities to persons with disabilities in the workplace. Integration of skilled personnel with migrant backgrounds also continued in Norway.

At year-end 2016, Telenor Group employed 37,000 people across its 13 markets, of which 33 per cent are women. At year end, 37 per cent of employees in Telenor ASA were of a non-Norwegian background.

For further details refer to BoD report page 29.

LOOKING AHEAD: Telenor will continue its efforts to further develop employee involvement throughout Telenor Group and maintain good labour standards in the company's operations whilst the business undergoes transformation.

Striving for greater gender diversity on all levels, Telenor has set targets to reach 25 per cent female representation in top management positions in 2016, and 30 per cent by 2020. In addition, the company's top leaders are measured on how well they strengthen the leadership pipeline for women. Telenor has also reinforced its requirements to ensure balanced representation among candidates for top leader positions.

Moreover, Telenor will continue its work to integrate people with disabilities through the company's Open Mind Programmes. Telenor will continue to invest in programmes and initiatives to promote gender balance and diversity in the workplace and in the societies where the company operates.

Telenor Open Mind and Telenor Integration Programme will be closely coordinated to include 20 personnel combined. The program's structure will be changed to 12 months duration with two intakes per year, from the previous 24 months' duration with three intakes per year.

Supply Chain Sustainability

Policy and Actions

Telenor strives for high standards on sustainability and continuous improvement in its operations throughout the supply chain. Telenor's Supplier Conduct Principles (SCP) are based on internationally recognised standards, including requirements on human rights, health and safety, labour rights, environment and anti-corruption. It is mandatory for all Telenor contracting parties to agree to these principles.

Telenor's approach to supply chain sustainability is to legally oblige the supplier to uphold responsible business practice, monitor compliance to Telenor's requirements and to do capacity building among suppliers. All suppliers are obliged to extend the supplier requirements further down in their own supply chain. Partnership and cooperation with suppliers is vital to achieving the responsible supply chain. Telenor is an active member of the Joint Audit Cooperation (JAC), ILO Child Labour Platform (CLP) and the Supply Chain Advisory Group of the UN Global Compact, as well as the Global e-Sustainability Initiative (GeSI).

Status and Ambition

The supply chain responsibility focus in 2016 remained on mitigation of supply chain risk, capacity building and monitoring compliance to Telenor's requirements on responsible business conduct.

Unfortunately, 9 people in tier 1 and another 4 in tier 2 and tier 3 of the Telenor supply chain lost their lives in 2016. Of these fatalities, 70 per cent were caused by road accidents. These numbers are based on what was reported by suppliers to Telenor. Regular reporting procedures were followed and all incidents were handled immediately and individually with mitigating actions. Risk re-assessment and plans for preventing similar incidents are already underway.

MITIGATING SUPPLY CHAIN RISK: All suppliers and parties having a direct contractual relationship with Telenor must comply with Telenor`s Supplier Conduct Principles (SCP). An Agreement on Responsible Business Conduct (ABC) legally obliges the supplier to comply with the SCP and certain requirements set out in the ABC Agreement. The Supplier Conduct Principles and Agreement on Responsible Business Practise were updated in 2016. By year end 2016, more than 22,200 Agreements on Responsible Business Conduct were signed.

In 2016 Telenor started to use EcoVadis as a risk rating system for global suppliers to increase monitoring of the supplier's sustainability performance. The EcoVadis platform is an external tool that measures a company's performance based on a wide range of sustainability criteria and is a well-recognised tool used by a high number of buyers across many industries, including the telecom industry. The purpose of using EcoVadis is to measure sustainability performance based on verified external information, reduce risk and integrate sustainability into the Sourcing processes.

MONITORING COMPLIANCE: Telenor carries out inspections in order to monitor compliance with the requirements on responsible business conduct. In 2016, Telenor carried out more than 8,500 supplier inspections (ranging from simple site visits to more comprehensive inspections or audits) across the Group. More than 85 per cent of the inspections were carried out unannounced. Close to 4,300 of these supplier inspections were carried out in Myanmar. More than 1400 major non-conformities were identified during the inspections across the business units. All major non-conformities shall be followed up with mitigation plans and processes, which are designed to close the non-conformities.

Through participation in the Joint Audit Cooperation (JAC) together with other telecommunications operators (13 members in 2016), Telenor gained access to the results of 69 sustainability audits of global suppliers in 2016. Telenor executed eight of these audits of global suppliers on behalf of JAC in 2016. After carrying out an audit, a Corrective Action Plan (CAP) listing all findings is agreed upon between the auditee and the auditor. Over time, JAC has carried out 278 audits in 24 countries, covering more than 740,000 workers. Going forward the number of yearly audits will increase and the focus will mainly be on tier 2 and tier 3 suppliers.

Telenor has uncovered findings of underage labour (15-18 years) and child labour (12-14 years) in the network rollout in Myanmar, where the minimum age is 18 years for potentially hazardous work. In 2016, the number of findings was significantly reduced from that in 2015, down to 3 cases of child labour and 13 cases of underage labour, and all of these findings in Myanmar were mitigated.

CAPACITY BUILDING: The business units organised more than 35,000 man-hours of various capacity building initiatives in 2016. The capacity building involved various efforts to proactively build local capacity of the suppliers and sub-suppliers in order to drive continuous improvement in the supply chain. The activities vary from supplier to supplier depending on the overall risk picture of the business unit. Typical activities include on-site briefings, awareness sessions, workshops, forums, process support, online portals and resource guides, etc. The capacity building is adapted to the practical situation and according to the real need of the supplier, focusing on awareness of Telenor Supplier Conduct Principles issues as well as specific activities related to skill development (e.g. tower climbing). Typical topics will be: Labour rights, health and safety, anti-corruption, sustainability requirements as well as green telecom, women empowerment and diversity. Some business units have also worked in industry and cross industry collaborations to synergise efforts in capacity building.

In Asia, road-related accidents are among the leading causes of on-the-job injuries and deaths, and as mentioned above 70 per cent of all fatalities in Telenor's supply chain are road accidents; and all in Asia. Telenor Group's footprint in Asia covers six markets, tens of thousands of employees, hundreds of thousands of supply chain employees and employees are constantly on the go. With such large numbers of people working for and with Telenor, and with an extensive network spreading over huge areas of land, the company holds major stakes in everyone's safety. As Telenor's markets grow rapidly, traffic and road-related safety is an increasing concern, and so Telenor launched a road safety initiative in 2016 aimed at increasing awareness of road safety and reducing road accidents. See www.telenor.com/sustainability/responsible-business/supply-chain-sustainability/supplier-engangement/people-first-road-safety.

LOOKING AHEAD: Inspections, audits, capacity building and long term risk reduction will continue to stay high on Telenor's responsible supply chain agenda. In 2017, inspection and audit activities will continue at least at the same level compared to 2016. Further, Telenor will in 2017 secure a thorough risk assessment of the supply chain in all business units and also improve efforts in capacity building, which Telenor sees as the most effective means to long-term risk reduction.

Human Rights

Policy and Actions

Telenor's business is about enabling people to communicate and express themselves as well as seek and impart information. The company's daily operations and the services it provides touch on core human rights. There are positive impacts, for example in enabling access to healthcare (see chapter "Innovating and Researching for Shared Value"), and there are negative impacts, such as digital bullying (see chapter "Child Online Safety"). Understanding the complexity of potential impacts and working to mitigate any negative impacts is important for Telenor.

Respect for human rights is an important principle at Telenor Group and its business operations. It is embedded in the Telenor Group Code of Conduct (CoC) and Supplier Conduct Principles (SCP). Policies and manuals, which apply across all business units (BUs), set out key requirements. These draw on international frameworks like the UN Global Compact's ten principles and the UN Guiding Principles on Business and Human Rights.

As for any company, the challenge lies in operationalising these requirements. Telenor sees that while largely positive impacts emanate from use of mobile and internet, see www.telenor.com/sustainability/global-impact, Telenor's services can potentially be misused and negatively impact rights. Therefore working to make human rights concerns an integral part of relevant processes requires continuous improvement. Human rights are governed internally as described in chapter "Corporate Governance", and reporting of grievances through the hotline to compliance is described in chapter "Ethics and Anti-Corruption". Finally, Telenor's approach to enterprise risk management is described in Sustainability and Compliance in the BoD report.

As described in the Telenor Group 2015 materiality matrix, see www.telenor.com/sustainability/reporting/scope-and-principles human rights is a material issue for Telenor Group; and privacy, freedom of expression (see chapter "Privacy & Data Security") and labour rights and standards (see chapter "Labour Rights and Standards") are highlighted. Telenor also recognises that there may be other upcoming issues both within the traditional telecommunications business and as the company continues to grow its business as a Digital Service Provider. Human rights related to Telenor's role as investor continues to be important.

Status and Ambition

With mobile operations in 13 markets, Telenor encounters human rights-related challenges regularly. In 2016, requests from authorities that could potentially impact human rights remained a key focus area, for example, challenging requests to block websites or the network. This development is a cause for concern and Telenor is focusing on continuous improvement of internal efforts and dialogue with stakeholders (see below). For a more comprehensive overview of Telenor's approach and for the Group's latest report on such requests from authorities, as well as an overview of relevant laws in Telenor's markets, please see www.telenor.com/sustainability/responsible-business/privacy-and-data-protection/handling-access-requests-from-authorities.

Telenor is also a significant employer in the markets where it has operations, and the company sees freedom of association and collective bargaining as key rights that need continued attention (see Labour Rights and Standards). Across Telenor's supply chains, discoveries of incidents involving unacceptable working conditions and child labour were documented (see Supply Chain Sustainability). Discoveries by the Group's internal auditors of sponsorships with potential negative human rights impacts in Bangladesh gave cause for concern and Telenor initiated immediate actions to address this issue. Read more: www.telenor.com/media/press-releases/2016/regarding-compliance-cases-handled-by-telenor-group-asa-and-its-subsidiaries.

2016 demonstrated the importance of continued focus on human rights, awareness raising and follow-up. Telenor believes it to be a healthy sign that issues are escalated through internal processes, discovered in audits or reported through its hotline to compliance. Throughout the year stakeholder dialogue has also been a valuable way to learn, share and seek solutions to human rights challenges.

IMPLEMENTING COMPANY-WIDE HUMAN RIGHTS DUE DILIGENCE: All Telenor Group business units completed their first round of due diligence in 2015. During 2016 focus was on what lessons were learned from this exercise, which brought out the importance of continued focus and attention. The value of local stakeholder engagement was also highlighted; Digi in Malaysia gathered peers for a roundtable on privacy and freedom of expression, and Telenor Serbia contributed to multi-stakeholder processes resulting in a country guide on business and human rights. Telenor also initiated an update of the company's Group-level due diligence, which will continue in 2017.

INCREASING AWARENESS AND TRAINING: Focus was on training and awareness sessions with key personnel, e.g. through workshops on specific issues like authority requests. And while the Telenor Code of Conduct is part of the e-learning programmes for wider groups of staff, such as mandatory onboarding for new employees, Telenor will specifically look at ways of increasing awareness on human rights among key internal audiences.

ADDRESSING KEY RISKS THROUGH COLLABORATION: Privacy and freedom of expression was one of the key areas where Telenor engaged actively with peers and other stakeholders in 2016. As in previous years, the Telecommuni-

The business units organised more than 35,000 man-hours of various capacity building initiatives in 2016. Typical activities include on-site briefings, awareness sessions, workshops, forums, process support, online portals and resource guides.

cations Industry Dialogue on Freedom of Expression and Privacy (ID) remained a key forum for discussion. Telenor Group held the ID Chair for a term during 2016. In collaboration with the Global Network Initiative (GNI), the ID worked on issues like network shutdowns, and a joint statement was published in July, see www.telecomindustrydialogue.org/2016/07. The ID and GNI also hosted several stakeholder sessions, submitted comments to hearings and participated in conferences. See more details here: www.telecomindustrydialogue.org. Similarly, through the Joint Audit Cooperation (JAC) Telenor participated in addressing challenges in the supply chain (See SCS page 54).

SHARING AND BEING TRANSPARENT ON RESPECTING HUMAN RIGHTS: Telenor continued to focus on transparency and reporting, with, and for example, issuing an updated Authority Request access report and reporting on alignment with the ID Guiding Principles. The new reports for 2016 are available here www.telenor.com/sustainability/responsible-business/privacy-and-data-protection/handling-access-requests-from-authorities.

Telenor also continued to develop its transparency efforts related to its operations in Myanmar with a local seminar in March 2016. Read more: www.telenor.com/media/articles/2016/telenor-group-holds-sustainability-seminar-in-yangon-myanmar.

LOOKING AHEAD: Telenor's priorities going forward include completing the new Group human rights due diligence, as well as initiating a new round of BU due diligence. Further integration of human rights, e.g. through awareness and training, will also be a priority. Telenor will continue working with stakeholders both bilaterally and through multi-stakeholder platforms, e.g. through the joint efforts of the ID and GNI.

Privacy and Data Security

Policy and Actions

Customers increasingly expect not only real-time, relevant and individualised services, they also expect that their privacy is safeguarded. As a provider of mobile and internet connectivity, respect for the rights to privacy and freedom of expression is central to Telenor's core business. The company approaches these issues from a privacy point of view as well as a security angle, with policies and manuals that set out mandatory requirements applying across all operations.

Telenor has a clear privacy position: Open and transparent about how personal data is collected and used, committed to using personal data to provide better and more relevant services, and thorough in keeping personal data safe.

This position informs Telenor's security strategy established in 2015, which aims for a business-driven security position, supporting the rapid development in technology and services by early involvement of security and privacy in business processes and strategic activities.

Telenor recognises that while telecommunications generally contributes to freedom of expression, there may be challenges related to the business. In many situations, authorities may have a legitimate need to require telecommunications companies to comply with requests that limit privacy or free communication. For Telenor it is important to seek to limit risks of illegitimate restrictions on privacy and freedom of expression to the extent that we can. We therefore have strict policies that govern Telenor's approach in responding to such requests. Telenor continues to prioritise transparency and introduces safeguards against potential abuse. As described in the Human Rights chapter. Telenor actively engages in the Telecommunications Industry Dialogue

on Freedom of Expression and Privacy, as well as bilaterally with a range of stakeholders.

Even though national requirements vary throughout Telenor's markets, the company strives to be transparent about how personal data is handled. Telenor believes this is the best approach to ensure the trust of customers and employees.

Status and Ambition

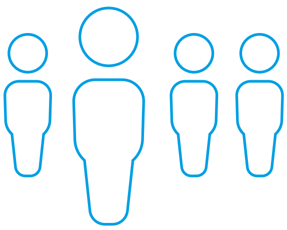
In 2015, Telenor committed to the GSMA Mobile Connect Privacy Principles. The principles establish a privacy baseline that applies to all parties that provide Mobile Connect-branded identity services.

A VALUE-DRIVEN APPROACH TO PRIVACY: An internal project to strengthen Telenor's position on privacy was concluded in 2015, which addressed both how the company handles existing customer data and how products are designed going forward. Telenor has decided to take a customer value-driven approach to privacy. Customers should get as much value as possible when they share their data with Telenor. Therefore, whenever the company processes data on behalf of customers, Telenor strives to add value to the current experience and deliver more personalised and relevant services.

The Telenor privacy strategy from 2015 makes privacy a possible differentiator by 2018 in relevant markets. The strategy supports the growing concern among customers regarding privacy by early involvement of privacy in Telenor's business processes and strategic activities. The key objective of this exercise is to ensure a strong level of protection of Telenor customers' data and in Europe to ensure compliance with new European regulation.

SECURITY AT THE CORE OF EVERYTHING TELENOR DOES: The strategy established in 2015 is now one year into execution and is on target to meet the 2018 security ambition of business-driven security, enabling Telenor's strategic ambition as a digital service provider. A revised strategy has stated a new ambition and target for 2020. The 2020 security ambition is to have security at the core of everything the company does, in order to protect people in their digital life. Telenor actively contributes to strategic security arenas, such as the GSMA Fraud and Security Group and the Information Security Forum (ISF), and as a member of the Europol Cyber Crime Centre Advisory Group for Communication Providers.

BUILDING INTERNAL CAPACITY: In 2016, Telenor conducted extensive training and reviews of the privacy practices throughout the Group. Trainings have focused on implementing the new and stronger processes for handling of requests from authorities, which includes clear escalation criteria. The reviews of Telenor's business units have covered routines and processes for privacy, authority requests and information management. In addition, Telenor has also produced a collection of new internal guidelines and tools to assist privacy and commercial professionals in their daily work relating to privacy matters.



At the end of 2016, **Business Security Officers** were in place in all of Telenor's business units, strengthening the local security organisations.

ENSURING DATA SECURITY IN ALL BUSINESS UNITS: The Telenor Group Security Policy and Manuals were all updated in 2016 with the objective of strengthening Group involvement in strategic operational decisions at business unit level. Focus areas of these documents have been incident management and reporting, updating of the local and global risk picture, and sharing best practices.

STRENGTHENING PRIVACY AND SECURITY THROUGHOUT TELENOR: The Telenor Group Privacy Policy and Manuals were updated in 2016 with the objective of strengthening Group involvement in strategic operational decisions processes. Also, the Authority Requests manual was updated to reflect and address new challenges. In addition, a new Data Breach Manual was developed to strengthen the preparedness and handling of possible data breaches.

The challenges in the cyber security domain are expected to rise and play an even more crucial role going forward. Cyber security will be a priority in the coming year.

In order to strengthen security throughout Telenor and for the company's customers, the security organisation has been decided strengthened with a substantial number security experts and talents, both globally and in operational units, by first half of 2017. Additionally, at the end of 2016, Business Security Officers were in place in all of Telenor's business units, strengthening the local security organisations.

During 2016 there was a continuous increase in the reporting of security challenges and incidents from business units, as in 2015. The updated risk picture showed there is an increased likelihood for Telenor to be exposed to security risks, and there is a common concern about targeted cyber-attacks.

During last year, the industry reported increasing risks related to ICT information security attacks and espionage. Telenor also witnessed that its peers were investing considerably in developing new cyber security revenue streams. Telenor is following this development closely and the company's response will be outlined in the Telenor security strategy going forward.

LOOKING AHEAD: Governments and regulators across Telenor's markets are taking new steps to strengthen privacy and national security regulation and to introduce new measures that directly or indirectly affect Telenor's ability to manage customer data. This trend is expected to continue and Telenor will also step up its focused work on privacy, freedom of expression and security to meet both regulatory requirements and the expectations of customers.

In order to meet privacy and security challenges, the following areas will be prioritised in 2017:

Compliance with changes in European data protection regulation, Strengthened responsiveness to data breaches, Privacy by Design and Default, Security operations, vulnerability management, security architecture, security culture, security intelligence and physical security.

As Internet of Things (IoT) is getting more important; as well as privacy and security challenges are growing, connected units are no longer isolated from public access and Telenor must make it easy for end-users to safely connect further sensors or units to their current solutions. Telenor will continue to adapt to these challenges and provide secure solutions related to IoT.

Environment and Climate Change

Policy and Actions

Telenor is committed to minimising its environmental impact. Telenor's business units operate with the policy of making all reasonable efforts to minimise use of natural resources including energy, water and raw materials.

Climate change is one of the most complex challenges facing people, businesses and governments. Climate related risks include potential damages to vital infrastructure and utilities through the impact of more extreme weather events.

At the same time the ICT industry's technology and smart services have the potential to cut global carbon emissions, reduce resource intensity, stimulate economic growth and deliver substantial social benefits. Sustainability is not only the most important question of our time; it is also the largest business opportunity today. Smart technology – such as Internet of Things (IoT) – is finally here to help. By adding connectivity and intelligence to our everyday objects we can all vastly increase resource efficiency, reduce waste, reduce CO_2 emissions, keep people healthier and make our societies safer.

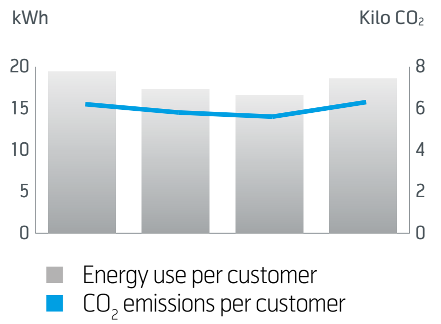
Telenor continues to engage with the industry organisations – such as GSMA and GeSI – and industry partners to embrace these opportunities. The SMARTer 2030 report (co-financed and supported by Telenor) identified a number of sectors where the enabling potential of ICT can deliver significant carbon emissions reduction – up to 20 per cent by 2030 and close to ten times the ICT industry's own direct emissions. This places ICT as one of the key instruments for the achievement of the climate commitments undertaken in Paris and the implementation of related national action plans.

The mobile industry will risk continued growth in its total energy consumption and carbon footprint as mobile operators continue to increase their coverage, acquire more customers and develop more mobile broadband services due to market needs. The mobile industry requires significant amounts of electricity in Telenor's network operations – and most power is supplied on-grid by national power generation companies. In Telenor's Asian operations, the company also relies heavily on diesel used in its on-site generators – to power infra-structure off-grid in remote locations or areas of unreliable on-grid power.

Telenor's key focus has therefore been to stabilise energy consumption by improving the energy efficiency of its networks, as these represent around 80 per cent of the total energy consumption. All business units are mandated to choose cost-efficient energy efficiency initiatives: network swaps, the sourcing of energy-efficient technologies, infrastructure-sharing and more energy-efficient data centres and buildings.

Changing regulations, dramatic reductions in renewable energy costs and concerns about energy security will impact global energy markets. Telenor's Asian markets are very different from its European markets – both in the company's carbon footprint and the type of energy that Telenor uses for its network operations. In general, developing countries will have the opportunity to leapfrog into the renewable age, and Telenor has already in several of its Asian operations started to convert traditional diesel-based on-site generators into renewable energy with cost-efficient solar/battery technology.

Energy and CO_2 per customer



The growing demand for ICT products and devices, and their increasingly short lifespans, has resulted in e-waste becoming one of the fastest growing waste streams globally. In this regard, all business units are mandated to secure sustainable waste management. All electronic waste is to be reused, recycled or safely disposed of, and all business units are to ensure that these processes are conducted according to internationally recognised standards and regulations.

Status and Ambition

For the third year in a row, the global climate reporting organisation CDP rated Telenor Group in their 'Leadership' cate-gory as part of its climate ranking list for 2016. Telenor is still the best telecom company with headquarters in the Nordic region.

ENERGY CONSUMPTION AND CO_2 EMISSIONS: In 2016, the total data traffic volume in Telenor's mobile network was 1389 petabyte - an increase of 72 per cent from 2015. In 2016, Telenor's total energy consumption was approximately 4000 GWh - an increase of around 20 per cent from 2015 due to the dramatic increase in data traffic. The associated emissions of greenhouse gases in Telenor for 2016 has been estimated to be a total of around 1.4 million tonnes of CO_2 when using location-based electricity emission factors for the indirect scope 2 emissions, and around 1.6 million tonnes of CO_2 when using market based electricity emission factors for indirect scope 2 emissions.

In the period 2012-15, Telenor's energy consumption per end customer dropped by approximately 25 per cent and the associated CO_2 emissions per end customer dropped 27 per cent in the same period. In 2016, the Telenor's CO_2 emissions per end customer increased by around 15 per cent compared to 2015 due to the dramatic increase in data traffic volume in 2016.

RENEWABLE ENERGY SOLUTIONS: In Telenor's Asian operations, the company has in 2016 continued to convert traditional diesel-based on-site generators into renewable energy with cost-efficient solar/battery technology. By year-end 2016, Telenor Pakistan had installed solar energy solutions for more than 550 of its base stations and is planning for an additional 200 sites in 2017. Grameenphone has more than 1,100 solar powered base stations in place, and similarly Digi has more than 70 base stations powered by solar solutions. Also in Myanmar, Telenor has started planning for solar/battery technology when rolling out its off-grid base stations in the years to come.

Climate change is one of the most complex challenges facing people, businesses and governments. Climate related risks include potential damages to vital infrastructure and utilities – but at the same time the ICT industry's technology and smart services have the potential to cut global carbon emissions.

LOW CARBON SOLUTIONS: In 2016, Telenor Group passed 10 million SIM-connected devices globally on its IoT platforms. Telenor Connexion, Telenor's dedicated IoT company, designs and operates global IoT solutions for the global market.

In 2016, Telenor and ZERO (Norway-based independent not-for-profit foundation) organised a 'Greenovation' competition, which looked for start-ups with innovative solutions that utilise resources more efficiently and can make our lives smarter and better. The winning concept was created by the start-up company Zaptec – presenting a highly compact and very efficient electronic transformer that outperforms transformers of up to 10 times its weight and volume.

In 2016, CO_2 emissions per end customer increased by 15 per cent compared to 2015 due to the dramatic increase in data traffic volume in 2016

ENVIRONMENTAL MANAGEMENT: More than 70 per cent of Telenor's procurement processes with a contract value greater than USD 250,000 used a specified set of sustainability criteria in 2016. In addition, more than 176,000 meetings were carried out in Telenor's global organisation using video conferencing and virtual meeting solutions instead of actual travel. In 2016, Environmental Management Systems (EMS) in line with ISO 14001 were followed up in all business units with the exception of Telenor Myanmar, where planning has started up in 2016 and EMS implementation will be finalised in 2017. Two more business units have, during 2016, achieved certification according to ISO 14001. Altogether, seven Telenor business units are now certified according to ISO 14001: Telenor Bulgaria, Telenor Serbia, Telenor Hungary, Digi, Telenor India, Telenor Montenegro and Grameenphone. The revised ISO 14001:2015 standard has been implemented in some business units and will continue to be implemented in the coming years.

E-WASTE INITIATIVES: Mobile handset recycling initiatives have been ongoing for several years in nine business units: Telenor Hungary, Telenor Serbia, Telenor Montenegro, Digi in Malaysia, dtac in Thailand, Telenor Sweden, Telenor Denmark, Telenor Norway and Telenor Bulgaria. In 2016 across Telenor, a total of close to 300,000 mobile handsets and mobile batteries were collected and recycled in an appropriate way. During 2016, updated guidelines for proper handling of e-waste have been implemented.

LOOKING AHEAD: Telenor's key climate measure has been to stabilise the energy consumption in its networks while increasing market footprint, since network operations represent around 90 per cent of Telenor's total CO_2 emissions. In the way forward, Telenor will plan for scale-up of renewable energy combined with continued focus on energy efficiency initiatives in all of its network operations – resulting in both savings in operating expenses and reduced CO_2 emissions. During 2017, Telenor will formulate new strategic climate ambitions for Telenor Group with localised climate roadmaps towards 2030 that are aligned with the overall Paris Climate Agreement.

Child Online Safety

Policy and Actions

For Telenor, enabling internet access for all is not enough – everyone should also be able to fully leverage the benefits connectivity offers. As a particularly vulnerable group, children deserve special attention and Telenor aims to stimulate a supportive ecosystem that may address risks and grow resilience. This ecosystem needs to involve a range of different stakeholders, and there is a clear role for Telenor to play in several key areas. Telenor Group is involved in providing educational outreach at schools, access to toll-free helplines, access to parental controls and good reporting mechanisms as well as firm measures to prevent child sexual abuse from being distributed through Telenor's networks.

Status and Ambition

In 2016, Telenor set out to build a differentiated and unified position within Child Online Safety, particularly focusing on the issue of digital bullying and safety online. Consolidating current best practice, a common concept, 'Be Smart Use Heart', was introduced, which aims to provide information and tools to help children be safe online. Programmatic tools, content and branding have been developed to assist business units in adopting the common position, and efforts to develop more content and align further with the brand will continue in 2017.

Under the new Sustainability Direction, Telenor in 2016 set itself a concrete target on Child Online Safety to be achieved by 2020. 2016 was also the year when Telenor moved to unify many of the child safety programmes under a common concept and image. Additionally, the company dedicated its annual 'Customer First Day' theme to raising awareness about digital bullying and safety online. Progress was also made in the defined focus areas of safe internet as referred to in the Policy and Actions section above.

Within the umbrella of the new Sustainability Direction, Telenor has taken a clear position on creating opportunities for meaningful and safe digital participation for everyone. By 2020, Telenor's aim is that four million children are trained on online safety and empowered to make the right decisions on how to engage on the internet confidently and responsibly. This commitment builds on Telenor's existing efforts for a safer internet by scaling those aspects that have enabled the most progress, as well as deepening and broadening the curriculum.

ADDRESSING DIGITAL BULLYING ON CUSTOMER FIRST DAY: The annual Customer First Day (CFD) is a Telenor tradition which encourages employees across all BUs to participate in events and activities that demand direct interaction with the customer. In 2016, Telenor employees connected with 60,000 children and adults on CFD to raise awareness on the subject of digital bullying. The online campaign reached far and wide with the #useheart earning 259 million potential impressions, while a gaming app on digital bullying entertained 13,700 visitors. A survey on understanding the nature and severity of digital bullying in many of our markets generated 30,000 responses, which indicated that the issue was prevalent in both Asia and Europe, albeit differently.

SUPPORTING CHILD HELPLINES: In 2016, Telenor continued efforts to support the accessibility and capacity of child helplines as avenues for children to turn to in case of an untoward online experience. In this regard, Telenor funds were committed to help Child Helpline International (CHI) build capacity among national helpline staff through digital means in responding, reporting and referring online abuse cases. It is expected that through e-learning modules and personalised follow-up, member helplines of CHI will be able to develop their capabilities and skill-sets in key areas relating to child online safety.

In 2016, Telenor set out to build a differentiated and unified position within Child Online Safety, particularly focusing on the issue of digital bullying and safety online.

BUILDING CAPACITY FOR ONLINE SAFETY: In February 2016, Telenor India announced that through its partnership with Child Helpline, all SIMs will come embedded with 1098 number, which means the number is available on the customer's default phonebook. Customers can dial this free number and seek help on anything related to child rights and abuse. The initiative has also been recognised by the GSMA.

dtac and Telenor Pakistan, in collaboration with UNICEF and Plan International respectively, launched Thai and Urdu versions of Telenor's Guidebook on how to talk to kids about the internet. The book is now available in seven languages, including English, Bengali, Bahasa Malaysia and Mandarin and is available online for all to download. More Telenor markets are expected to localise the content in 2017.

Norway's biggest school tour against cyberbullying, Bruk Hue, has reached out to 300,000 pupils and parents since 2009, providing training and awareness on the subject of digital bullying and online safety. Additionally, two new tools for the digital family were launched, including Foreldreskolen – an online school inviting parents into children's digital life, and Mobil-lappen – a playful exercise to make it safer and easier for children to experience their first mobile phone.

Telenor India accelerated its flagship WebWise campaign in 2016, reaching out to a total of 54,000 students across several cities. Telenor Hungary took the message of online safety to a total of 5,500 students who participated in safe internet lectures since 2013.

In Thailand, dtac reached out to thousands of people including 10,000 students through their 'Stop CyberBullying' campaign,, which encompassed awareness workshops, school tours and seminars. On the other hand, Telenor Myanmar reached out to over 24,000 children and youth by leveraging the Lighthouse platform.

In March 2016, Telenor Serbia along with partners and supporters including UNICEF, arranged the event 'Cyber Dictionary', which rallied elementary school students to educate them about safe behaviour on the Internet. Through music, dance and fun, driven by some of the most popular local stars, video messages from UNICEF ambassadors, 4,000 students learnt how to be safe on internet.

In July 2016, Digi launched "Family Safety" – an application for users to keep family members, especially children and the elderly, safe offline and online. Key features include geo-fencing to create safety zones, check-in and panic alert notification, parental control features to manage time and usage of certain apps; and phone security features allowing users to find, ring, lock and wipe any family phone if lost or stolen.

LOOKING AHEAD: Telenor's efforts towards child online safety are expected to gain further momentum in 2017 as the company strives towards achieving the ambitious target of reaching four million children by 2020. To support this momentum, Telenor aims to step up the work with its global partners, including UNICEF, in institutional capacity development and parental awareness. Relevant and engaging content and issue-based research will also remain on Telenor's radar.

Mobile Phones & Health

Policy and Actions

The World Health Organisation (WHO) has stated that there is no convincing scientific evidence that the weak radio frequency signals from base stations and wireless networks cause adverse health effects. Scientists and researchers still continue to investigate the possibility that electromagnetic fields (EMFs) generated by mobile technology could have such detrimental health effects. Numerous independent scientific and public health authority reviews continue to be issued. The WHO remains confident that current international recommendations incorporate large safety factors and are protective of the health of people everywhere.

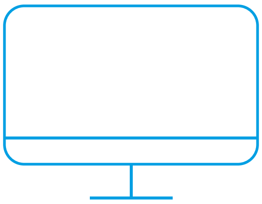
As mobile phones and connectivity become ever more ubiquitous there are voices that continue to argue that too little is known about the possible health effects of mobile use and about living within close proximity to mobile infrastructure. Others again are convinced that EMFs are the source of a number of health complaints.

Telenor appreciates anyone coming forward with concerns for their health or that of their families. Telenor has confidence in, and refers to, the World Health Organisation, which has stated that: 'To date, no adverse health effects have been established as being caused by mobile phone use'.

Further, Telenor is also supportive of serious research efforts to establish whether there may be long-term health effects of exposure to EMF from mobile phones and infrastructure.

Status and Ambition

Across Telenor, all business units work in accordance with the guidelines provided by national regulations and the International Commission on Non-Ionizing Radiation Protection (ICNIRP). These guidelines represent the basis for all planning, installation work and safety measures at antenna sites.



It's not enough to enable internet access - bringing the benefits of **digital access and outreach to** all remain one of Telenor's key objectives.

Further, all Telenor business units strive to recognise and respect the public interest in acquiring environmental and health-related information about electromagnetic fields and to provide stakeholders with accurate and relevant information relating to installations, services and products.

Digital Access and Outreach

Connected societies are empowered societies. It's not enough to enable Internet access: Telenor wants everyone to be able to leverage its benefits. Today, many of the unconnected are in emerging Asia, but there are also unconnected pockets of people in Europe and the Nordic region. Bringing the benefits of digital access and outreach to all remains one of Telenor's key objectives.

Status and Ambition

By year-end 2016 Telenor had rolled out 3G and 4G mobile technologies in 12 countries. All business units had also rolled out or were evaluating Wi-Fi offerings. In its mature markets, Telenor is adding network capacity to sustain and improve the mobile data user experience as networks become congested.

Digital skills and awareness are essential enablers of mobile internet adoption. People need to understand the relevance and benefit to their lives from being online and to have the necessary skills to take advantage of the opportunity.

REACHING OUT FOR DIGITAL LITERACY:
Telenor India is continuing to reach out to rural and semi-urban areas to educate youth, women and children on the usage and benefits of the internet in their daily lives. In 2016, Telenor India operated more than 270 Grahak Shiksha Kendras (Customer Education Centres) in its retail stores that aim at educating the masses on internet. Telenor India collaborated with GSMA developing and piloting the Mobile Internet Skills Training Toolkit with four distributors across India. Key learnings were published by GSMA in the report "Telenor's mobile internet training projects in India: raising awareness of the benefits from getting online".

dtac, in collaboration with local authorities, stepped up its SMART farmer project in Thailand with the objective of empowering farmers through access to knowledge and information on their mobile phones. They focused on training young farmers to develop their own online marketing. The trainings were delivered in 41 provinces with an overall attendance of approx. 3,000 farmers during 2016. Looking forward into 2017, dtac has partnered with Thailand's Electronics and Computer Technology Centre, to develop an IoT solution. The device, a sensor-based and solar-powered product has the capability to monitor seven parameters, including light, humidity, temperature, water, wind and pH levels, and is linked to a router with a dtac SIM relaying the information to the cloud. This in turn will enable the system to send targeted advisory information to the farmer's mobile device based on the acquired farm-level granular data.

Telenor Myanmar established 20 new digital literacy centres in 2016 and is now running more than 60 centres, called Telenor Lighthouses. The objective of the centres is to provide smartphone and computer-based literacy training and online education to communities in rural areas. The establishment includes training entrepreneurs to become sustainable social enterprises in rural areas. The ambition for 2017 is to implement an online portal to make affordable basic smartphone and computer literacy training available nationally and have 50,000 digital literacy students trained. A total of 200 Lighthouses are expected to be functional by the end of 2018.

As part of Telenor Group's initiative to partner with Facebook and promote digital literacy, both Grameenphone and Telenor Pakistan initiated Facebook retailing campaigns in 2016. The programme leverages the retail distribution network to teach people internet skills, leveraging Facebook as the first online experience.

ADDRESSING THE GENDER GAP IN ACCESS: The gender gap in access to mobile and ICTs can place women at a disadvantage when it comes to enjoying digital benefits. Telenor India's Project Sampark aims to increase women's access to the use of mobile phones and to promote solutions towards women's barriers to mobile usage. The project works on a twin SIM concept in which the owner of the first SIM must be a woman in order for the second SIM owner to reap certain benefits. The project launched in August 2014, has shown

dtac, in collaboration with local authorities, stepped up its SMART farmer project in Thailand with the objective of empowering farmers through access to knowledge and information on their mobile phones.

good results with approximately 76,000 customers, 50 per cent being women.

Digi launched Digi Wanita Era Digital, a community programme focusing on women empowerment. The aim is to drive greater internet adoption among women and educate them on basic internet skills, helping them to explore a world of opportunity for learning, communication, entertainment and business beyond their home and community.

Service Reliability

At Telenor, reliability of service in all operating areas is key to delivering on the company's promise to its customers. Telenor also believes that the infrastructure it provides is vital for helping customers' connect and keep safe especially during times of disaster. Fire, flooding and other natural and man-made disasters are hazards faced by all citizens, and when they happen, communication networks are often disrupted. The ability to communicate is essential in supporting disaster relief and saving lives.

NETWORK AVAILABILITY DURING NATURAL DISASTERS: Flooding in Asia during July-December 2016 affected millions in Bangladesh, India, Pakistan, Thailand, Malaysia and Myanmar. The flooding in Myanmar was less severe than last year, though the flood locations were different. The approach that was taken this year was both proactive and reactive – platforms for high risk sites were raised from last year, and it was worked reactively with the tower companies to get sites back online as soon as possible.

Heavy rain and flooding hit people in

many provinces in Thailand in October and December 2016. In addition to offering flood relief to help affected customers in flooded areas, dtac monitored its network closely and was prepared to respond to the emergency situation in the flooded and watched areas, in which all base stations are equipped with power generators according to the emergency response plan.

In Malaysia, Digi chartered helicopters to airlift emergency supplies to flood victims. The floods disrupted numerous services including telecommunications.

Telenor has sound backup plans and redundancy options to ensure service reliability **under flooding and other challenging circumstances**

In 2016, the extreme weather Urd ravaged Norway the last week of the year. Power outage and fibre breakage affected mobile coverage in several parts of the country. Telenor Norway demonstrated that preparedness functioned significantly better during these events than during the extreme weather Dagmar in 2011. Electricity outages and fibre damages were the main reasons for Telenor's customer impacts, and the outage in peak included 160 mobile sites as well as 2,000 fixed line telephony customers and 3,000 broadband customers. Two days after Urd began, most services were up again. Telenor Norway has, since Dagmar, increased reserve power capacity at its installations, enhanced battery backup on several base stations and acquired high-tech mobile trailers ready to cater for communication in crisis areas. Telenor Norway also has mobile generators, which can supply electricity to communication equipment in serious power failures. In addition, the company runs emergency drills and maintains a dialogue with relevant authorities about robustness and emergency response.

Many of Telenor's business units, especially the ones operating in disaster prone areas have sound backup plans and redundancy options to ensure service reliability under challenging circumstances.

Innovating and Researching for Shared Value

Telenor strives to introduce innovative uses of digital communication to improve people's lives, with meaningful solutions that can address social, economic and environmental problems, close the inequality gap and empower societies.

INNOVATIVE SERVICES AND PROGRAMMES: Telenor is committed to helping world leaders achieve the UN Sustainable Development Goals that were set in 2015. Access to communication and internet services creates extraordinary possibilities for all of us, no matter where we live, no matter our background. It renders information available and provides a voice for more people. It has a great potential for reducing inequalities. Leveraging the power of mobile for sustainable development includes applying innovation, resources and expertise to pursue the business opportunities inherent in building a greener, more equitable and inclusive society.

RESEARCHING FOR SHARED VALUE: In Telenor, research is key in helping the company gain insights and competencies to become a data driven software

organisation. This ambition also has a sustainability dimension. Research in using big data – the information flow from digital communications analysis – has the potential of providing important insights that can help tackle socio-economic challenges, such as the early identification and prevention of diseases.

Status and Ambition

INNOVATIVE SERVICES AND PROGRAMMES: Leveraging Mobiles & Partnerships to benefit the Underserved: In 2016, Telenor and UNICEF continued the joint partnership to leverage the reach and capability of connectivity for children's rights and development. During 2016, Telenor and UNICEF collaborated on promoting child rights and Safe Internet in Bangladesh, Thailand, Malaysia, Hungary and Serbia.

In Pakistan, Telenor Group, Telenor Pakistan, UNICEF and local authorities are building on the good results from the pilot project in the provinces of Sindh and Punjab to augment birth registration rates using cellular technology. In Pakistan, Telenor Group, Telenor Pakistan, UNICEF and local authorities are building on the good results from the pilot project in the provinces of Sindh and Punjab to augment birth registration rates using cellular technology, setting out an ambition to digitally register the births of 700,000 girls and boys in over 100 locations by 2017. A significant ramp up in scale from the pilot, the project will empower these children with legal identity that could potentially help limit child labour, trafficking and marriage as well as promote the planning of and access to public services.

In Thailand, dtac, UNICEF and the Ministry of Health are extending their work providing users with free mobile information services to promote healthy mothers and children. The mobile phone is used as a tool to convey life-saving information to expecting and new mothers. The service had more than 200,000 subscribers up to November 2016.

In 2016, the efforts of Telenor Serbia, UNICEF and local authorities continued to enable the social inclusion of the Roma population in Serbia through health outreach services in collaboration with UNICEF and local authorities.

Mobile Financial Solution to promote Girls' Education: Telenor Easypaisa in Pakistan continued providing educational stipend disbursement services for the Sindh Education Reform Programme (SERP). The stipend is offered to more than 400,000 girls studying in classes 6 through 10, and is designed to address gender disparity in education attainment. Easypaisa provides a convenient and efficient solution in the form of Over The Counter (OTC) and ATM Cards to stipend

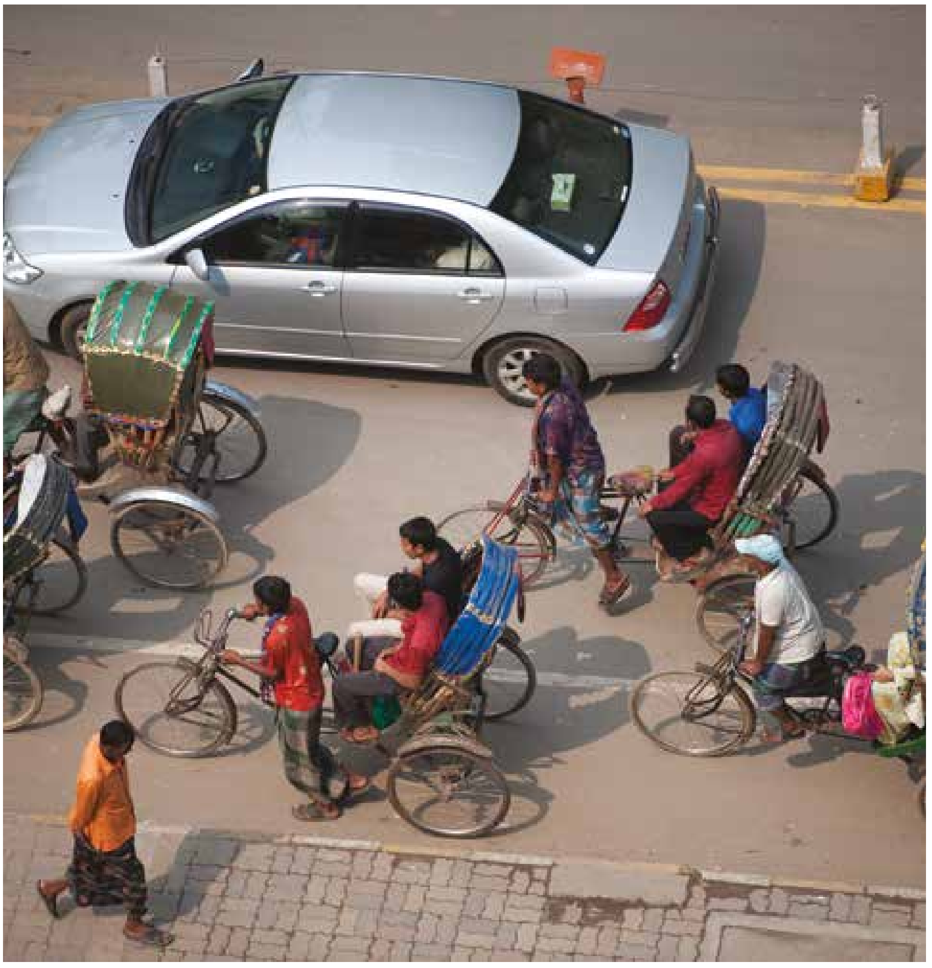
In March 2016, Telenor held its third sustainability briefing on Myanmar. Telenor presented an update on its ongoing work within key sustainability areas and corporate responsibility, set against its business growth in Myanmar.

beneficiaries, as well as a cost saving solution to SERP.

Extending Life and Health Insurance Services: Telenor Group is offering life and health insurance to customers in many of its markets. In 2016, Telenor India continued offering Telenor Suraksha with life insurance to low and middle-income customers. The initiative has been a success with more than 6 million customers insured as of December 2016. Grameenphone's Nirvoy Life Insurance has more than 5.5 million customers in 2016. The objective of the service is to serve as a mass loyalty product in addition to offering Grameenphone customers a social safety-net. Easypaisa's first mass market health insurance Sehat Sahara reached 125,000 subscriptions in 2016.

TELENOR HEALTH: Telenor Health is a purpose-driven, digital health subsidiary established by Telenor Group in 2015. It aims to leverage technology to help make high quality health and wellness information, advice, and services accessible to everyone, particularly for people in emerging markets.

On June 2016, Telenor Health partnered with Grameenphone to launch its first service, Tonic, in Bangladesh. The subscription digital health service provides members with a range of benefits including: free engaging health and wellness content; discounted access to a qualified doctor over the phone; free discounts on services at over 200 hospitals, diagnostic centres, and pharmacies; and free "hospital cash" insurance coverage to help with lost wages, medications, and other costs

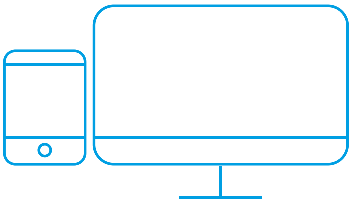


By end 2016, more than two million Grameenphone subscribers had joined Telenor Health's first offering – Tonic.

resulting from a serious medical incident. Tonic membership is offered for free to all active Grameenphone subscribers as part of an effort to drive both societal impact and customer loyalty on behalf of the Bangladesh telecom operator.

By end 2016, more than two million Grameenphone subscribers had joined Tonic, with the member base growing by as much as 20,000 per day. More than 300,000 Tonic members are from Grameenphone's corporate customers, representing some of the largest companies and institutions in Bangladesh. Building on the early success of Tonic, in 2016 Telenor Health continued to introduce new features, including the Tonic mobile app, which is now one of the most popular health and fitness Android apps in Bangladesh.

BIG DATA FOR SOCIAL GOOD EVENT:
During 2016, Telenor continued research into how to use big data for social good. Based on the study published in 2015 on the spread of dengue in Pakistan, Telenor has explored how to transform the findings into real value for society.



Big Data – Insights from refined data can help our digital business, but it can also foster social good and empower societies

In 2016, Telenor hosted a highly visible event on 'Big Data for Social Good', confirming Telenor's strategic commitment to empowering societies – and gathering a wide range of stake–holders across research, civil society and business. The event generated high visibility, while confirming Telenor's strategic commitment to empowering societies – as supported by present–ations of the outstanding results from the collaboration between Harvard and Telenor on dengue fever in Pakistan. Throughout the year, Telenor continued its research and engaged in dialogue with stakeholders on potential next steps. Telenor's ambition is to continue this work and publish its findings during 2017.

HOW TELENOR IMPACT SOCIETIES

Telenor Global Impact Report

In 2016, Telenor commissioned KPMG to conduct an independent study assessing a number of the economic and social impacts Telenor has across the 13 markets in which it directly operates. The report quantifies Telenor's commitment to support and contribute to the communities in which it operates and shows that Telenor contributed to an estimated USD 20.3 billion to the national economies (measured in terms of Gross Value Added) across its 13 markets in 2015.

The socio-economic effects captured in this study were categorised into four key areas:

- Telenor's contribution to national economies (GVA), contribution to productivity, its employment impact, its investment and its role in contributing to public finances
- The ways in which Telenor's services enable the wider economy, including the impacts on digital inclusion, financial inclusion, supporting entrepreneurship and innovation, and supporting improved gender equality
- Telenor's impacts in terms of sustainability in the supply chain
- Telenor's contribution in crisis situations

The economic framework applied to assess these impacts captures a wide range of different effects, both direct and indirect. They show how Telenor contributes to the economy as a company, as well as the wider impacts generated through the use of Telenor's services by its business and consumer subscribers. The KPMG report also includes national details of the socio-economic contributions of each of Telenor's 13 business units around the world.

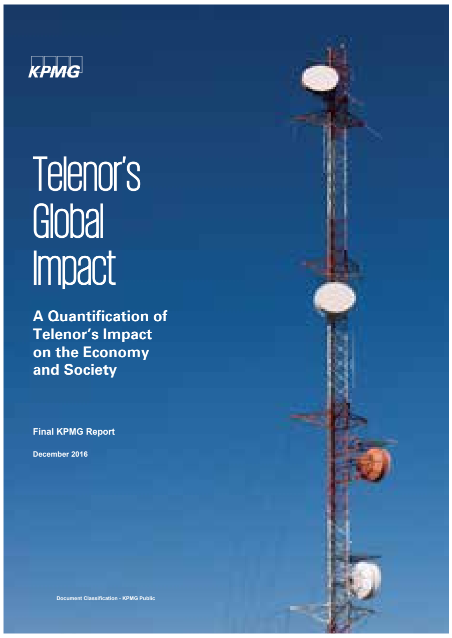
In a changing digital landscape, it is imperative that governments, businesses and organisations work together to develop frameworks that stimulate growth and create shared value. The KPMG report aims to contribute to a constructive dialogue on how Telenor can continue realising the value and the opportunity of the company's digital future.

Digital inclusion is also in line with Telenor's commitment towards the United Nations' Sustainable Development Goals, and specifically Goal 10 in reducing inequalities. The Global Impact Report sheds light on how Telenor's operations contribute towards this goal.

Economic Contribution to Society

Policy and Actions

Mobile communication and digital services facilitate economic development, growth and modernisation of public services, service industries and manufacturing. Governments increasingly acknowledge the crucial role of communications in providing new growth, employment and innovation. In



Download the full report: www.telenor.com/wp-content/uploads/2016/12/KPMG-Report_Telenor-Global-Impact_Final-Report-vSTC.pdf

Europe, this vital role, as envisioned in the Europe 2020 and Digital Single Market strategies, was acknowledged in 2016 by national strategies for digital modernisation – such as the Digital Agenda and Digital Welfare programmes in Hungary, the Broadband Plan for Sweden, the Digital Strategy for modernisation in Denmark, and the Digital Agenda in Norway. National digital strategies have also been launched in Pakistan and Thailand. Telenor has delivered key insights and proposals to these processes. In late 2016, Telenor and other major companies established the "Digital Norway" initiative which aims to take the economy into the highly digitised, 'Industry 4.0' phase of industrial development.

Telenor has reported direct, country-by-country impact on investment, taxation and employment, since 2014. In 2016, Telenor documented its wider social and economic contribution to the societies the company work in, through the report Telenor's Global Impact by KPMG. It documented a substantial direct and indirect contribution to economic activity, investment, public finances, employment, gender opportunities, and social and financial inclusion. In addition, Telenor Research launched a methodology (05/2016 -Telenor in the National Economy: A Methodology) to take parts of this documentation further on an annual basis. These efforts enable Telenor to enhance transparency and understanding of how corporate activity contributes to national economic activity and growth.

Status and Ambitions

A LONG-TERM INVESTOR, TAX PAYER AND EMPLOYER: Telenor is committed to long-term investment that supports employment, local industrial development and improved current account balances for the national economy. Mobile and broadband networks sustain national infrastructure for growth, digitalisation and modernisation in a decennial perspective. In 2016, Telenor's investment of NOK 29.9 billion, from a total revenue of NOK 131.4 billion, constituted an investment ratio of 22.8 per cent capital expenditure to revenue, compared with a 20 per cent investment ratio in 2015.

Telenor is committed to operate according to local laws and regulations. Telenor reports and pays taxes at the legally obliged level in each country (see notes to the Financial Report for details). Telenor advises governments to have a tax system based on universal tax principles as advocated by the IMF and World Bank, with universal tax levels across a broad tax base. Tax collection practices should rest on predictable legislation applied by an objective authority, tested by independent courts. Predictable and universal taxation is a crucial safeguard for efficient investment and affordable services for everyone.

Globally, most countries have met the 2008 economic crisis through reduced tax burdens, to stimulate investment and growth. Thailand reduced tax burdens in 2015, while Denmark and Norway further reduced corporate taxation in 2016.

COUNTRY-BY-COUNTRY REPORTING

Financial Year 2016

*NOK in millions	Revenues*	EBITDA*	Capex*	Profit before taxes*	Corporate income tax (CIT) paid*	Employees total per 31.12
Norway	32 164	9 808	6 054	932	470	5 880
Sweden	14 527	4 809	1 596	3 183	502	1 923
Denmark	5 524	635	535	372	37	1 950
Hungary	4 376	1 382	391	791	207	1 403
Bulgaria	3 124	1 260	320	664	58	2 062
Serbia	3.271	1 069	344	605	105	1 351
Montenegro	459	154	174	146	(164)	301
Thailand	19 544	6 615	4 835	943	174	4 484
Malaysia	13 371	6 143	1 585	4 672	1 232	2 071
Bangladesh	12 338	6 832	2 259	4 221	1 703	4 007
Pakistan	8 635	3 614	4 952	2 249	885	6 202
India	6 032	49	917	(7 849)	3	4 010
Myanmar	6 762	2 919	2 729	2 051	529	723
Other	1 301	(187)	3 156	1 247	183	633
Telenor Group	**131 427**	**45 103**	**29 848**	**11 731**	**5 924**	**37 000**

This table specifies the most important elements of Telenor's direct economic contribution country-by-country. It includes Telenor's revenues, EBITDA, capital expenditure, the corporate income taxes paid 2016 and the number of employees. The table does not specify all taxes, and fiscal levies – only the Corporate Income Tax (CIT) is included.

However, several governments sustained excessive taxation of mobile companies and services, in a targeted and non-predictable way, among others Hungary, Pakistan and Bangladesh.

DIRECT ECONOMIC CONTRIBUTION:
A company contributes directly to the national economy through its investments, wages, taxes and fees, and indirectly through the similar production which the company induces in vendors and partners in the value chain. According to the independent findings in the KPMG report, Telenor's business units across 13 countries contributed directly to national economies with a USD 7.0 billion (NOK 56.0 billion) gross value added in 2015, plus indirectly with USD 13.4 billion (NOK 107.8 billion) of value added induced by its local demand and employee spending. This means that for each dollar of value Telenor created directly, another 1.9 dollars was created in the wider economy among vendors, ecosystem partners and from employee spending.

Mobile communication creates a vibrant ecosystem of large and small businesses that employs millions in Telenor's markets. For the year 2015, KPMG found that the business and services produced by Telenor's approximately 37,000 employees induced an ecosystem employment of 1.2 million people in services, retail distribution, vendor supplies, etc.

Fornebu, 14 March 2017

Gunn Wærsted
Chair

Dag J. Opedal
Deputy Chair

Jon Erik Reinhardsen
Board member

Jacob Aqraou
Board member

Siri Beate Hatlen
Board member

Sally Davis
Board member

Ashok Vaswani
Board member

Regi Aalstad
Board member

Per Gunnar Salomonsen
Board member

Åse Selfjord
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	**2016**	2015
Revenues	6	**131 427**	128 175
Cost of materials and traffic charges	7	(34 095)	(35 147)
Salaries and personnel costs	8	(13 152)	(12 406)
Other operating expenses	9	(37 698)	(36 425)
Other income	10	547	113
Other expenses	10	(1 927)	(985)
EBITDA		**45 103**	43 325
Depreciation and amortisation	17,18	(20 050)	(18 384)
Impairment losses	15,17,18	(7 983)	(2 181)
Operating profit		**17 070**	22 761
Share of net income (loss) from associated companies and joint ventures	19	1 517	(7 070)
Gains (losses) on disposal of associated companies	19	(3 313)	251
Financial income and expenses			
Financial income	12	427	491
Financial expenses	12	(3 205)	(2 727)
Net currency gains (losses)	12	(208)	(961)
Net change in fair value of financial instruments	12	(557)	276
Net financial income (expenses)		**(3 543)**	(2 921)
Profit before taxes		**11 731**	13 020
Income taxes	13	(5 924)	(6 317)
Net income		**5 806**	6 704
Net income attributable to:			
Non-controlling interests		2 974	3 289
Equity holders of Telenor ASA		2 832	3 414
Earnings per share in NOK			
Basic/Diluted from net income	14	1.89	2.27

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Telenor Group 1 January – 31 December

NOK in millions	Note	2016	2015
Net income		**5 806**	6 704
Other comprehensive income (loss)			
Translation differences on net investments in foreign operations	23	(4 646)	7 774
Income taxes		(15)	(3)
Amount reclassified from other comprehensive income to income statement on partial disposal	23	(3 865)	(15)
Income taxes reclassified	23	256	-
Net gain (loss) on hedge of net investments	23, 28	2 734	(5 491)
Income taxes		(684)	1 232
Amount reclassified from other comprehensive income to income statement on partial disposal	23	2 969	-
Income taxes reclassified	23	(816)	-
Net gain (loss) on available-for-sale investments	23	(43)	(17)
Share of other comprehensive income (loss) from associated companies and joint ventures	23	631	(3 357)
Amount reclassified from other comprehensive income to income statement on disposal	23	4 783	(23)
Items that may be reclassified subsequently to income statement		**1 305**	99
Remeasurement of defined benefit pension plans	23, 25	(304)	1 111
Income taxes		55	(249)
Items that will not be reclassified to income statement		**(248)**	862
Other comprehensive income (loss), net of taxes		**1 056**	961
Total comprehensive income (loss)		**6 862**	7 665
Total comprehensive income (loss) attributable to:			
Non-controlling interests		2 824	3 762
Equity holders of Telenor ASA		4 038	3 903

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Telenor Group as of 31 December

NOK in millions	Note	2016	2015
ASSETS			
Deferred tax assets	13	2 163	3 366
Goodwill	15,16	24 519	23 968
Intangible assets	17	33 057	40 495
Property, plant and equipment	18	72 016	69 211
Associated companies and joint ventures	19	15 773	19 400
Other non-current assets	21	5 800	6 155
Total non-current assets		**153 328**	**162 596**
Prepaid taxes		737	770
Inventories		1 802	2 271
Trade and other receivables	20	24 876	23 877
Other current financial assets	21	2 489	1 436
Assets classified as held for sale		2	3
Cash and cash equivalents	22	23 085	13 956
Total current assets		**52 991**	**42 313**
Total assets		**206 319**	**204 909**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of Telenor ASA	23	50 879	58 467
Non-controlling interests	23	4 517	4 660
Total equity		**55 396**	**63 126**
Liabilities			
Non-current interest-bearing liabilities	27	60 391	63 802
Non-current non-interest-bearing liabilities	26	3 816	4 010
Deferred tax liabilities	13	2 972	3 023
Pension obligations	25	2 585	2 424
Provisions and obligations	24	3 542	3 545
Total non-current liabilities		**73 305**	**76 805**
Current interest-bearing liabilities	27	25 970	12 626
Trade and other payables	26	42 890	44 030
Current tax payables		3 439	3 392
Current non-interest-bearing liabilities	26	3 642	3 339
Provisions and obligations	24	1 677	1 591
Total current liabilities		**77 618**	**64 978**
Total equity and liabilities		**206 319**	**204 909**

Fornebu, 14 March 2017

Gunn Wærsted
Chair

Dag J. Opedal
Deputy Chair

Jon Erik Reinhardsen
Board member

Jacob Aqraou
Board member

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Board member

Sally Davis
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Ashok Vaswani
Board member

Regi Aalstad
Board member

Per Gunnar Salomonsen
Board member

Åse Selfjord
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	2016	2015
Profit before taxes		**11 731**	**13 020**
Income taxes paid		(5 760)	(5 141)
Net (gain) loss from disposals, impairments and change in fair value of financial assets and liabilities		574	81
Depreciation, amortisation and impairment losses		28 033	20 565
Share of net (income) loss and (gains) losses on disposal of associated companies and joint ventures		1 796	6 819
Dividends received from associated companies		130	189
Net interest expense		2 447	2 071
Changes in net operating working capital	22	972	2 774
Net currency (gains) losses not relating to operating activities		1 087	667
Interest received		306	418
Interest paid		(2 042)	(1 841)
Other adjustments		504	(2 517)
Net cash flow from operating activities		**39 778**	**37 107**
Proceeds from sale of property, plant and equipment and intangible assets		92	108
Purchases of property, plant and equipment and intangible assets	22	(23 727)	(21 168)
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed	22	5 319	1 354
Purchases of subsidiaries, associated companies and joint ventures, net of cash acquired	22	(2 971)	(497)
Proceeds from sale of other investments		607	174
Purchases of other investments		(425)	(252)
Net cash flow from investing activities		**(21 105)**	**(20 281)**
Proceeds from borrowings		26 280	14 650
Repayments of borrowings		(15 698)	(10 516)
Payments of licence obligations		(1 562)	(2 136)
Payments related to supply chain financing	22	(3 672)	(2 538)
Dividends paid to non-controlling interests in subsidiaries	22	(3 139)	(3 777)
Dividends paid to equity holders of Telenor ASA	23	(11 246)	(10 724)
Net cash flow from financing activities		**(9 037)**	**(15 041)**
Effects of exchange rate changes on cash and cash equivalents		(446)	81
Net change in cash and cash equivalents		**9 190**	**1 866**
Cash and cash equivalents as of 1 January		13 760	11 893
Cash and cash equivalents as of 31 December	22	**22 951**	**13 760**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Telenor Group – for the years ended 31 December 2015 and 2016

	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 2015	**9 078**	**(20 377)**	**73 974**	**1 080**	**63 755**	**4 750**	**68 505**
Net income for the period	–	–	3 414	–	3 414	3 289	6 704
Other comprehensive income (loss) for the period	–	(2 534)	–	3 022	488	473	961
Total comprehensive income (loss) for the period	**–**	**(2 534)**	**3 414**	**3 022**	**3 903**	**3 762**	**7 665**
Transactions with non-controlling interests	–	(2)	–	–	(2)	24	22
Equity adjustments in associated companies and joint ventures	–	1 732	–	–	1 732	–	1 732
Dividends	–	–	(10 959)	–	(10 959)	(3 876)	(14 835)
Share-based payment, exercise of share options and distribution of shares	–	37	–	–	37	–	37
Equity as of 31 December 2015	**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**

1) See note 23.

NOTES TO THE FINANCIAL STATEMENTS

Telenor Group

Contents notes

NOTE 1 General information, compliance and changes in international Financial Reporting Standards

General information

Telenor ASA (the Company) is a limited liability company incorporated in Norway. The Company is subject to the provisions of the Norwegian Act relating to Public Limited Liability Companies. The Company's principal offices are located at Snarøyveien 30, N-1360 Fornebu, Norway. Telephone number: +47 678 90 000. Telenor is a telecommunication company and the principal activities of the Company and its subsidiaries (the Group) are described in note 5 Segments.

These consolidated financial statements have been approved for issuance by the Board of Directors on 14 March 2017 and is subject to approval by the Annual General Meeting on 10 May 2017.

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 2016 had no implementation impact on the Group's consolidated financial statements:

- IAS 19 *Amendment: Employee Contribution* (effective date in EU from 1 February 2015). The amendment clarifies the accounting for contributions from employees or third parties when the requirements for such contributions are set out in the formal terms of a defined benefit plan. The objective of the amendments is to provide a more straight-forward alternative for accounting when the employee contributions payable in a particular period are linked solely to the employee's service rendered in that period. These amendments did not have any effect on the Group's consolidated financial statements.

- Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests* (effective from 1 January 2016). The amendments to IFRS 11 require that when accounting for an acquisition of an interest in a joint operation, in which the activity constitutes a business, the relevant accounting principles for business combinations must be applied. The amendments are applicable for both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. These amendments did not have any effect on the Group's consolidated financial statements.

- Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation* (effective from 1 January 2016). The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. These amendments did not have any effect on the Group's consolidated financial statements.

- Amendments to IAS 27: *Equity Method in Separate Financial Statements* (effective from 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. These amendments did neither have any effect on the Group's consolidated financial statements, nor the separate financial statements of Telenor ASA.

- Improvements to IFRSs - 2012-2014 cycle (effective from 1 January 2016). These amendments consist of minor changes to 4 IFRS', and did not have any significant effect on the Group's consolidated financial statements.

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

- IFRS 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 or no impact on the classification and measurement of the Group's financial assets and hedge accounting. The implications of IFRS 9 on the Group's consolidated financial statements are still under evaluation.

- 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.

  - *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:* IFRS 15 allows for either a full retrospective approach where all periods presented are adjusted or a modified approach where only the current period is adjusted. The latter method requires disclosures that reconcile all financial line items in the year of adoption to the current standards. In the opening balance, an allocation of total consideration between devices delivered and future services to be provided must be performed for contracts not yet completed, either in the period of transition or in the comparative period, depending on method of transition. As generally more revenue will be recognised from the handset component, a contract asset with a corresponding increase in equity is expected. The Group expect to apply the modified approach for transition to IFRS 15.

- IFRS 16 *Leases* (effective from 1 January 2019, but not approved by the EU). 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, a lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. For the Group this implies that current operating leases satisfying the criteria will be recognised with assets and liabilities. 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 at a minimum corresponding to the lease liability. A high level estimate of the effects on Telenor Groups 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 5-7 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 2-3 billion.

- Amendments to IAS 12: *Recognition of Deferred Tax Assets for Unrealised Losses* (effective from 1 January 2017, but not approved by the EU). 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, but not approved by the EU). 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 will not have any impact on the Group's consolidated financial statements, but may require additional note disclosures.

- Improvements to IFRSs 2014-2016 cycle (effective from 1 January 2017 and 1 January 2018, but not approved by the EU). 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.

- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (effective from 1 January 2018, but not approved by EU). The interpretation issued by IASB 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.

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 cost to sell and value in use) of the cash-generating unit is less than the carrying amount of the cash-generating unit. The impairment 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 VimpelCom ADSs. This embedded derivative is treated as a separate derivative and classified as fair value through profit or loss. The Group does not use derivative financial instruments for trading purposes.

The derivative financial instruments are measured at fair value. Any gains or losses arising from changes in fair value on derivatives that are not cash flow hedges or hedges of net investments are recognised in the income statement as financial income or expense. 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 than not that the tax assets will be utilised. The enacted tax rates at the end of the reporting period and undiscounted amounts are used.

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

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

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

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. The cost to be capitalised as part of the asset includes direct and incremental costs and, for qualifying assets, borrowing costs. 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 to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The impairment 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. The Group estimates the credit risk related to such instalment plans based on historical losses and a change in customer payment behaviour would affect the credit risk and, hence, the recognised income and receivable in the future. In some arrangements the customers are offered multiple element arrangements with the option to buy a new handset before the original instalment period is over, without paying the remaining instalments on the old phone. 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 could potentially have a significant effect on the financial statements.

Furthermore, management has to estimate the average customer relationship for revenue that is initially recognised as deferred revenue in the statement of financial position and recognised in the income statement over a future period, e.g. connection fee.

Pension 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. In 2016, the market for OMF has expanded further, both in relation to outstanding volume and turn over. For OMF with maturity over 5 years there are still few transactions in the second hand market, however there are no indications that the OMF market is not sufficiently liquid and deep enough to satisfy the criteria in IAS 19 *Employee Benefits*.

The macroeconomic development in Norway the last two years, with the fluctuation of the Norwegian Krone and the significant drop in the oil price in 2015 and the moderate recovery in 2016 as the main factors, has made it difficult to estimate the future inflation and the future real wage development. In the short term it is expected that the inflation will be somewhat below the normal level, as the effect of weakened Norwegian Krone in 2015 are fading out. In the long term, estimates on inflation is more uncertain. Based on an expected low activity in the Norwegian economy it is also expected that the real wage development will be low in the short term, with a moderate growth in the long term. The assumptions of future salary increase and future increase in the social security base amount used in calculating the net pension liability are based on the underlying assumptions of inflation and real wage growth. As a consequence of the uncertainty of these underlying parameters we have made our best effort in estimating the future salary increase and the future increase in the social security base amount. Our best estimates for both of these two assumptions are 2.25%.

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 in order to become a digital service provider. 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.

For the impairment assessment of Tapad Inc, Tapad Inc has been assessed as a separate cash-generating unit and the full amount of goodwill recognised at the acquisition date has been allocated to this cash-generating unit. Assessing the value in use in an immature industry is challenging and several scenarios have been assessed for determining the recoverable amount of Tapad Inc. The likelihood of each scenario has been derived from historical data of the survival rate of newly established IT companies. Group internal synergies from the acquisition have not been included in the impairment assessment of Tapad Inc.

The use of fair value less cost of disposal requires estimating the fair value of assets and liabilities using the assumptions that market participants would use. This entails considering market participants' views on the particular cash-generating unit, technological and industry trends, prices on spectrum and licenses, and the regulatory and macroeconomic environment in which the cash-generating unit is operating, as well as the actual performance of the cash- generating unit. For the impairment assessment of Telenor India, the fair value less cost of disposal has been applied for determining the recoverable amount. Assessment of the spectrum values and fair value of legal claims against Telenor in India has been the basis for the impairment assessment. At year end the recoverable amount is supported by the expected net proceeds, considering the terms and assumptions, in a sales transaction.

Changes in circumstances and in management's and market participants' evaluations and assumptions may give rise to impairment losses in the relevant periods. A significant part of the Group's operations are in countries with emerging markets. The political, regulatory and economic situation in these countries may change rapidly and global financial turmoil and recession may have a significant impact on these countries.

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. Estimated future taxable profit is not considered as convincing evidence unless the entity has demonstrated the ability of generating significant taxable profit for the current year or there are certain other events providing sufficient evidence of future taxable profit. Uncertainty related to new transactions and events and the interpretation of new tax rules may also affect these judgements.

Associated companies, see note 19

As of 31 December 2016, the Group has an ownership interest of 23.7% in VimpelCom Ltd. (VimpelCom) and accounts for the investment in VimpelCom in accordance with the equity method. VimpelCom is listed (New York Stock Exchange) and the company is not able to provide financial information to one investor without providing equivalent information to all other investors at the same time. The most recent financial information for VimpelCom available at the time of issuance of Telenor's quarterly interim financial statements are the financial information for the previous quarter. As a consequence, the share of net income from VimpelCom has been recognised in the quarterly interim financial statements of the Group with a one quarter lag. At the time of approval of the Group's annual report for 2016 on 14 March 2017, VimpelCom had released their fourth quarter 2016 interim financial information. To be consistent between interim and annual financial reporting the share of net income from VimpelCom has been recognised in the annual financial statements of the Group with a one quarter lag and only significant transactions or events reported by VimpelCom in their fourth quarter 2016 interim financial information are reflected. Thus, share of net income from VimpelCom for the year includes share of net income for the period 1 October 2015 to 30 September 2016.

Adjustments are made for the effects of publicly available information on any significant transactions and events that occur between the latest interim financial reporting from VimpelCom and the date of the Group's consolidated financial statements. Such adjustments require significant judgement. For 2016, an estimate of the translation differences related to the Russian Ruble and Ukrainian Hryvnia has been made based on currency rates as of 31 December 2016 and the reported figures for VimpelCom as of 30 September 2016.

On 5 October 2015, the Group announced its intention to divest all its shares in VimpelCom Ltd. Accordingly, the impairment assessment of VimpelCom Ltd. is based on quoted prices as of the balance sheet date. 163.9 million shares were disposed during 2016 reducing the Group's ownership from 33.0% to 23.7%. The carrying amount of the investment in VimpelCom Ltd. is NOK 13.8 billion as of 31 December 2016, equivalent to USD 3.85 per share.

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

Business combinations

On 18 February 2016, the Group acquired approximately 95% of the ownership interest in Tapad Inc., a leading 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. Any subsequent change to the redemption amount will be recognised in the income statement. 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 & 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 would have been NOK 131,474 million and NOK 11,698 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 is recognised as a liability, as it is contingent upon future performance. The remaining amount has been paid in cash.

NOTE 5 Segments

The segment information for the period 2015 to 2016 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.

Financial services in Myanmar, previously reported as part of Telenor Myanmar, is now reported as part of Other units. The financial information for 2015 has been restated to reflect this.

The Group's mobile communication business mainly includes voice, data, internet, content services, customer equipment and messaging. In Norway, Sweden and Denmark, the fixed line businesses are reported together with mobile operations. Fixed services comprise telephony, Internet and TV, 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 signaling 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 2016

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	26 035	25 719	10 967	10 441	(3 703)	6 738	4 890
Sweden	12 355	12 300	3 535	3 353	(1 589)	1 764	1 550
Denmark	5 076	4 954	597	537	(230)	307	394
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	3 894	3 730	1 314	1 305	(520)	786	512
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	8 725	8 650	3 540	3 538	(1 294)	2 245	4 949
India	6 033	6 032	434	(28)	(7 291)	(7 320)	917
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	7 985	4 362	(1 205)	(928)	(1 727)	(2 656)	4 116
Eliminations	(5 022)	-	(5)	(5)	2	(3)	(5)
Group	**131 427**	**131 427**	**46 483**	**45 103**	**(28 033)**	**17 070**	**29 848**

Segment Information 2015

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	26 542	26 239	11 088	10 796	(3 579)	7 218	4 844
Sweden	12 576	12 513	3 667	3 617	(1 522)	2 094	1 305
Denmark	5 201	5 126	591	370	(2 886)	(2 516)	497
Hungary	4 490	4 455	1 382	1 356	(596)	760	314
Bulgaria	2 940	2 926	1 134	1 133	(518)	615	525
Montenegro & Serbia	3 815	3 667	1 329	1 332	(430)	902	776
dtac - Thailand	20 687	20 579	6 580	6 526	(4 193)	2 333	4 766
Digi - Malaysia	14 306	14 302	6 224	6 225	(1 302)	4 923	1 870
Grameenphone - Bangladesh	10 881	10 881	5 806	5 799	(1 969)	3 829	1 996
Pakistan	7 766	7 653	3 152	3 154	(1 084)	2 069	1 442
India	5 592	5 589	(47)	(181)	(810)	(990)	1 046
Myanmar	4 839	4 689	1 962	1 924	(542)	1 383	3 380
Broadcast	6 236	6 076	2 032	2 018	(596)	1 422	1 785
Other units	6 665	3 480	(701)	(744)	(541)	(1 285)	1 150
Eliminations	(4 362)	-	-	-	5	5	-
Group	**128 175**	**128 175**	**44 197**	**43 325**	**(20 565)**	**22 761**	**25 697**

[1] See table below for definition and reconciliation of EBITDA. EBITDA before other income and other expenses is the segment result.
[2] See page 165 for alternative performance measures.

Reconciliation of EBITDA before other income and other expenses

NOK in millions	2016	2015
EBITDA	**45 103**	**43 325**
Other income	**548**	113
Other expenses	**(1 927)**	(985)
EBITDA before other income and other expenses	**46 483**	**44 197**

Geographic distribution of external revenues based on customer location

NOK in millions	2016	2015
Norway	**28 502**	28 900
Sweden	**14 532**	14 750
Other Nordic	**5 683**	6 035
Central and Eastern Europe	**11 553**	11 209
Thailand	**19 369**	20 168
Malaysia	**13 280**	14 244
Other Asia [1]	**35 046**	30 281
Other countries	**3 462**	2 586
Total revenues	**131 427**	**128 175**

[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	2016	2015	2016	2015
Norway	**32 097**	32 331	**56 051**	48 161
Sweden	**13 438**	14 720	**20 559**	22 286
Other Nordic	**2 313**	2 350	**5 592**	5 553
Central and Eastern Europe [1]	**33 964**	38 588	**37 874**	43 808
Thailand	**21 437**	22 263	**30 293**	29 600
Other Asia [2]	**39 755**	42 488	**52 962**	54 941
Other countries	**2 361**	335	**2 839**	560
Total assets	**145 366**	**153 075**	**206 168**	**204 909**

[1] The associated company VimpelCom Ltd is included in Central and Eastern Europe (see Note 19 for more details).
[2] Other Asia includes Malaysia, Bangladesh, Pakistan, India and Myanmar.

NOTE 6 Revenues

NOK in millions	2016	2015
Mobile communication	94 043	90 401
Fixed telephony, Internet and TV	13 924	14 069
Satellite and TV-distribution	6 186	6 076
Other	6 982	6 055
Total services	**121 136**	**116 601**
Customer equipment	10 292	11 574
Total products	**10 292**	**11 574**
Revenues	**131 427**	**128 175**

Mobile communication: Includes revenues from voice, data and other non-voice traffic, subscription and connection for mobile devices and incoming traffic from other mobile operators.

Fixed telephony, Internet and TV: Fixed telephony includes revenues from traffic, subscription and connection for PSTN/ISDN and Voice over Internet Protocol (VoIP). Internet and TV includes revenues from subscription fees for xDSL and fibre, subscription fees and traffic charges for Internet traffic as well as revenues from TV services.

Satellite and TV distribution: Includes revenues from Nordic DTH subscribers and households in SMATV networks, revenues from satellite services, revenues from terrestrial radio and TV transmission and sale of encryption and conditional access services for TV distribution.

Customer equipment includes mainly sale of mobile devices.

Other includes revenues mainly from digital services, site and infrastructure sharing, retail products, data services, financial services etc.

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	2016	2015
Traffic charges	(14 974)	(14 905)
Costs of materials etc	(19 122)	(20 242)
Total costs of materials and traffic charges	**(34 095)**	**(35 147)**

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	2016	2015
Salaries and holiday pay	(11 425)	(10 561)
Social security tax	(1 214)	(1 212)
Pension costs including social security tax (note 25)	(960)	(940)
Share-based payments, excluding social security tax [1)]	(97)	(92)
Other personnel costs	(803)	(721)
Own work capitalised	1 347	1 121
Total salaries and personnel costs	**(13 152)**	**(12 406)**

[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 man-years employed was approximately 36,000 in 2016 and 35,000 in 2015.

NOTE 9 Other operating expenses

NOK in millions	2016	2015
Operating leases of buildings, land and equipment	**(5 778)**	(4 808)
Other cost of premises, vehicles, office equipment etc.	**(2 930)**	(2 467)
Operation and maintenance	**(6 986)**	(7 046)
License fees	**(5 550)**	(5 643)
Marketing and sales commission	**(8 325)**	(8 183)
Advertising	**(2 854)**	(2 949)
Consultancy fees and external personnel	**(2 477)**	(2 814)
Other	**(2 799)**	(2 513)
Total other operating expenses	**(37 698)**	**(36 425)**

NOTE 10 Other income and other expenses

NOK in millions	2016	2015
Gains on disposals of fixed assets and operations	**547**	113
Total other income	**547**	**113**
Losses on disposals of fixed assets and operations	**(618)**	(525)
Expenses for workforce reduction and onerous contracts	**(698)**	(460)
Write-down of non- interest-bearing receivables in India	**(611)**	-
Total other expenses	**(1 927)**	**(985)**

During 2016, gains on disposals of fixed assets and operations mainly relate to disposal of real estate in Telenor Eiendom. Losses on disposals of fixed assets and operations mainly relate to disposals in Norway and Corporate Functions. Expenses for workforce reduction and onerous contracts mainly relate to workforce reductions in Norway, Sweden, dtac and Grameenphone.

During 2015, losses on disposals of fixed assets and operations mainly related to disposals in Denmark and India. Expenses for workforce reduction and onerous contracts mainly related to workforce reductions in Norway and Corporate functions.

NOTE 11 Research and development costs

Research and development costs that have been recognised in the income statement amount to NOK 601 million in 2016 (NOK 511 million in 2015). Expensed research and development activities relate to new technologies, digital services and products, security in the network and new usages of the existing network.

NOTE 12 Financial income and expenses

NOK in millions	2016	2015
Interest income on cash and cash equivalents	**194**	258
Other financial income	**233**	233
Total financial income	**427**	**491**
Interest expenses on financial liabilities	**(2 638)**	(2 309)
Other financial expenses	**(566)**	(418)
Total financial expenses	**(3 205)**	**(2 727)**
Foreign currency gains	**4 698**	6 529
Foreign currency losses	**(4 906)**	(7 489)
Net foreign currency gains (losses)	**(208)**	**(961)**
Net change in fair value of financial instruments at fair value through profit or loss	**(708)**	226
Net change in fair value of hedging instruments and hedge items	**150**	50
Net change in fair value of financial instruments	**(558)**	**277**
Net gains (losses and impairment) of financial assets and liabilities	**1**	**-**
Net financial income (expenses)	**(3 543)**	**(2 921)**

The increase in financial expenses in 2016 compared with 2015 is mainly due to a higher level of interest-bearing debt.

Foreign currency losses in 2016 of NOK 4,906 million includes a loss of NOK 577 million recognised in the first quarter mainly related to a partial repayment of internal loans which were considered as part of net investment. The currency effects related to internal loans were previously recognised in other comprehensive income, but were reclassified to income statement in 2016 upon partial repayment.

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 negative for the year. This is mainly due to market valuation of option features of the bond exchangeable into VimpelCom American Depository Shares (ADSs) resulting in a loss of NOK 918 million, partly offset by positive changes in fair value of other financial instruments.

NOTE 13 Income taxes

NOK in millions	2016	2015
Profit before taxes	11 731	13 020
Current taxes	(5 983)	(4 890)
Deferred taxes	59	(1 427)
Income tax expense	**(5 924)**	**(6 317)**

The increase in current taxes is mainly due to increased taxable profits in Myanmar and Norway again being in a taxable position. Deferred tax is low mainly due to recognition of previously not recognised deferred tax assets in Norway and Denmark.

Effective tax rate

The effective tax rate increased from 48.5% in 2015 to 50.5% in 2016 mainly due to impairment of India and Tapad and loss on disposal of VimpelCom ADSs partly offset by share of profits from associated companies (particularly VimpelCom) recognised on an after tax basis.

The table below reconciles the reported income tax expense to the expected income tax expense according to the Norwegian corporate income tax rate of 25% (27% in 2015). It also discloses the main elements of the tax expense. Selected line items are commented below the table.

NOK in millions	2016	2015
Income tax expense at corporate income tax rate in Norway (25%/27%)	(2 933)	(3 516)
Effect of tax rates outside Norway different from 25/27%	386	(25)
Effect of changes in tax rates	(66)	48
Share of net income from associated companies and joint ventures	378	(1 892)
Non-taxable and non-deductible items	(499)	(179)
Current and deferred taxes on retained earnings in subsidiaries and associated companies	(473)	(570)
Deferred tax assets not recognised current year	(2 814)	(992)
Change in previously not recognised deferred tax assets	465	747
Impairment of goodwill	(362)	-
Other	(7)	62
Income tax expense	**(5 924)**	**(6 317)**
Effective tax rate in %	**50.5**	**48.5**

Tax rates outside Norway different from 25%

Effects are related to the fact that Digi (Malaysia: 24%), Telenor Sweden (22%), Telenor Denmark (22%), dtac (Thailand: 20%), Telenor Hungary (19%), Telenor Serbia (15%), Telenor Bulgaria (10%) and Telenor Montenegro (9%) have nominal tax rates lower than the nominal tax rate for Norway of 25%, while Grameenphone Ltd. (Bangladesh: 40%) and Telenor Pakistan (31%) have higher nominal tax rates.

Effect of changes in tax rates

Norway will reduce corporate income tax rate from 25% to 24%, Pakistan from 31% to 30% and Hungary from 19% to 9% with effect from 1 January 2017.

Share of net income from associated companies and joint ventures

Share of net income from associated companies and joint ventures is recognised on an after tax basis and is therefore excluded from the Group's tax expense.

Non-taxable and non-deductible items

The impact on the effective tax rate due to the non-taxable loss on sale of the shares in VimpelCom during the third quarter of 2016 is included with NOK 809 million, partly offset by the tax impact on recycling of hedging instruments with 407 million from other comprehensive income. For 2015 the non-taxable gain on sale of shares in Evry is included with NOK 60 million.

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. Provision for withholding tax on deemed dividend of NOK 2.0 billion in deposits in Group internal bank is reversed upon the resolution of tax dispute with Montenegrin tax authorities. Deferred taxes on retained earnings in foreign subsidiaries are provided for in full as of 31 December 2016. As of 31 December 2015, retained earnings in foreign subsidiaries for which deferred tax was not provided for amounted to NOK 2.4 billion.

Deferred tax assets not recognised current year
Primarily related to India in 2016 (India and Denmark in 2015).

Change in previously not recognised deferred tax assets
For 2016 mainly related to recognition of tax asset on carry forward losses in Norway and Denmark. For 2015 mainly related to recognition of tax asset on carry forward losses in Pakistan and full recognition of previously not recognised tax asset in Myanmar.

Impairment of goodwill
Tax effect of the goodwill impairment in Tapad of NOK 1.0 billion in the fourth quarter of 2016.

Tax losses carried forward

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

NOK in millions	Denmark	Serbia	India	Pakistan	Thailand	Other	Total
2017	-	59	-	-	-	82	140
2018	-	512	-	-	52	126	691
2019	-	93	-	-	-	146	239
2020	-	75	-	-	241	26	342
2021	-	89	-	-	1 120	-	1 209
2022 and later	-	-	2 324	30	8	653	3 015
Not time-limited	1 483	-	4 056	197	319	82	6 138
Total tax losses carried forward	**1 483**	**828**	**6 381**	**227**	**1740**	**1 116**	**11 774**
Of which deferred tax assets have not been recognised	133	828	6 381	-	379	1 025	8 746
Of which deferred tax assets have been recognised	**1 350**	**-**	**-**	**227**	**1 361**	**91**	**3 029**

Tax losses carried forward in selected countries expire as follows as of 31 December 2015:

NOK in millions	Denmark	Serbia	India	Pakistan	Thailand	Other	Total
2016	-	-	-	-	192	99	292
2017	-	63	-	1	-	52	116
2018	-	547	-	1	55	142	746
2019	-	99	-	1	-	43	143
2020	-	80	-	1	-	27	108
2021 and later	-	-	2 175	-	2	20	2 197
Not time-limited [1]	512	-	3 005	1 942	255	6 811	12 524
Total tax losses carried forward	**512**	**788**	**5 180**	**1 947**	**505**	**7 194**	**16 126**
Of which deferred tax assets have not been recognised	140	788	5 180	5	314	1 778	8 205
Of which deferred tax assets have been recognised	**372**	**-**	**-**	**1 942**	**191**	**5 416**	**7 921**

[1] Other includes Norway with NOK 6.5 billion.

In 2016, tax losses carried forward decreased by NOK 4.4 billion mainly due to utilisation of tax losses carried forward in Norway and Pakistan of NOK 6.5 billion and 1.7 billion respectively. This reduction in tax losses carried forward is partly offset by taxable losses in Denmark and Thailand. Recognised tax losses carried forward after valuation allowance decreased by NOK 4.9 billion mainly due to utilisation of tax losses carried forward in Norway and Pakistan.

Tax asset recognised on tax losses carried forward
Denmark, Thailand and Pakistan have recognised tax asset on unused tax losses as the Group expects there will be sufficient future taxable profits available to offset against these losses.

In 2016, a significant part of tax losses carried forward was utilised in Telenor Pakistan. Remaining valuation allowance on tax losses carried forward in Pakistan was reversed in 2015.

Uncertain tax positions

Pakistan
In the third quarter, 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.

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 has appealed the decision, and no provision has been made.

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 mid-March 2017, Telenor ASA received a draft notice of possible reassessment. Telenor ASA disagree with the arguments used and will respond to this within the timeline given.

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

	2016			2015		
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	3 183	(5 595)	(2 121)	2 260	(6 624)	(249)
Undistributed earnings in foreign subsidiaries and associated companies	-	(326)	-	-	(250)	-
Other non-current items	4 005	(1 353)	(363)	3 456	(1 298)	(253)
Total non-current assets and liabilities	**7 188**	**(7 274)**	**(2 484)**	5 716	(8 172)	(503)
Total current assets and liabilities	**1 554**	**(161)**	**(292)**	1 546	(123)	(167)
Tax losses carried forward	**3 187**	**-**	**(2 528)**	4 304	-	(2 258)
Total deferred tax assets/liabilities	**11 929**	**(7 435)**	**(5 304)**	11 566	(8 295)	(2 928)
Net deferred tax assets/liabilities		**(809)**		343		
Of which deferred tax assets		2 163		3 366		
Of which deferred tax liabilities		(2 972)		(3 023)		

Recognised deferred tax assets mainly relate to Norway, Pakistan and Thailand.

Changes in net deferred tax assets/liabilities

NOK in millions	2016	2015
As of 1 January	**343**	863
Recognised in the income statement	**59**	(1 427)
Recognised in other comprehensive income	**(1 205)**	980
Acquisitions and disposals of subsidiaries	**(149)**	-
Translation differences on deferred taxes	**144**	(75)
As of 31 December	**(809)**	343

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 income and share data:

Earnings

NOK in millions, except earnings per share	2016	2015
Net income attributable to the equity holders of Telenor ASA	**2 832**	3 414
Basic earnings per share	**1.89**	2.27

Number of shares

In thousands	2016	2015
Weighted average number of shares for the purpose of basic earnings per share	**1 501 458**	1 501 458

There are no dilutive effects for 2015 and 2016.

NOTE 15 Goodwill

NOK in millions	Telenor Sweden	Telenor Hungary	Telenor Serbia	dtac Thailand	Telenor Bulgaria	Broadcast	Tapad	Other [1]	Sum
Accumulated cost									
As of 1 January 2015	**6 134**	**4 479**	**5 565**	**2 830**	**2 352**	**1 756**	**-**	**1 415**	**24 530**
Translation differences	561	312	345	233	152	5	-	(7)	1 601
Derecognised on disposal of subsidiaries	-	-	-	-	-	-	-	(8)	(8)
As of 31 December 2015	**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**
Accumulated impairment losses									
As of 1 January 2015	**(255)**	**-**	**(1 541)**	**-**	**-**	**(126)**	**-**	**(116)**	**(2 038)**
Translation differences	(23)	-	(96)	-	-	(3)	-	(2)	(124)
Derecognised on disposal of subsidiaries	-	-	-	-	-	-	-	8	8
As of 31 December 2015	**(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)**
Carrying amount									
As of 31 December 2016	5 827	4 576	4 003	3 017	2 365	1 629	1 729	1 374	24 519
As of 31 December 2015	6 417	4 791	4 273	3 063	2 504	1 632	-	1 290	23 968

[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 as well as for VimpelCom Ltd (associated company), derived from quoted market prices as of 31 December 2016 and 2015. Digi is listed on the Stock Exchange in Malaysia, dtac is listed on the Stock Exchange in Thailand and VimpelCom Ltd is listed on NASDAQ.

In addition, the Group has applied fair value less cost of disposal when determining recoverable amount of Telenor India, where goodwill is fully impaired.

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 2017-2020. 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 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 2016 it is assumed that Tapad has not reached steady state by the end of its explicit forecast period 2017-2020, and 2025 is applied as terminal year.

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 2016 and 2015:

	Discount rate after tax (%)		Discount rate pre-tax (%)		Nominal growth in cash flow in terminal value (%)	
	2016	2015	2016	2015	2016	2015
Broadcast	**6.7**	5.3	**9.4**	7.7	**(1.5)**	(1.5)
Telenor Bulgaria	**10.3-9.1**	10.5-9.9	**11.3-10.1**	11.6-11.0	**0.0**	1.0
Telenor Hungary	**10.4-9.6**	9.7-9.6	**11.4-10.6**	11.7-11.6	**0.0**	0.5
Telenor Serbia	**12.5-10.7**	12.6-11.0	**14.3-12.4**	14.2-12.6	**0.0**	2.0
Telenor Sweden	**5.4**	5.9	**6.9**	7.4	**0.0**	0.0
Tapad Inc.	**11.0**	-	**14.1**	-	**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 165 for description of alternative performance measures.

Impairment

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. By the end of 2016, it is assumed that Tapad has not reached steady state by the end of its explicit forecast period 2017-2020, 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 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 [1]). The carrying amount of goodwill after impairment amounts to NOK 1.7 billion. Telenor Group internal synergies through the use of Tapad's technology have not been included when estimating the value in use.

1) Please refer to page 165 for description of alternative performance measures.

Key assumptions

Discount rate after tax, per cent	11.0
Discount rate before tax, per cent	14.1
Revenue growth, per cent [1]	15.1
EBITDA growth, per cent [2]	17.4
EBITDA margin growth, percentage points [3]	1.3
EBITDA margin in terminal year, per cent	23.6
Nominal growth rate in terminal value, per cent	3.0

1) Represents the compound annual growth rate during 2017-2025 (until the terminal year) in the base case scenario.

2) Represents the compound annual growth rate during 2020-2025 (until the terminal year) in the base case scenario.

3) Represents the annual growth from 2020-2025 (until the terminal year) in the base case scenario.

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) have been spectrum prices, contractual obligations and estimated fair value of guarantees [1] 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. An impairment loss of NOK 2.3 billion was recognised, of which NOK 1.4 billion mainly related to switches and radio installations and the remaining NOK 0.9 billion mainly related to licences. In the third quarter 2016, the Group reassessed the fair value of licences based on recent observations in the Indian market. The assessment resulted in an additional impairment of the licences of NOK 4.0 billion. During the last three quarters of 2016, recognised assets of NOK 0.5 billion related to switches and radio installations have been impaired, keeping the carrying amount of tangible assets at zero. The carrying amount of intangible assets of NOK 0.3 billion as of 31 December 2016 is supported by expected net proceeds in a sales transaction based on ongoing negotiations at the end of the year. The total impairment loss related to Telenor India during the year 2016 amounts to NOK 6.8 billion. For specification of impairment per class of assets, see note 17 and note 18.

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. As the new owner, Airtel will take over Telenor India's spectrum, licenses and operations, including its employees and customer base, as well as outstanding spectrum payments and other operational contracts such as tower lease contracts. The exposure to claims related to the period Telenor owned the business will remain with Telenor, and the estimated fair value of related guarantees has been considered in the impairment assessment of Telenor India. For further information see note 36.

On 5 October 2015, the Group announced its intention to divest all its shares in VimpelCom Ltd. Accordingly, the impairment assessment of VimpelCom Ltd. is based on the market value of the shares, and an impairment loss of NOK 2.8 billion has been recognised in the income statement as share of net income (loss) from associated companies and joint ventures during 2016 (an impairment of NOK 5.5 billion in 2015). During the third quarter of 2016, Telenor sold shares in Vimpelcom taking Telenor's ownership interest down from 33.0% to 23.7%. The carrying amount of the investment in VimpelCom Ltd. as of 31 December 2016 after impairment is NOK 13.8 billion, equivalent to USD 3.85 per share (NOK 16.7 billion as of 31 December 2015, equivalent to USD 3.28 per share).

In 2015, the Group recognised an impairment related to Telenor Denmark. The outlook for the Danish telecom market was considered to be challenging, hence the Group reassessed the value in use of Telenor Denmark with updated earnings projections. Based on estimated value in use of NOK 2.2 billion (adjusted for net interest-bearing debt [2]), an impairment of NOK 2.1 billion was recognised in the fourth quarter of 2015 relating to tangible and intangible assets in Telenor Denmark. For specification of impairment per class of assets, see note 17 and note 18. Key assumptions applied in the calculation of value in use for Telenor Denmark as of 31 December 2015 are stated in the table below. The growth rate used to extrapolate cash flows only took into consideration committed operational efficiency programs.

1) Please refer to note 33 as well as note 13 in the notes to the financial statements for Telenor ASA.

2) Please refer to page 165 for description of alternative performance measures.

Key assumptions

Discount rate after tax, per cent [1]	5.9
Discount rate before tax, per cent	7.2
ARPU in terminal year, NOK	142
Revenue growth, per cent [2]	(2.8)
EBITDA margin growth, percentage points [3]	1.7
EBITDA margin in terminal year, per cent	12.2
Nominal growth rate in terminal value, per cent	0.0

1) The discount rate applied in previous estimates of value in use was 6.1% after tax.

2) Represents the compound annual growth rate during the explicit forecast period 2016-2018 (terminal value year).

3) Represents the annual growth in the explicit forecast period 2016-2018 (terminal year).

Sensitivity analyses of the cash-generating units with significant goodwill

With the exception of Tapad, Telenor Hungary and Telenor Serbia, 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 1,012 million for Telenor Hungary and NOK 31 million for Telenor Serbia. The following key assumptions have been applied in determining the recoverable amounts, in addition to the discount rates and the nominal growth rates in the terminal value provided above:

Key assumptions in 2016

	Telenor Hungary	Telenor Serbia
ARPU in terminal year, NOK	103	78
Revenue growth, per cent [1]	(0.2)	(2.2)
EBITDA margin growth, percentage points [2]	0.5	0.8
EBITDA margin in terminal year, per cent	33.3	37.7

[1] Represents the compound annual growth rate during the explicit forecast period.

[2] Represents annual growth during the explicit forecast period.

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:

Telenor Hungary	Telenor Serbia
Decrease in ARPU by 8.8 per cent during the explicit forecast period.	Decrease in ARPU by 0.4 per cent during the explicit forecast period.
Decrease in revenue by 7.5 per cent during the explicit forecast period.	Decrease in revenue by 0.3 per cent during the explicit forecast period.
Decrease in EBITDA margin by 2.5 percentage points during the explicit forecast period.	Decrease in EBITDA margin by 0.1 percentage points during the explicit forecast period.
Increase in discount rate before tax by 1.3 percentage points for the whole period including terminal value.	Increase in discount rate before tax by 0.1 percentage points for the whole period including terminal value.
Decrease in nominal growth rate in terminal value by 3.4 percentage points.	Decrease in nominal growth rate in terminal value by 0.1 percentage points.
Increase in capex/sales (excluding licenses) by 6.6 percentage points in the terminal year.	Increase in capex/sales (excluding licenses) by 0.3 percentage points in the terminal year.

The carrying amount of the Group's investment in Tapad corresponds to the estimated recoverable amount, and a reasonably possible change in any of the key assumptions could lead to further impairments.

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 2015	**2 555**	**49 323**	**3 015**	**18 227**	**3 250**	**4 755**	**1 718**	**82 843**
Reclassifications [4]	15	1 093	-	676	48	56	(1 739)	149
Additions	-	2 393	-	1 265	-	204	1 302	5 164
Additions internally developed	-	-	-	-	167	12	-	179
Additions through acquisition of subsidiaries	-	-	-	8	-	-	-	8
Translation differences	164	4 127	196	809	73	342	36	5 747
Derecognition	(4)	(67)	(23)	(1 165)	(40)	(40)	9	(1 331)
As of 31 December 2015	**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**
Accumulated amortisation and impairment losses								
As of 1 January 2015	**(757)**	**(18 498)**	**(1 920)**	**(15 303)**	**(2 954)**	**(3 423)**	**(9)**	**(42 864)**
Reclassifications [4]	-	9	-	8	-	-	-	17
Amortisation	(381)	(4 404)	(269)	(1 598)	(225)	(379)	-	(7 256)
Impairment losses	-	(426)	(31)	(39)	(55)	(16)	-	(566)
Translation differences	(76)	(1 653)	(126)	(695)	(63)	(268)	-	(2 881)
Derecognition	3	67	22	1 126	34	33	-	1 285
As of 31 December 2015	**(1 212)**	**(24 904)**	**(2 323)**	**(16 501)**	**(3 263)**	**(4 053)**	**(8)**	**(52 265)**
Reclassifications [4]	-	(17)	-	8	-	(7)	-	(16)
Amortisation	(309)	(5 284)	(271)	(1 559)	(220)	(416)	-	(8 059)
Impairment losses	(125)	(4 870)	-	(28)	-	-	-	(5 023)
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)**
Carrying amount								
As of 31 December 2016	1 086	25 473	628	2 959	495	1 017	1 397	33 057
As of 31 December 2015	1 518	31 965	865	3 320	234	1 276	1 317	40 495
Amortisation periods in years	3-20	5-27	2-10	3-7	3-7	8-20	-	-

[1] The carrying amount of trademarks with indefinite useful lives is NOK 176 million as of 31 December 2016 (NOK 122 million as of 31 December 2015). The trademarks with finite useful lives are mainly represented by the trademark of dtac with the carrying amount NOK 405 million as of 31 December 2016 (NOK 643 million as of 31 December 2015).

[2] The carrying amount of the roaming agreements is NOK 560 million as of 31 December 2016 (NOK 818 million as of 31 December 2015).

[3] Net additions.

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

Impairment recognised in 2016 was mainly related to Telenor India, and in 2015 mainly related to Telenor Denmark. See note 16 for further information.

The additions of licences in 2016 were primarily related to acquisition of additional spectrum under the 850 MHz band in Pakistan, acquisition of additional spectrum under the 1800 MHz band in Bulgaria and the renewal of existing spectrums in Montenegro. The additions of licences in 2015 were primarily related to acquisition of additional spectrum under the 1800 MHz band in Norway, acquisition of spectrum under the 800 MHz band and additional spectrum under the 1800 MHz band in Serbia, acquisition of additional spectrum under the 2100 Mhz band in Bulgaria and acquisition of additional spectrum under the 2100 MHz band in Myanmar.

The additions in software acquired in 2016 were mainly in Telenor Norway and the development of business support systems for Telenor Denmark, Telenor Hungary and Telenor Global Shared Services.

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 5.9 billion as of 31 December 2016 (NOK 7.7 billion as of 31 December 2015) 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 2016 in Pakistan, Grameenphone and Myanmar are NOK 4.5 billion, NOK 4.0 billion and NOK 2.9 billion (NOK 5.8 billion in India, NOK 4.5 billion in Grameenphone and NOK 3.4 billion in Myanmar as of 31 December 2015) respectively. The carrying amount of licence in dtac (other than concession right) as of 31 December 2016 is NOK 2.4 billion (NOK 2.6 billion as of 31 December 2015). The following table sets forth the mobile spectrum licences that the Group holds as of 31 December 2016:

Spectrum (MHz)	Bandwidth (MHz)	Type/technology	Spectrum expiration
Telenor Norway			
800	2× 10	Technology Neutral	2033
900	2× 10.1 + 2× 5	Technology Neutral	2017/2033
1800	2× 10 + 2× 20	Technology Neutral	2028/2033
2100	2× 19.8	Technology Neutral	2032
2600	2× 40	Technology Neutral	2022
Telenor Sweden			
800	2x10 [a)]	Technology Neutral	2035
900	2x6 [b)] + 2× 5	Technology Neutral	2025
1800	2× 5 + 2× 20 + 2x10 [c)]	Technology Neutral	2017/2027/2037
2100	2× 19.8 + 1× 5	Technology Neutral	2025
2600	2x40 [d)]	Technology Neutral	2023
Telenor Denmark			
800	2x10 [e)]	Technology Neutral	2034
900	2× 9	Technology Neutral	2019
1800	2× 19.4 [f)]	Technology Neutral	2017
2100	2× 15 + 1× 5	Technology Neutral	2021
2600	2× 20 + 1× 10	Technology Neutral	2030
Telenor Hungary			
800	2× 10 [g)]	Technology Neutral	2029
900	2× 8 + 2× 1.8	Technology Neutral	2022
900	2× 2 [g)]	Technology Neutral	2029
1800	2× 30	Technology Neutral	2022
2100	2× 15 + 1× 5	Technology Neutral	2019
2600	2× 20 [g)]	Technology Neutral	2029
Telenor Serbia			
800	2x10	Technology Neutral	2026 [h)]
900	2× 9.6	Technology Neutral	2026
1800	2× 10 + 2x10	Technology Neutral	2026
2100	2× 15 + 1× 5	Technology Neutral	2026
Telenor Montenegro			
900	2× 15	Technology Neutral	2032
1800	2× 25	Technology Neutral	2032
2100	2× 20	Technology Neutral	2032
Telenor Bulgaria			
900	2× 9.4 + 2× 1.8	Technology Neutral	2021
1800	2× 10 + 2× 5	Technology Neutral	2021
2100	2× 10 + 2× 5	Technology Neutral	2025
dtac, Thailand			
850	2x10 [i)]	3G	2018
1800	2× 49.8 [i)]	2G/4G	2018
2100	2× 15	3G/4G	2027
Digi, Malaysia			
900	2× 2	Technology Neutral	2017 [j)]
1800	2× 25	Technology Neutral	2017 [j)]
2100	2× 15	3G	2018
2600	2× 10	4G	2017

Grameenphone, Bangladesh			
900	2× 7.4	2G	2026
1800	2× 7.2 + 2× 7.4	2G	2026
2100	2× 10	3G/4G	2028
Telenor Pakistan			
850	2x10	3G/4G	2031
900	2× 4.8	2G	2019
1800	2× 8.8	2G	2019
2100	2× 5	3G	2029
Telenor India			
1800	2x5 [k)]	Technology Neutral	2032
1800	2x1.4-2.2 [l)]	Technology Neutral	2034
1800	2x6 [m)]	Technology Neutral	2034
Telenor Myanmar			
900	2x5	Technology Neutral	2029
2100	2x10+2x5	Technology Neutral	2029

a) The licence is awarded to Net4Mobility (a joint operation with Tele 2 owned 50% by the Group).
b) The licence is held by Net4Mobility (a joint operation with Tele 2 owned 50% by the Group).
c) The licence is held by Net4Mobility (a joint operation with Tele 2 owned 50% by the Group).
d) Tele 2 and the Group transferred their respective licences (2× 20 MHz) in the 2600 MHz band to Net4Mobility on 2 July 2012.
e) Jointly owned 50% with Telia.
f) From 13 June 2017, current spectrum holding will be replaced by a new license of 2x25 MHz jointly owned 50% with Telia. This license is valid until 2032.
g) The license is renewable for a successive 5 years subject to meeting certain license obligation but without additional fee.
h) The license is renewable for a successive 5-year period.
i) In accordance with the concession agreement with CAT.
j) From 1 July 2017, Digi's spectrum holdings will be 2x5 MHz in the 900 MHz band and 2x20 MHz in the 1800 MHz band. The licenses are valid until 2032.
k) In the following circles: Andhra Pradesh, Bihar and Jharkhand, Maharashtra, Gujarat, Uttar Pradesh East and Uttar Pradesh West.
l) 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).
m) 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 2015	48 209	22 693	1 574	19 863	21 545	3 976	15 275	1 054	11 438	3 804	7 626	157 055
Reclassifications [2]	1 176	2 223	50	539	1 812	245	233	(9)	986	-	(7 396)	(141)
Additions	1 251	1 683	500	951	3 366	792	330	2	994	1 514	8 425	19 809
Additions through acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Translation differences	896	1 844	63	1 197	1 653	56	512	55	752	-	474	7 503
Derecognition	(1 015)	(330)	(355)	(728)	(797)	(3)	(925)	(7)	(1 001)	-	(125)	(5 286)
As of 31 December 2015	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
Accumulated depreciation and impairment losses												
As of 1 January 2015	(35 921)	(12 657)	(861)	(16 228)	(10 920)	(2 411)	(7 891)	(28)	(8 129)	(2 165)	(284)	(97 493)
Reclassifications [2]	(6)	14	(1)	(1)	(2)	-	2	-	(29)	-	-	(23)
Depreciation	(1 965)	(2 029)	(464)	(1 214)	(2 732)	(336)	(654)	(1)	(1 430)	(224)	-	(11 049)
Impairment loss	(218)	(726)	(29)	(54)	(322)	-	(100)	(15)	(101)	-	(50)	(1 615)
Translation differences	(595)	(1 145)	(39)	(885)	(880)	(27)	(190)	(2)	(535)	-	(40)	(4 338)
Derecognition	1 010	328	347	718	756	-	703	-	926	-	-	4 788
As of 31 December 2015	(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	(2 208)	(2 074)	(507)	(1 180)	(3 217)	(392)	(607)	(1)	(1 501)	(274)	-	(11 961)
Impairment loss	(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)
Carrying amount												
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
As of 31 December 2015	12 822	11 897	785	4 158	13 477	2 292	7 296	1 050	3 874	2 929	8 631	69 211
Depreciation periods in years [3]	3-30	5-20	3	3-10	5-15	3-15	5-90	-	2-10	17	-	-

[1] Net additions.

[2] Including reclassifications to/from other lines in the statement of financial position which is not a part of this table.

[3] Asset categories presented in this movement schedule is an aggregated total from different asset components belonging to a particular category, and the disclosed depreciation rates represent a range of useful lives allocated to components.

Impairment recognised in 2016 relates to Telenor India, and was in 2015 mainly related to Telenor Denmark. See note 16 for further information.

The Group has finance leases with carrying amount of NOK 1,108 million as of 31 December 2016 (NOK 1,059 million as of 31 December 2015). These assets are as of 31 December 2016 primarily fibre optic network (local, regional and trunk networks) of NOK 705 million in Grameenphone in Bangladesh, Myanmar and Digi in Malaysia (NOK 607 million in 2015), and properties (buildings & land) of NOK 313 million in Sweden and Denmark (NOK 354 million in 2015).

As of 31 December 2016, the present value of future minimum lease payments under finance leases (the Group as a lessee) is NOK 989 million (NOK 1,078 million as of 31 December 2015).

NOTE 19 Associated companies and joint arrangements

Associated companies and joint ventures

NOK in millions	2016	2015
Balance as of 1 January	**19 340**	24 034
Additions	**98**	508
Disposals	**(4 809)**	(50)
Share of net income (loss) [1]	**1 517**	(7 070)
Share of other comprehensive income	**631**	(3 357)
Equity transactions including dividends	**(378)**	1 542
Translation differences	**(673)**	3 732
Balance as of 31 December	**15 725**	**19 340**
of which losses applied to other components of interests in associated companies [2]	**48**	60
Carrying amount of investments in associated companies and joint ventures	**15 773**	**19 400**
of which investment in VimpelCom Ltd.	**13 829**	16 775
of which investment in others	**1 944**	2 625

[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, and the excess amount has been applied to the Group's other long-term interests in Riks TV AS classified as other financial interest-bearing non-current assets. See also note 21.

Additions in 2016 and 2015 were primarily related to the Group's share of investments in Online Classifieds joint ventures. As of 31 December 2016, the Group's share of minimum committed funding for the future period of Online Classifieds joint ventures amounts to approximately NOK 136 million.

During 2016, the Group disposed of a portion of its ownership in VimpelCom corresponding to approximately 163.9 million VimpelCom ADSs or 9.3% of the total share capital of VimpelCom for a price of USD 3.50 per share before transaction costs, resulting in net proceeds to the Group of NOK 4.6 billion. After the disposal, the Group's ownership of VimpelCom reduced from 33% to 23.7%. Loss of NOK 3.2 billion was recognised in income statement upon disposal of 163.9 million VimpelCom ADSs relating to reclassification of translation differences previously recognised in other comprehensive income. Concurrently with the disposal of 163.9 million VimpelCom ADSs, the Group issued bonds of USD 1 billion exchangeable into VimpelCom ADSs and having a maturity of 3 years, see note 27 for further information relating to the bonds.

During 2016, the Group disposed of its entire ownership interest in Amedia for net cash consideration of NOK 180 million. Loss of NOK 71 million was recognised which represents reclassification of accumulated loss in other comprehensive income to income statement upon disposal of the investment.

During 2015, the Group disposed of its entire ownership interest in Evry ASA for a cash consideration of NOK 1.3 billion and a gain of NOK 224 million was recognised in the income statement.

VimpelCom Ltd.

VimpelCom Ltd. ("VimpelCom") is an associated company to the Group which is accounted for using the equity method. VimpelCom is incorporated in Bermuda, headquartered in the Netherlands, and is listed on the NASDAQ-100 Index. VimpelCom is a telecommunication company providing a range of wireless, fixed and broadband internet services in 13 markets across Europe, Africa and Asia.

On 5 October 2015, the Group announced its intention to divest all its VimpelCom American Depository Shares (ADSs). Accordingly, the carrying amount of VimpelCom is measured at the lower of carrying amount based on the equity method before impairment and market value.

VimpelCom continues to be classified as an associated company until it is highly probable that sale within 12 months will occur for the remaining VimpelCom ADSs. As a consequence of using market value as a basis for recoverable amount, the carrying amount of VimpelCom fluctuates in accordance with the share price development if the market value remains below the carrying amount based on the equity method before impairment. As of 31 December 2016, the cumulative income and expenses recognised in other comprehensive income amounts to a net loss of NOK 7.1 billion. This will be proportionately reclassified to the income statement upon disposal. Total equity for the Group will not be impacted by the reclassification.

As of 31 December 2016, the Group's economic and voting share in VimpelCom was 23.7%. During 2016, the Group's earlier investment in 305 million convertible preferred shares of VimpelCom were redeemed for a nominal amount of USD 0.1 cents per share. During 2016, dividend of NOK 0.1 billion was received from VimpelCom (NOK 0.2 billion during 2015).

During 2015, the Group recognised its share of equity transactions of NOK 1.7 billion primarily related to the gain on VimpelCom's partial disposal of ownership in Omnium Telecom Algerie which was accounted for as transaction with non-controlling interest by VimpelCom. During 2016, the Group recognised its negative share of equity transactions of NOK 0.2 billion primarily related to adjustment of the gain on VimpelCom's partial disposal of ownership in Omnium Telecom Algerie .

Total share of net income related to VimpelCom recognised during 2016 amounts to a net income of NOK 2.1 billion including impairment loss of NOK 2.8 billion. The Group includes VimpelCom's published results with a one quarter lag, see note 3 for further details. Accordingly, share of net income from VimpelCom 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 amounting to NOK 2.9 billion, see below for further details.

On 27 February 2017, VimpelCom released financial information for the fourth quarter of 2016. Reported net income attributable to VimpelCom's shareholders for the fourth quarter was USD 1.6 billion, which includes a fair value gain of USD 1.8 billion related to completion of the WIND Italy joint venture transaction and a loss of USD 0.4 billion primarily related to impairment of several assets. In accordance with the accounting policy for associated companies, the Group has adjusted for its share of significant transactions and events amounting to NOK 2.9 billion.

The Group recognised translation difference gain of NOK 610 million in other comprehensive income during 2016 related to its share of VimpelCom's translation differences arising mainly from appreciation of Russian Ruble against USD. This includes NOK 471 million for the Group's share of translation difference gain upto third quarter of 2016, in accordance with Telenor's accounting policy of one quarter lag. In addition, due to further appreciation of Russian Ruble against USD during the fourth quarter of 2016, the Group recognised NOK 139 million for the fourth quarter of 2016 based on an estimate.

The translation difference gain of NOK 610 million recognised during 2016 in other comprehensive income is more than offset by NOK 663 million due to appreciation of NOK against USD by 2%.

The following table sets forth summarised financial information of VimpelCom, and reconciliation with the carrying amount of the investment for the Group:

NOK in millions	2016	2015
Statement of comprehensive income information		
Revenues	74 351	83 355
Net income (loss) from continuing operations [1]	(5 113)	(4 279)
Net income (loss) from discontinued operations [1]	24 282	(646)
Other comprehensive income (loss) [1]	2 191	(9 830)
Total comprehensive income (loss) [1]	21 360	(14 755)
Group's share of net income (loss) from continuing operations [2]	**(4 161)**	**(6 967)**
Group's share of net income (loss) from discontinued operations	**6 254**	**(213)**
Group's share of other comprehensive income (loss)	610	(3 249)
Group's share of total comprehensive income (loss) [2]	**2 703**	**(10 249)**
Statement of financial position information		
Current assets	189 097	178 100
Non-current assets	141 672	129 497
Current liabilities	(192 674)	(187 875)
Non-current liabilities	(78 916)	(74 495)
Total equity	**59 178**	**45 226**
Equity excluding non-controlling interest	**58 351**	**43 843**
Group's ownership in %	23.7	33.0
Proportion of the Group's ownership	13 829	14 490
Goodwill related to the Group's investment	-	2 285
Carrying amount of the investment	13 829	16 775

1) Excluding non-controlling interests.
2) This includes impairment loss of NOK 2.8 billion (NOK 5.5 billion impairment loss in 2015) based on the market value.

The Group's share of net income (loss) from discontinued operations relates to WIND Italy which was classified as discontinued operation by VimpelCom upon entering into joint venture agreement with CK Hutchison in 2015. Under the agreement, VimpelCom was to merge WIND with 3 Italia with a joint control over the merged entity. During the fourth quarter of 2016, it was announced that the transaction is completed. Upon completion of the transaction, VimpelCom measured its ownership interest in the merged entity at fair value and recognised a gain of USD 1.8 billion. The Group's share of the fair value gain was NOK 3.7 billion recognised as a significant transaction when VimpelCom released its financial information for the fourth quarter of 2016 on 27 February 2017.

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	2016	2015
Net income (loss)	(576)	110
Other comprehensive income (loss)	21	(109)
Total comprehensive income (loss)	**(555)**	**2**

Share of net income (loss) for 2016 includes an impairment loss of NOK 365 million recognised upon disposal of Amedia and share of net loss from Online Classifieds joint ventures of NOK 167 million (share of net income of NOK 25 million for 2015).

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	2016	2015
Trade receivables		11 862	12 177
Provision for bad debt		(1 535)	(1 621)
Total trade receivables as of 31 December	LAR [1]	**10 327**	10 557
Interest-bearing receivables		1 018	839
Accrued revenues		6 577	6 407
Other non-interest-bearing receivables		2 176	1 308
Provision for bad debt		(32)	(32)
Total other current receivables as of 31 December	LAR [1]	**9 739**	8 522
Governmental taxes and duties		624	1 493
Prepayments		4 184	3 305
Total other current non-financial assets as of 31 December	NF [2]	**4 809**	4 798
Total trade and other receivables as of 31 December		**24 876**	23 877

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

As of 31 December 2016, NOK 1.1 billion (NOK 0.9 billion as of 31 December 2015) of trade and other receivables related to handset instalments are not due within one year.

Specification of provision for bad debt:

NOK in millions	2016	2015
Provision as of 1 January	**(1 652)**	(1 619)
Change during the year	(34)	(121)
Currency and other effects	119	88
Provision as of 31 December	**(1 567)**	(1 652)
Realised losses for the year	(704)	(627)
Recovered amounts previously provided for	92	79

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 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**
As of 31 December 2015								
Trade receivables	12 177	7 506	1 593	431	215	413	554	1 466
Provision for bad debt	(1 621)	(10)	(37)	(28)	(40)	(112)	(269)	(1 126)
Total trade receivables	**10 557**	**7 496**	**1 556**	**403**	**174**	**302**	**285**	**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 [6]	Category	2016	2015
Other non-current assets				
Available-for-sale investments [1]	3	AFS	**554**	389
Financial derivatives	2	FVTPL [3]	**404**	548
Financial derivatives designated for net investment hedge	2		**473**	480
Other financial non-interest-bearing non-current assets)		LAR [4]	**456**	703
Fair value hedge instruments	2		**2 074**	2 519
Other financial interest-bearing non-current assets [2]		LAR [4]	**898**	359
Total non-current financial assets as of 31 December			**4 859**	**4 997**
Governmental taxes and duties			**797**	860
Prepayments			**144**	297
Total non-current non-financial assets		NF [5]	**941**	**1 157**
Total other non-current assets as of 31 December			**5 800**	**6 155**
Other current financial assets				
Assets held for trading	2	FVTPL [3]	**81**	76
Bonds and commercial papers > 3 months		LAR [4]	**1 683**	969
Financial derivatives	2	FVTPL [3]	**317**	159
Financial derivatives designated for net investment hedge	2		**153**	232
Fair value hedge instruments	2		**255**	-
Total other current financial assets as of 31 December			**2 489**	**1 436**

[1] Available-for-sale investments include capital contribution to Telenor Pension Fund of NOK 298 million and equity investments of NOK 256 million (NOK 298 million and NOK 92 million in 2015, respectively).

[2] The Group's share of net losses in Riks TV AS (an associated company) in excess of the investment in shares, amounting to NOK 48 million (NOK 60 million in 2015), has decreased the long-term receivables from Riks TV AS. See also note 19.

[3] FVTPL: Fair value through profit and loss.

[4] LAR: Loans and receivables.

[5] NF: Non-financial assets and liabilities

[6] For information about the fair value level of financial instruments, see note 29.

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	2016	2015
Inventory	394	(99)
Trade and other receivables	(973)	(1 475)
Trade payables and other payables	1 551	4 348
Changes in net operating working capital	**972**	**2 774**

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	2016	2015
Property, plant and equipment and intangible assets additions (see note 17 and 18)	(26 341)	(25 152)
Deferred licence payments [1]	1 654	642
Asset retirement obligation additions	(32)	35
Changes in accounts payable and prepayments	(1 202)	880
Supply chain financing [1]	2 069	1 615
Other adjustments	124	812
Purchases of property, plant and equipment and intangible assets	**(23 727)**	**(21 168)**

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

Deferred licence payments in 2016 are related to licence acquisition in Pakistan while in 2015 it mainly related to licence acquisition in Myanmar. Changes in capex related accounts payables 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	2016	2015
Purchases of subsidiaries, associated companies and joint ventures		
Capital injections in associated companies and joint ventures	98	508
Other non-current assets	3 473	9
Current assets	231	2
Liabilities	(604)	(2)
Total purchase price and capital injections	**3 198**	**517**
- of which non-cash	(198)	(20)
Cash payments related to acquisitions and capital injections	(3 000)	(497)
Cash in subsidiaries acquired	29	-
Purchases of subsidiaries, associated companies and joint ventures, net of cash acquired	**(2 971)**	**(497)**
Disposals of subsidiaries and associated companies		
Associated companies and joint ventures	4 808	1 142
Other non-current assets	71	9
Current assets	31	42
Liabilities	(45)	(39)
Gains (losses) adjusted for translation differences on disposals [1]	464	231
Sales price	**5 329**	**1 385**
- of which non-cash	-	(20)
Proceeds received as sale consideration	5 329	1 365
Cash in subsidiaries disposed of	(10)	(11)
Proceeds from disposal of subsidiaries and associated companies, net of cash disposed of	**5 319**	**1 354**

[1] Adjusted for NOK 3.3 billion relating to reclassification of accumulated loss from other comprehensive income to income statement upon disposal of VimpelCom and Amedia. Refer to note 19 for further information.

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 amount of NOK 198 million is recognised as liability. Refer to note 4 for further information.

Capital injections in associated companies and joint ventures in 2016 and 2015 are related to the Group's share of investments in Online Classifieds businesses.

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 VimpelCom resulting in net proceeds to Telenor 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.

During 2015, the Group sold its entire ownership interest in Evry ASA for a cash consideration of NOK 1.3 billion resulting in the gain on disposal of NOK 0.2 billion.

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 3.7 billion for 2016 and NOK 2.5 billion for 2015.

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

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.

During 2015, dividends paid to non-controlling interest in subsidiaries amounted to NOK 3.8 billion. This consists of dividends paid to non-controlling interests in Digi (NOK 2.0 billion), dtac (NOK 0.9 billion) and Grameenphone (NOK 0.9 billion).

Cash and cash equivalents as of 31 December

NOK in millions	2016	2015
Cash and cash equivalents in the Group's cash pool systems	**9 963**	6 671
Cash and cash equivalents outside the Group's cash pool systems	13 122	7 285
Total cash and cash equivalents in statement of financial position	**23 085**	13 956
Bank overdraft (part of cash in cash flow statement)	**(134)**	(196)
Total cash and cash equivalents in statement of cash flows	**22 951**	13 760

Cash and cash equivalents include restricted cash related to regulatory requirements in Financial Services of NOK 654 million as of 31 December 2016 (NOK 491 million as of 31 December 2015).

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 2016 and 2015, 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	Total paid-in capital
Equity as of 31 December 2015	1 501 458 030	9 009	69	9 078
Equity as of 31 December 2016	1 501 458 030	9 009	69	9 078

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 2014	**32**	**322**	**(301)**	**631**	**(13 454)**	**(7 606)**	**(20 377)**
Other comprehensive income (loss), net of taxes	(17)	-	863	-	(3 380)	-	(2 534)
Share-based payment	-	37	-	-	-	-	37
Transactions with non-controlling interests	-	-	-	(2)	-	-	(2)
Other changes in other reserves during 2015	-	-	-	-	1 732	-	1 732
Equity as of 31 December 2015	**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)**

Net unrealised gains/losses reserve
This reserve includes fair value changes on available-for-sale financial assets resulting into a loss of NOK 43 million in 2016 (NOK 17 million in 2015).

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 2016 and 2015, 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 2015	**(368)**	**67**	**(301)**
Other comprehensive income (loss)	1 111	(249)	863
Equity as of 31 December 2015	**744**	**(182)**	**563**
Other comprehensive income (loss)	(262)	55	(206)
Equity as of 31 December 2016	**482**	**(127)**	**356**

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 2015	**(13 454)**
Other comprehensive income (loss), excluding effects of disposal	(3 357)
Amount reclassified from other comprehensive income to income statement on disposal	(23)
Other comprehensive income, net of taxes	(3 380)
Other changes in other reserves	1 732
Equity as of 31 December 2015	**(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 during 2016 and 2015 primarily relates to the Group's share of VimpelCom's translation differences arising primarily due to appreciation and depreciation of local currencies against USD respectively. Other changes in other reserves during 2016 and 2015 primarily relates to the Group's share of VimpelCom's transactions with its non-controlling interests. See note 19 for further information.

During 2016, loss of NOK 4.7 billion was reclassified to income statement upon partial disposal of ownership interest in VimpelCom 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 2015	**6 039**	**(6 324)**	**1 363**	**1 080**
Changes during 2015, excluding effects of disposal	7 300	(5 491)	1 229	3 038
Amount reclassified from other comprehensive income to income statement on disposal	(15)	-	-	(15)
Net changes during 2015	7 284	(5 491)	1 229	3 022
Equity as of 31 December 2015	**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	**4 902**	**(6 112)**	**1 335**	**144**

The amount reclassified from other comprehensive income to income statement in 2016 was related to partial disposal of ownership interest in VimpelCom 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 income statement:

NOK in millions	Foreign currency translation	Income taxes	Net investment hedge	Income taxes	Total amount reclassified to income statement net of income taxes
VimpelCom 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 income statement, gain of NOK 1,473 million related to VimpelCom 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 income statement related to the partial disposal of ownership interests in VimpelCom shares was NOK 3.2 billion.

The amount reclassified from other comprehensive income to income statement in 2015 was related to disposal of MicroEnsure Holdings Limited (an associated company).

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.

In 2015, 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 Malaysian Ringgit and Myanmar Kyat. The appreciation of the U.S. Dollar by 19%, the Swedish Krone by 9%, the Thai Baht by 8%, and the Danish Krone by 6% against Norwegian Krone had the most significant impact.

Dividends paid and proposed

Dividends	2016	2015
Dividend per share in NOK – paid	**7.50**	7.30
Dividend per share in NOK - proposed by the Board of Directors	**7.80**	7.50

Dividend of NOK 11.3 billion has been charged to equity in 2016 (NOK 11.0 billion in 2015), of which NOK 11.0 billion has been paid (NOK 10.7 billion in 2015) and NOK 0.3 billion is recorded as withholding tax liability as of 31 December 2016 (NOK 0.3 billion as of 31 December 2015).

In respect of 2016, the Board of Directors will propose a dividend of NOK 7.80 per share (NOK 11.7 billion) to be resolved by the Annual General Meeting on 10 May 2017. The dividend will be split into two instalments of NOK 4.30 and NOK 3.50 per share to be paid out in May 2017 and November 2017, respectively.

Non-controlling interests

NOK in millions	Country of incorporation and operation	Non-controlling interests share of net income (loss) 2016	Non-controlling interests share of net income (loss) 2015	Non-controlling interests in the statement of financial position 31.12.16	Non-controlling interests in the statement of financial position 31.12.15	Non-controlling interests share of dividend in 2016	Non-controlling interests share of dividend in 2015
DiGi.Com Bhd	Malaysia	1 688	1 817	513	548	1 714	2 038
Grameenphone Ltd	Bangladesh	1 064	899	1 623	1 563	904	893
Total Access Communications Plc (dtac)	Thailand	236	538	2 323	2 303	185	937
Others		(14)	35	57	245	58	8
Total		**2 974**	**3 289**	**4 517**	**4 660**	**2 861**	**3 876**

Summarised financial information for subsidiaries with significant non-controlling interests

Summarised statement of financial position as of 31 December:

NOK in millions	2016			2015		
	DiGi.Com Bhd	Grameenphone Ltd	Total Access Communications Plc (dtac)	DiGi.Com Bhd	Grameenphone Ltd	Total Access Communications Plc (dtac)
Current assets	**4 139**	**1 199**	**8 027**	2 924	1 339	6 552
Non-current assets	**6 992**	**13 097**	**22 113**	7 247	13 535	22 923
Current liabilities	**(5 441)**	**(7 505)**	**(8 830)**	(7 713)	(7 647)	(11 986)
Non-current liabilities	**(4 134)**	**(3 198)**	**(12 216)**	(796)	(3 847)	(8 427)
Total equity	**1 557**	**3 593**	**9 094**	**1 662**	**3 380**	**9 061**
Attributable to:						
Equity holders of the Group	**1 044**	**1 969**	**6 771**	1 114	1 817	6 758
Non-controlling interests	**513**	**1 623**	**2 323**	548	1 563	2 303

Summarised comprehensive income information 1 January – 31 December:

NOK in millions	2016			2015		
	DiGi.Com Bhd	Grameenphone Ltd	Total Access Communications Plc (dtac)	DiGi.Com Bhd	Grameenphone Ltd	Total Access Communications Plc (dtac)
Revenues	**13 374**	**12 339**	**19 647**	14 306	10 881	20 687
Net income	**3 310**	**2 386**	**667**	3 562	2 035	1 623
Total comprehensive income	**3 256**	**2 281**	**562**	**3 580**	**2 453**	**2 382**
Attributable to non-controlling interests	**1 679**	**964**	**205**	1 837	1 131	740

Summarised cash flow information 1 January – 31 December:

NOK in millions	2016			2015		
	DiGi.Com Bhd	Grameenphone Ltd	Total Access Communications Plc (dtac)	DiGi.Com Bhd	Grameenphone Ltd	Total Access Communications Plc (dtac)
Operating activities	**4 511**	**4 825**	**6 141**	4 677	3 913	5 699
Investing activities	**(2 953)**	**(2 125)**	**(4 046)**	(1 867)	(2 102)	(4 916)
Financing activities	**(1 269)**	**(2 834)**	**(236)**	(3 402)	(1 874)	110
Effect of exchange rate changes on cash and cash equivalents	**(46)**	**(14)**	**(11)**	(34)	75	149
Net increase/(decrease) in cash and cash equivalents	**244**	**(147)**	**1 848**	**(625)**	**12**	**1 043**

NOTE 24 Provisions and obligations

Non-current

NOK in millions	2016	2015
Provisions for workforce reduction, onerous (loss) contracts and legal disputes	207	163
Asset retirement obligations	3 131	3 234
Other provisions	204	148
Total non-current provisions and obligations as of 31 December	**3 542**	**3 545**

Current

NOK in millions	2016	2015
Provisions for workforce reduction, onerous (loss) contracts and legal disputes	899	894
Asset retirement obligations	50	30
Other provisions	728	667
Total current provisions and obligations as of 31 December	**1 677**	**1 591**

Development

	2016		2015	
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	**1 057**	**3 264**	1 033	3 183
Obligations arising during the year and effects of changes in estimates	972	(1)	546	43
Accretion expense	30	72	27	68
Amounts utilised	(749)	(34)	(620)	(63)
Other changes and translation difference	(204)	(120)	72	33
As of 31 December	**1 106**	**3 181**	1 057	3 264

Workforce reduction
Provisions for workforce reductions included approximately 810 employees as of 31 December 2016 and approximately 590 employees as of 31 December 2015.

Asset retirement obligations
The Group has asset retirement obligations relating primarily to equipment and other leasehold improvements installed on leased network sites and in administrative and network buildings. Those leases generally contain provisions that require the Group to remove the asset and restore the sites to their original condition at the end of the lease term. The table above presents all changes in the Group's asset retirement obligations.

During 2016, the Group has reassessed the timing of retirement obligations relating to network assets resulting in longer retirement dates. The effect related to change in timing together with effect from change in interest rate resulted in a decrease in liability by NOK 228 million. This was almost fully offset by an increase in provision for new assets.

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.

3,942 of the Group's employees were members of the contribution plan in Norway as of 31 December 2016 (3,915 as of 31 December 2015). In 2016, 1,982 of the Group's employees were covered by the defined benefit plans funded through Telenor Pension Fund (2,180 in 2015). In addition Telenor Pension Fund paid out pensions to 2,264 persons in 2016 (2,239 in 2015). Telenor Sweden has a defined benefit plan with 819 active members in 2016 (840 in 2015). Other companies outside Norway and Sweden primarily offer contribution plans.

The funded defined benefit plans in Norway have a net benefit liability of NOK 881 million as of 31 December 2016 (NOK 775 million as of 31 December 2015). The service cost was NOK 246 million in 2016 (NOK 264 million in 2015), of which current service cost of NOK 249 million and a positive past service cost of NOK 3 million. Net interest cost was NOK 14 million (NOK 39 million in 2015). Past service cost for 2016 relates mainly to work force reductions in Telenor ASA.

Unfunded defined benefit plans have previously been offered to executive employees. These plans are now closed. As of 31 December 2016 the net defined benefit liability recognised in the statement of financial position was NOK 509 million (NOK 502 million as of 31 December 2015).

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 2016, the contribution was 2.5% of total salaries between 1 and 7.1 times the base amount (G) (2.4% for 2015). For 2017 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 827 million as of 31 December 2016 (NOK 751 million as of 31 December 2015). The service cost was NOK 45 million and net interest cost was NOK 24 million in 2016 (NOK 50 million and NOK 21 million in 2015, 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 2016 was 3.0% (3.5% in 2015) and expected salary increase was set to 3.0% (3.0% in 2015).

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	0.06	0.03	0.06	0.09	87.66	91.41
50	0.14	0.09	0.22	0.33	86.92	90.53
60	0.41	0.28	0.78	1.23	86.53	89.95
70	1.29	0.89	-	-	87.07	90.11
80	4.16	2.87	-	-	89.36	91.74

The plan assets were measured at 31 December 2016 and 31 December 2015. The calculation of the projected benefit obligations (PBO) as of 31 December 2016 was based on the member base at 18 October 2016 (at 25 November 2015).

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

	2016			2015		
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	**(8 566)**	**6 147**	**(2 419)**	(9 096)	5 533	(3 563)
Current service cost	(398)	-	(398)	(444)	-	(444)
Past service cost	7	-	7	18	-	18
Net interest	(256)	192	64	(224)	152	(72)
Sub-total included in Income Statement	**(647)**	**192**	**(455)**	(650)	152	(498)
Return on plan assets (excluding amounts included in net interest expense)	-	(11)	(11)	-	119	119
Actuarial changes arising from changes in demographic assumptions	20	-	20	3	-	3
Actuarial changes arising from changes in financial assumptions	(229)	-	(229)	973	-	973
Experience adjustments	(84)	-	(84)	16	-	16
Sub-total in Other Comprehensive Income	**(293)**	**(11)**	**(304)**	992	119	1 111
Effects of business combinations and disposals	(1)	1	-	4	(2)	2
Contributions by employer	-	476	476	-	573	573
Benefits paid	328	(247)	81	333	(282)	51
Translation differences	65	(17)	48	(149)	54	(95)
As of 31 December	**(9 114)**	**6 542**	**(2 572)**	(8 566)	6 147	(2 419)
Of which classified as:						
Pension obligation			(2 585)			(2 424)
Other non-current assets			13			5

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

	2016	2015
Discount rate in %	**2.60**	2.70
Future salary increase in %	**2.25**	2.25
Future increase in the social security base amount in %	**2.25**	2.25
Future turnover in %	**4.10**	4.20
Expected average remaining service period in years	**8.20**	8.00
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 2016 and 2015 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	2016	2015
Current service cost	**(398)**	(444)
Past service cost	**7**	18
Net interest cost	**(64)**	(72)
Net periodic benefit costs	**(455)**	**(498)**
Contribution plan costs	**(549)**	(483)
Total pension costs charged to the income statement for the year	**(1 004)**	**(981)**
Of which reported as other expense (note 10)	**19**	31
Of which reported as pension cost (note 8)	**(960)**	(940)
Of which reported as net interest cost (note 12)	**(64)**	(72)

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 2016. 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	1 589	(1 202)	(621)	632	132	(201)	(888)	1 073	105	(149)

Asset categories

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

	2016	2015
Bonds %	**58**	57
Equity securities %	**35**	36
Real estate %	**7**	7
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 40% of the buildings measured at market value are used by the Group through rental contracts.

The Group expects to contribute approximately NOK 440 million to the Telenor Pension Fund in 2017.

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

NOK in millions	2016
Within the next 12 months (next annual reporting period)	153
Between 2 and 5 years	642
Next 5 years	1 175
Total expected payments next 10 years	**1 970**

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

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

Non-current non-interest-bearing liabilities

NOK in millions	Fair value level [4]	Category	2016	2015
Financial derivatives	2	FVTPL [1]	**1 077**	1 317
Financial derivatives designated for hedging purposes	2		**2 147**	2 297
Other non-current non-interest-bearing liabilities		FLAC [2]	**592**	396
Total non-current non-interest-bearing liabilities as of 31 December			**3 816**	**4 010**

Trade and other payables

NOK in millions	Fair value level [4]	Category	2016	2015
Trade payables			**8 437**	8 397
Accruals			**21 749**	23 065
Total trade payables and accruals as of 31 December		**FLAC [2]**	**30 186**	**31 462**
Prepaid revenues and deferred connection revenues			**8 039**	8 326
Government taxes, tax deductions etc.			**4 665**	4 242
Total other payables as of 31 December		**NF [3]**	**12 704**	**12 568**
Total trade and other payables as of 31 December			**42 890**	**44 030**

Current non-interest-bearing liabilities

NOK in millions	Fair value level [4]	Category	2016	2015
Financial derivatives	2	FVTPL [1]	**1 473**	60
Financial derivatives designated for hedging purposes	2		**370**	900
Other current non-interest-bearing liabilities		FLAC [2]	**1 799**	2 379
Total current non-interest-bearing liabilities as of 31 December			**3 642**	**3 339**

[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 868 million as of 31 December 2016 (NOK 705 million as of 31 December 2015).

NOTE 27 Interest-bearing liabilities

NOK in millions	2016 Current interest-bearing liabilities	2016 Non-current interest-bearing liabilities	2016 Total	2015 Current interest-bearing liabilities	2015 Non-current interest-bearing liabilities	2015 Total
Interest-bearing liabilities measured at amortised cost						
Bank loans	4 526	13 342	17 868	8 679	6 523	15 203
Finance lease obligations	65	924	989	60	1 018	1 078
Bonds and Commercial Papers	17 374	41 697	59 071	1 221	52 334	53 555
Licence obligations[1]	1 188	3 696	4 884	1 825	3 054	4 879
Deposits from customers [2]	2 775	-	2 775	753	-	753
Other liabilities	41	732	773	89	873	961
Total interest-bearing liabilities as of 31 December	**25 970**	**60 391**	**86 361**	**12 626**	**63 802**	**76 428**
Fair value of debt			90 160			80 422
Of which fair value hierarchy level 1[3]			61 320			54 423
Of which fair value hierarchy level 2[3]			28 840			25 999

[1] Net present value of future payments for mobile licenses in Thailand, India, Pakistan, Myanmar, Denmark and Norway is recognised as interest-bearing liabilities.
[2] Includes deposits from customers mainly in Telenor Microfinance Bank Ltd in Pakistan and Telenor Banka in Serbia.
[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	2016 Debt before the effect of currency swaps	2016 Debt adjusted for the effect of currency swaps[2]	2015 Debt before the effect of currency swaps	2015 Debt adjusted for the effect of currency swaps[2]
Company					
Telenor ASA	EUR	28 435	14 282	39 968	25 977
	NOK [1]	-	(19 819)	15	(15 547)
	SEK	3 231	7 892	3 558	11 643
	HUF	-	645	-	675
	USD	5 170	30 875	5 268	22 190
	THB	-	2 799	-	2 952
	MYR	-	2 542	-	3 147
	DKK	-	-	-	768
Total Telenor ASA		**36 836**	**39 217**	**48 808**	**51 806**
DiGi	MYR	3 456	3 456	52	52
Grameenphone	BDT	558	558	585	585
Grameenphone	USD	1 485	1 485	2 130	2 130
Denmark	DKK	202	202	266	266
Sweden	SEK	200	200	232	232
Pakistan	USD	1 737	1 737	628	628
India	INR	3 332	3 332	2 156	2 156
dtac	THB	11 909	11 909	8 146	8 146
Myanmar	USD	-	-	137	137
Other non-current interest-bearing liabilities		675	675	664	664
Total subsidiaries		**23 555**	**23 555**	**14 994**	**14 994**
Total non-current interest-bearing liabilities		**60 391**	**62 771**	**63 802**	**66 800**

[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	2016 Debt before the effect of currency swaps	2016 Debt adjusted for the effect of currency swaps [2]	2015 Debt before the effect of currency swaps	2015 Debt adjusted for the effect of currency swaps [2]
Company					
Telenor ASA	NOK [1]	16	(1 106)	14	2 461
	EUR	9 086	7 269	-	(2 582)
	SEK	-	2 490	-	-
	MYR	-	405	-	-
Total Telenor ASA		**9 102**	**9 058**	**14**	**(121)**
Telenor East Holding II AS	USD	8 288	8 288	-	-
DiGi	MYR	957	957	2 615	2 615
Denmark	DKK	39	39	41	41
Serbia	RSD	453	453	230	230
Pakistan	USD	589	589	259	259
Pakistan	PKR	2 428	2 428	696	696
dtac	THB	1	1	3 662	3 662
India	INR	2 985	2 985	2 597	2 597
Grameenphone	BDT	319	319	512	512
Grameenphone	USD	595	595	608	608
Myanmar	USD	154	154	1 244	1 244
Other current interest-bearing liabilities		60	60	148	148
Total subsidiaries		**16 868**	**16 868**	**12 612**	**12 612**
Total current interest-bearing liabilities		**25 970**	**25 926**	**12 626**	**12 490**

[1] Telenor ASA's current 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.

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 VimpelCom Ltd. American Depository Shares (ADS's). The USD 1.000 million principal bonds have a maturity of 3 years and will pay 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 41,191 VimpelCom ADSs (adjusted for VimpelCom dividend and subject to further adjustments), which represents an exchange price of approximately USD 4.86 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 61,787 ADSs (150% of 41,191 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 41,191 VimpelCom 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 VimpelCom ADSs.

Furthermore, debt in India is mainly comprised of licence obligation (NOK 2.3 billion) and debt to financial institutions (NOK 4.0 billion), whereas debt in dtac is mainly comprised of debt to financial institutions (NOK 7.0 billion) and issued bonds (NOK 4.9 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 Managing capital and 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 [1] below 2.0x in order to maintain financial flexibity and ensure cost efficient funding. As of 31 December 2016, the reported net debt/EBITDA ratio was 1.21x (1.25x as of 31 December 2015) 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 2016 Telenor's total shareholder remuneration was NOK 11.3 billion, comprised of ordinary dividends paid out in June (NOK 4.00 per share) and November (NOK 3.50 per share).

For the financial year 2016, the Telenor Board of Directors will propose a total dividend of NOK 7.80 per share (NOK 11.7 billion) to be resolved by the Annual General Meeting in May 2017 and paid out in two instalments of NOK 4.30 and NOK 3.50 per share in May and November, respectively.

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, foreign exchange risk, interest rate risk, counterparty credit risk and liquidity 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 to secure satisfactory financial flexibility. Telenor ASA has committed syndicated revolving credit facilities of a total of EUR 2.8 billion, of which EUR 2.0 billion with maturity in 2020 and the remaining EUR 0.8 billion with maturity in 2017. None of the revolving credit facilities have been used as of 31 December 2016.

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 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 refer to chapter "Interest rate risk".

[1] Please refer to page 165 for description of alternative performance measures

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

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	9years	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**

NOK in millions	Total as of 31.12.15	< 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	67 461	9 900	10 282	10 311	5 051	8 495	-	5 542	-	5 771	7 717	4 393	-
Finance lease liabilities	1 078	60	51	53	58	59	183	70	84	197	92	173	-
Other interest-bearing liabilities, including license commitments	6 438	2 666	925	948	407	251	279	244	269	272	37	138	-
Sum of interest-bearing liabilities	**74 977**	**12 626**	**11 257**	**11 312**	**5 516**	**8 804**	**462**	**5 856**	**353**	**6 240**	**7 846**	**4 704**	**-**
Non-interest-bearing liabilities													
Trade and other payables	44 030	44 030	-	-	-	-	-	-	-	-	-	-	-
Other current non-interest-bearing liabilities	2 379	2 379	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	4 574	960	751	1 043	105	791	-	887	-	-	-	36	-
Other non-current non-interest-bearing liabilities	396	-	-	-	-	-	-	-	-	-	-	-	396
Sum of non-interest-bearing liabilities	**51 379**	**47 369**	**751**	**1 043**	**105**	**791**	**-**	**887**	**-**	**-**	**-**	**36**	**396**
Total	**126 356**	**59 995**	**12 008**	**12 355**	**5 621**	**9 595**	**462**	**6 743**	**353**	**6 240**	**7 846**	**4 740**	**396**
Future interest payments	**8 254**	**1 747**	**1 470**	**1 185**	**1 073**	**855**	**536**	**470**	**359**	**383**	**176**	**-**	**-**
Total including future interest payments	**134 610**	**61 742**	**13 478**	**13 540**	**6 694**	**10 451**	**998**	**7 213**	**713**	**6 623**	**8 022**	**4 740**	**396**

Financial debt in the maturity table includes the VimpelCom 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 2016, the average reported interest cost for the Group was 3.4% on all interest-bearing liabilities, including licenses (3.3% in 2015).

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 2016, the duration of the Group's debt was 1.6 years (1.6 years as of 31 December 2015). Telenor ASA's duration was 2.1 years as of 31 December 2016 (2.0 years as of 31 December 2015).

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	2016	2015
Net gain / (loss) recognised in the income statement on hedged items	186	(492)
Net gain / (loss) recognised in the income statement on hedging instruments	(28)	404
Amount of hedge ineffectiveness	**158**	**(88)**

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:

	2016		2015	
NOK in millions	Assets	Liabilities	Assets	Liabilities
Fair value as of 31 December				
Fair value hedge instruments	2 329	-	2 519	-

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 will not be taken into the income statement. This is shown in the table below:

	2016		2015	
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	167	(169)	138	(140)
Gain (loss) in income statement	67	(68)	39	(39)

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

	2016		2015	
NOK in millions	Interest rates increase 10%	Interest rates decrease 10%	Interest rates increase10%	Interest rates decrease10%
Gain (loss) in income statement	(86)	86	(54)	54

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 2016 and 2015, material hedging positions are designated as net investment hedges. There was no ineffectiveness in the years ending 31 December 2016 and 2015. For amounts reclassified to income statement, see note 23.

Net investment hedging relationships

NOK in millions	2016	2015
Amount recognised directly to other comprehensive income	2 734	(5 491)

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):

	2016		2015	
NOK in millions	Debt	Derivatives	Debt	Derivatives
As of 31 December				
Nominal amounts net investment hedge instruments	(29 866)	(12 852)	(41 363)	(13 899)
Fair value net investment hedge instruments	(32 319)	(1 890)	(44 397)	(2 485)

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

NOK in millions	2016	2015
As of 31 December		
Other non-current assets	**473**	480
Other financial current assets	**153**	232
Non-current non-interest-bearing financial liabilities	**(2 147)**	(2 297)
Current non-interest-bearing liabilites	**(370)**	(900)
Fair value net investment hedge instruments	**(1 890)**	**(2 485)**

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 a 10% depreciation in functional currencies in the Group, keeping other currencies constant (only significant exposures are included in the table):

	Monetary Item Currency									
	2016					2015				
NOK in millions	EUR	MYR	SEK	USD	Other	EUR	MYR	SEK	USD	Other
Depreciating Functional Currency										
NOK	**(611)**	**(184)**	**(260)**	**(795)**	**96**	(216)	(195)	(269)	(343)	(120)
BDT	**-**	**-**	**-**	**(219)**	**(8)**	-	-	-	(220)	(7)
PKR	**-**	**-**	**-**	**(143)**		-	-	-	(112)	-
INR	**-**	**-**	**-**	**(251)**		-	-	-	(256)	-
MMK	**-**	**-**	**-**	**(128)**	**(1)**	-	-	-	(159)	(1)
THB	**-**	**-**	**-**	**(20)**		-	-	-	(79)	(25)

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 2016, including effects of net investment hedge, would have been a decrease of approximately NOK 1.4 billion (increase of NOK 8.0 billion as of 31 December 2015).

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

	2016				2015			
NOK in millions	EUR	SEK	USD	Other	EUR	SEK	USD	Other
Currency effect on OCI (before tax) of NIH instruments								
NOK	**(2 060)**	**(1 038)**	**(2 406)**	**(536)**	(2 133)	(1 165)	(1 965)	(551)
Effect on other comprehensive income (OCI)				**(6 040)**				**(5 813)**

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 Groups 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 534 million higher / lower in 2016 (NOK 343 million in 2015).

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	2016	2015
Cash and cash equivalents	**23 085**	13 956
Bonds and commercial papers > 3 months (note 21)	**1 683**	969
Financial derivatives (note 21)	**3 421**	3 938
Trade and other current financial receivables (note 20)	**20 321**	19 079

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 2016 the Group's credit exposure related to financial derivative assets was NOK 3.4 billion (NOK 3.9 billion as of 31 December 2015). As of 31 December 2016, NOK 59 million was held as cash collateral and NOK 277 million was posted as cash collateral. As of 31 December 2015, NOK 211 million was held 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 2016 and 2015, respectively.

Fair value of the embedded derivate in the VimpelCom Ltd. 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	2016	2015
Finance lease liabilities secured by assets pledged	989	1 078
Total liabilities secured by assets pledged as of 31 December	**989**	**1 078**
Carrying amount of assets pledged as security for finance lease liabilities	895	967
Total assets pledged as security for liabilities as of 31 December	**895**	**967**

There has been no major change in liabilities secured by assets pledged as of 31 December 2016.

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 2016 were mainly related to Telenor Sweden, Telenor Denmark, DiGi and Grameenphone. See notes 18 and 27.

Guarantee obligations:

NOK in millions	2016	2015
Guarantee obligations as of 31 December	4 390	5 124

In relation to the licence issuance in Myanmar, a performance bond of NOK 1.3 billion (NOK 1.6 billion as of 31 December 2015) 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 1.6 billion as of 31 December 2015) as security for Telenor India's bank guarantee facilities.

Other 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 2016 and as of 31 December 2015:

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	2 986	2 249	1 923	1 431	1 170	2 458
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	**15 815**	**6 119**	**2 804**	**1 889**	**1 567**	**3 907**

2015 (restated)

NOK in millions	2016	2017	2018	2019	2020	After 2020
Minimum lease payments under non-cancellable operating leases (the Group as a lessee)						
Lease of premises	3 254	2 440	2 159	1 864	1 438	3 983
Lease of satellite- and net-capacity	638	461	234	162	137	456
Other leases	69	26	13	5	-	-
Contractual purchase obligations						
IT-related agreements	760	289	50	44	2	-
Other contractual obligations	9 231	6 613	3 654	121	91	608
Committed investments						
Property, plant and equipment and intangible assets	4 567	28	10	2	4	4
Total contractual obligations	**18 519**	**9 857**	**6 119**	**2 198**	**1 672**	**5 051**

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 2016: India with NOK 3.0 billion for the period of 2017-2021 and NOK 0.3 billion after 2021, Myanmar with NOK 3.9 billion for the period of 2017-2021 and NOK 1.7 billion after 2021.

The table above has been updated with changes for 2015 related to minimum lease period for leases in India.

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 period 2017 – 2018 fluctuate in a range from NOK 181 million to NOK 289 million (converted from THB to NOK based on the exchange rate as of 31 December 2016). For further information regarding dtac's concession right see note 17.

NOTE 32 Related parties

As of 14 March 2017, Telenor ASA was 53.97% owned by the Kingdom of Norway, represented through the Ministry of Trade, Industry and Fisheries (MTIF). 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, public pay phones, services for the disabled and for controlling end users expenses. The Group receives no compensation for providing USO services.

In addition, the Group was in 2016 and 2015 subject to Special Service Obligations (SSO), mainly related to security and emergency following an agreement with the Norwegian Communication Authority ("Nkom") and the coastal radio after an agreement with the Norwegian Ministry of Justice and Public Security. The Group receives compensation for providing SSO. In 2016 and 2015, the Group received NOK 125 million and NOK 122 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. In 2016 and 2015, the Group received a refund on such activities of NOK 15 million and NOK 29 million, respectively.

Furthermore, the Group may receive government grants in connection with construction of broadband networks in designated areas in Norway. In 2016 and 2015, the Group received refunds on such activities of NOK 67 million and NOK 4 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 150 million and NOK 136 million in 2016 and 2015, respectively.

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. In 2015, the Group paid NOK 585 million for spectrum in the 1800 MHz band in Norway. In 2016, the Group paid an additional NOK 10 million for placement of this spectrum. The license is valid from 1 March 2016 until 31 December 2033.

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

In addition, the Group provided rental of real estate and related services to Statsbygg for NOK 111 million in 2016 (NOK 103 million in 2015). The Group also sold transmission capacity and related services in the digital and analog terrestrial transmission network to Norsk Rikskringkasting AS of NOK 283 million in 2016 and NOK 284 million in 2015.

Transactions with associated companies and joint ventures

	2016		2015	
NOK in millions	Sales to	Purchases from	Sales to	Purchases from
	926	(1 072)	955	(1 116)

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

	2016		2015	
NOK in millions	Receivables	Payables	Receivables	Payables
	165	(281)	214	(203)

In 2016 and 2015, sales to associated companies include network access charges to Norges Televisjon AS of NOK 360 million and NOK 353 million, respectively. Sales to VimpelCom Group amount to NOK 545 million in 2016 and NOK 555 million in 2015.

Purchases from associated companies include VimpelCom Group with NOK 543 million in 2016 and NOK 454 million in 2015. Furthermore, purchases from Strex AS regarding mobile content services were NOK 147 million in 2016 and NOK 16 million in 2015. Purchases in 2015 also include purchases of IT services from Evry ASA of NOK 120 million (Evry was disposed of in March 2015). In addition, a substantial part of the purchases in 2016 and 2015 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 15 Related Parties and note 16 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 involved in a number of legal proceedings in various forms. While acknowledging the uncertainties of litigation, the Group is of the opinion that based on the information currently available these matters will be resolved without any material adverse effect individually or in the aggregate on the Group's financial position. For legal disputes, in which the Group assesses it to be probable (more likely than not) that an economic outflow will be required to settle the obligation, provisions have been made based on management's best estimate.

See note 13 for uncertain tax positions.

Grameenphone

1) BTRC – Audit claim

In April 2011, Bangladesh Telecommunication Regulatory Commission (BTRC) announced its intention to conduct an audit of the existing mobile operators in Bangladesh. As part of this initiative, BTRC appointed a Chartered Accountant firm for conducting the audit of Grameenphone (GP). On 3 October 2011, Grameenphone received a claim amounting to approximately NOK 3.0 billion from BTRC referring to findings of the audit that the regulator carried out over a few months from April 2011 related to circumstances from the establishment of Grameenphone. Grameenphone has contended and clarified to BTRC and the Chartered Accountant firm that acceptable audit standards and practices have not been followed during and after the audit and the claims made remain unfounded, unsubstantiated and without merit. As a consequence, Grameenphone filed a title suit in the Civil Court of first instance on 17 October 2011 against BTRC seeking an injunction restraining BTRC from claiming the said demand and filed an Appeal in the High Court Division (HCD) of the Supreme Court of Bangladesh seeking an order of injunction against the claim made by BTRC. On 20 October 2011, HCD directed the parties to maintain 'as is situation' (status quo) in respect of the claim made by BTRC for a period of eight weeks which was later on extended until the disposal of the appeal. In October 2015 BTRC intended to conduct another audit for the period inception to December 2014. After that there had been several communications with BTRC wherein GP sought withdrawal of the earlier audit demand prior to initiation of the new audit for the same period, since the demand arising out of the earlier audit is pending before the Court. In August 2016 the firm Toha Khan Zaman Co. started a new system and information audit in GP which GP reluctantly consented to, considering the overall situation. Pursuant to a tripartite meeting between the Ministry, BTRC and GP a minutes was circulated stating that the current audit would replace the previous audit demand which GP objected since GP is still unaware of the transparency, properness and compliance with the law of the new audit. In the current audit, in case of any duplicity i.e. for the period 1997 to 2011, GP is providing information under protest and without prejudice to its position with regard to the earlier audit outcome which is pending before the court for adjudication. The audit is tentatively expected to conclude in the second quarter in 2017. The next date in the title suit is 14 March 2017 for framing of issues.

BTRC is holding back the issuance of new number series to GP until the conclusion of the audit.

2) SIM tax on replacement SIM cards

On 16 May 2012, National Board of Revenue issued a notice to Grameenphone claiming SIM tax and interest of NOK 1.7 billion on replacement SIM cards issued during the period from July 2007 to December 2011. Grameenphone challenged the demand by a Writ Petition before the High Court which passed a stay order on the operation of the demand valid until 13 September 2013. In mid-2013, a special commission, appointed by the Government, was set up to review this case, in respect of all operators. In April 2014 the Commission presented their report stating principally same amounts as the initial NBR conclusions. Grameenphone disagreed with this report and took necessary steps to challenge it. Grameenphone received a letter from the National Board of Revenue asking Grameenphone to attend a hearing on 25 January 2015. By way of a Writ Petition, Grameenphone challenged the premises on which the 'hearing notice' was served. The company obtained a stay order on 19 January 2015 on the operation of that notice for an interim period of three months pending hearing of the Writ Petition. On 18 May 2015, Commissioner LTU-VAT issued an order finalising the demand for principal amount of NOK 1.1 billion as SIM tax. The revised demand includes substantially all replacements done by Grameenphone in the period between July 2007 and December 2011. The claim issued on 18 May 2015 by LTU-VAT does not include interest charges. On 13 August 2015, Grameenphone filed an appeal to the VAT Appellate Tribunal against the demand order. 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. The Tribunal completed the hearing on 28 and 29 September 2016, where Grameenphone external Counsel and tax consultant made their submission before the Tribunal. The case is pending.

3) Large Taxpayer Unit (LTU) – VAT claim

On 14 May 2014, Large Taxpayer Unit (LTU)-VAT in Bangladesh issued a 'pay or explain' demand of approximately NOK 1.8 billion, against Grameenphone. This demand was based on an assessment by Local and Revenue Audit Department of Comptroller and Auditor General (C&AG) office, for the fiscal year 2010-11 and 2011-12. Grameenphone disagrees with the findings of the assessment referred to by LTU because of lack of jurisdiction and improper procedures followed. Further, Grameenphone believes that relevant facts and legal provisions are being misconstrued in reaching the conclusion. Grameenphone has taken this issue to court. On 15 December 2014, the High Court heard the case and passed a judgment in favour of Grameenphone. On 1 March 2016, the Government asked the Judge-in-Chamber of the Appellate Division of Supreme Court for permission to file appeal of the High Court decision, but the case was referred to the full bench of the Appellate Division of Supreme Court. On 2 March 2017 the petition was heard by the Appellate Division, but on 5 March 2017 the Appellate Division rejected the government's plea for permission to appeal.

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 27.3 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 31.9 billion so that the total claim amounts to approximately NOK 59.2 billion, including interest fee, penalty charge and VAT surcharge. 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 2015 has been a reduction of dtac's expenses of approximately NOK 16.9 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 in February 2003 and a letter 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 an objection with the Central Administrative Court on 4 December 2014.

CAT has filed additional statement of claims to the Arbitration Tribunal requesting for additional revenue sharing for the 17th to the 20th concession years;

Concession year	Filed	Amount [1]
17th (16 September 2007 – 15 September 2008)	16 November 2012	NOK 0.9 billion
18th (16 September 2008 – 15 September 2009)	23 April 2013	NOK 0.8 billion
19th (16 September 2009 – 15 September 2010)	8 May 2015	NOK 0.9 billion
20th (16 September 2010 – 15 September 2011)	9 April 2015	NOK 0.9 billion
Total		**NOK 3.5 billion**

[1] Included penalty interest at the rate of 15% p.a. as of the date of claim.

In addition, CAT sent letters to dtac requesting for additional revenue sharing for the 21st concession year to the 24th concession year;

Concession year	Sent	Amount
21st (16 September 2011 – 15 September 2012)	4 February 2015	NOK 1.2 billion
22nd (16 September 2012 – 15 September 2013)	7 May 2015	NOK 1.0 billion
23rd (16 September 2013 – 15 September 2014)	13 January 2017	NOK 0.8 billion
24th (16 September 2014 – 15 September 2015)	13 January 2017	NOK 0.7 billion

Porting of subscribers
The disputes and disagreements over understanding and reach of 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, True Move, 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. 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.

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 0.4 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 29 March 2017.

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 683 million, including penalty and interest of NOK 360 million. This is an industry issue currently pending at the Supreme Court.

In October 2012, DoT issued notices of claims of NOK 479 million of which NOK 426 million represent actual claims of penalty for non or late submission of self-certificates of Electro Magnetic Field (EMF) radiation. This is an industry issue and a petition was filed by Cellular Operators Association of India to the TDSAT. In a judgment dated March 29, 2016 TDSAT set aside the penalties issued by DoT by calling it as unreasonable, unjust and unfair.

Telenor Pakistan

The Federal Board of Revenue (FBR), has alleged that the Cellular Mobile Operators (CMOs) have altogether evaded Federal Excise Duty (FED) which was payable by them on interconnect charges. The alleged liability for Telenor Pakistan was approximately NOK 0.7 billion, excluding penalty and interests. The CMOs joint position is that all applicable FED has been duly paid by the CMOs on the services provided by them and, therefore, no further payment of FED on interconnect charges is payable by them under law. Hence, no evasion of FED has taken place. In order to resolve the issue, the CMOs had previously agreed with the FBR that they would, from 1 July 2012, make the payment of FED on interconnect charges in accordance with the new procedure stipulated by the FBR. In return for the CMOs' agreement to do so, on 30 June 2012 the FBR issued a Statutory Regulatory Order (SRO) exempting the CMOs from their previous alleged liability for the FED payable on interconnect charges over the last 5 years. However, the SRO was not published in the Official Gazette by the FBR, and thereby it did not attain the requisite legal effect. The National Accountability Bureau (NAB) has started an enquiry on the basis that it had received information of alleged corrupt payments to the FBR for the issuance of the SRO.

All the CMOs are participating in the enquiry. The CMOs also collectively decided to challenge the chargeability of the FED on interconnect charges through a Writ Petition in the Islamabad High Court. On 8 January 2014, the High Court declared recovery notice from FBR null and void. The court decision was appealed by the FBR on 24 January 2014 and in a subsequent hearing on 27 January 2014, the court decided to maintain status quo in the matter. The case is still pending.

Telenor Norge AS

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. This related to two different issues: 1) margin squeeze in the segment mobile broadband standalone to consumers and 2) lock-in agreement on subscription level to business customers. ESA is considering imposing a fine, but has not suggested a fine amount. An oral hearing was held in October 2016.

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 competition law. The NCA's preliminary view is that wholesale agreements entered into by Telenor Norge AS constitute abuse of a dominant position related to pricing model and double roaming. Both issues relate 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.

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 2016 was NOK 4.2 million and NOK 0.7 million respectively. In 2015 this was NOK 3.8 million and NOK 0.7 million, respectively. In 2016 the aggregate remuneration to the board committees was NOK 1.6 million (NOK 1.2 million in 2015).

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 remuneration in the event of termination or change of office, neither to other types of remuneration such as bonus, profit sharing, options or similar. The number of shares owned by the members of the Board of Directors, deputy board members and the Corporate Assembly as of 31 December 2016 and 2015 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 2016 [1]	Board fee 2016	Fee for Board elected committees 2016	Number of shares as of 31 December 2015	Board fee 2015	Fee for Board elected committees 2015
Board						
Gunn Wærsted (from 14 January 2016)	12 000	601	95	-	-	-
Ashok Vaswani (from 11 May 2016)	-	243	32	-	-	-
Dag J. Opedal	-	324	139	-	291	101
Harald Stavn	6 027	300	131	5 832	291	101
Jacob Aqraou (from 11 May 2016)	10 000	254	32	-	-	-
Jon Erik Reinhardsen	-	300	106	-	291	63
Per Gunnar Salomonsen	929	300	62	700	147	15
Regi Aalstad	3 500	465	102	-	246	15
Sally Davis	-	444	103	-	382	60
Siri Beate Hatlen (from 11 May 2016)	-	202	63	-	-	-
Åse Selfjord	145	300	69	90	147	23
Burckhard Bergmann (until 11 May 2016)	-	150	38	-	392	60
Frank Dangeard (until 11 May 2016)	-	196	30	-	438	60
Marit Vaagen (until 11 May 2016)	-	98	30	11 122	291	52

1) Shareholdings not included for representatives who are no longer members as of 31 December 2016.

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

Deputy Board Members

	Number of shares as of 31 December 2016 [1]	Number of shares as of 31 December 2015
Bjørn Andre Anderssen	12 729	3 268
Brit Østby Fredriksen	9 127	8 572
Gro Kvamme Johnsen	-	-
Hilde Caroline Rossland	-	-
Irene Vold	4 720	4 720
Jan Otto Eriksen	3 917	3 600
Jørgen Finnby	789	565
Kenneth Pettersen	1 496	1 496
Stein Halvor Nordbø	4 043	3 900
Tone Kristin Flobakk	473	473

1) Shareholdings not included for representatives who are no longer deputy members as of 31 December 2016.

Corporate Assembly

	Number of shares as of 31 December 2016 [1]	Number of shares as of 31 December 2015
Anders Skjævestad (chairman)	100	100
Anne Røli (deputy member)	203	-
Bjørn Remseth (deputy member)	186	115
Espen Egeberg Christiansen (deputy member)	221	325
Håkon Berdal (deputy member)	4 192	3 930
Hege Karita Ottesen (observer)	1 210	1 120
Laila Fjelde Olsen (deputy member)	494	-
Magnhild Øvsthus Hanssen	2 559	2 385
Marton Karlsen (deputy member)	2 970	2 664
May-Iren Arnøy (deputy member)	22	22
Roger Rønning	2 886	2 704
Tom Westby (observer)	640	333
Tommy Dybdal	-	73

[1] Shareholdings not included for representatives who are no longer members as of 31 December 2016 and who has not held shares during 2015 or 2016.

Statement on the President and Chief Executive Officer and Group Executive Management remuneration

The statement on the President and Chief Executive Officer (P&CEO) and Group Executive Management (GEM) remuneration is based on the following:

- The Norwegian Act on Public Limited Liability Companies.
- The Norwegian Accounting Act.
- Guidelines for remuneration of senior executives in companies with state ownership (adopted by the Norwegian Ministry of Trade, Industry and Fisheries with effect from 13 February 2015).
- The Norwegian Code of Practice for Corporate Governance.
- Financial Supervisory Authority of Norway.

1. Remuneration policy

The key objective of the Telenor Group remuneration policy is to secure that remuneration contributes to attracting, engaging and retaining the right people to deliver sustainable value for shareholders in accordance with the Telenor way.

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 should be tied to a balanced combination of goals that align individual 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 (without taking the lead).

2. Remuneration governance

The Board of Directors has appointed a People and Governance Committee (PGC) to act as an advisor to the Board of Directors. PGC is responsible for monitoring, evaluating and recommending on matters related to executive remuneration and group-wide remuneration programmes.

The committee comprises of the Chairman of the Board, two of the shareholder elected Board members and one employee representative. The Group P&CEO normally attends the Committee meetings. Other management representatives attend based on invitation.

The Committee has no independent decision-making authority, except where explicitly granted by the Board of Directors.

Recipient	Recommended by	Approved by
President and CEO	PGC	the Board
Group Executive Management	PGC and P&CEO	the Board

Key responsibilities for the People and Governance Committee:

- Review Telenor Group remuneration strategy, policies and programmes including base salary, variable pay (short-term and long-term incentive), and employee share programme and benefits such as pension and insurance plans.
- Review and recommend P&CEO and GEM total remuneration including all remuneration elements mentioned above.
- Review relevant market insight in order to advice on remuneration decisions.
- Review Management's proposal for 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.

3. Key remuneration principles 2017

The total remuneration to the P&CEO and GEM 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:
- Market situation and business environment.
- Short and long term business priorities.
- Scope and impact of role.
- Responsible business conduct.

The key remuneration elements for the P&CEO and GEM include the following:

Element	Key purpose
Base salary	Provide the basis for a financially secure and competitive total remuneration.
Short-term incentive	Help drive leadership behaviours and deliver business results to achieve the Telenor Group strategy.
Long-term incentives	Align the interests of Telenor Group's executives and shareholders and foster long-term value creation.
Benefits	Offer pension and insurance plans that provide security and support in various life situations.

3.1 Base salary

Base salaries for the P&CEO and GEM are as a main rule reviewed annually based on the scope of role, business environment, market position and performance. Key performance criteria being considered:
- Delivery according to business priorities
- Demonstrated leadership in accordance with the Telenor Way
- Building organisational capabilities

3.2 Short-term incentive

The 2017 short-term incentive (STI) plan is designed to help drive desired leadership behaviours and deliver results in the coming period. It is a cash-based variable pay plan where the maximum bonus that can be earned in a year is 50% of the annual base salary for P&CEO and GEM.

The plan design reflects the key priorities of Telenor Group, and thus contains both financial, customer satisfaction, operational and responsible business conduct related performance measures for all plan participants. All measures are defined to drive development and delivery of results within the respective areas.

The key performance indicators below apply for all members of the GEM:
- Financial KPIs to drive profitable growth and generation of cash flow; Gross profit, opex and net cash flow.
- Operational KPIs to drive progress on the digital transformation; Customer satisfaction, users of Telenor digital services and organizational change readiness.
- Responsible Business Conduct to drive ethical and 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. Performance in this area can both have a negative and positive impact on overall achievement. Should the participant fail to comply with local laws, regulations, Telenor Group policies or standards of business conduct, the short-term incentive pay-out may be forfeited altogether.

The corresponding targets and weights for the KPIs are defined at Group or Business Unit level, depending on the role and responsibilities of each participant.

The short-term incentive payout is calculated based on achievement on the respective key performance indicators as described above and the Total Shareholder Return (TSR) on the Telenor ASA shares. See below for further details on the TSR. Vacation pay, pensionable earnings and tax related to this plan, are subject to prevailing laws and regulations.

The P&CEO and the GEM 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 payment in Telenor ASA shares.

i. Total Shareholder Return multiplier

The short-term incentive achievement can be increased by a Total Shareholder Return multiplier (TSR multiplier). The effect of the multiplier is subject to the absolute and relative Total Shareholder Return of the Telenor ASA share.

Requirements for the TSR multiplier to come into effect:
- The Telenor ASA share must have an absolute positive TSR over the two-year period from December 2015 to December 2017
- The Telenor ASA share must perform better than the performance benchmark (index) [1)]

The TSR multiplier is calculated based on TSR performance for the period from December 2015 to December 2016. The TSR multiplier will be used in the calculation of STI for 2017, paid out in 2018.

TSR multiplier design:
- If the gross return on the Telenor ASA share develops better than the performance benchmark (index), over the two year period from December 2015 to December 2017, the TSR multiplier will vary from 1 to maximum 2, corresponding to Telenor ASA share's performance of 0 to 15 percentage points above the index respectively.
- The value of the TSR multiplier increases linearly between 0 and 15 percentage points.

The calculation of total STI achievement if a TSR multiplier comes into effect:
[STI achievement in %] x [TSR multiplier]

1) The performance benchmark (index) is the STOXX® Europe 600 Telecommunications index (SXKGR).

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 company.

3.3.1. Long-term incentive (LTI)

The long-term incentive plan is a variable element and designed to align the interest of the P&CEO and GEM and the shareholders, and reflect the long-term value creation in Telenor Group. The LTI is linked to the performance of the company as the value of the plan for the participants is directly impacted by the development of the Telenor ASA share price.

The P&CEO and GEM receive a grant of 30% of their annual base salary at the time of granting. The participants are required to invest the net amount after tax in Telenor ASA shares. Telenor will on behalf of the participant facilitate the share purchase in the market. For participants who are on international assignment and net salary agreements, the grant will be reduced with 50%.

All participants are obliged to hold the shares for a period of four years (lock-in period). If the participant leaves Telenor during the lock-in period, he/she has to repay to Telenor an amount equal to the quoted market value of shares held at the time of leaving the company. In case of retirement, disability or death of the participant, the shares will be unlocked without repayment from the participant.

The performance criteria for awarding the LTI plan as described above will be reviewed during 2017 by the BoD.

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 an ESP bonus 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 is granted given that the individual is still employed in the Telenor Group.

3.4 Other general benefits

The P&CEO and the GEM are entitled to other benefits such as:
- Pension- and insurance plans
- Company car or car allowance
- Electronic communication
- Newspapers

The eligibility criteria are as per local policies and country specific practices.

i. Pension and insurance plans

GEM members on Norwegian employments contracts, recruited externally, have since 1 June 2006 been enrolled in the company's collective defined contribution scheme. From 1 January 2017 the annual pension saving is 5% of the annual base salary from 0 - 7.1 G, and 18% from 7.1–12 G.
Individual pension agreements for the Group Executive Management that were entered into before 2016 have been honoured (see separate overview). During 2017 the BoD will review the policy related to handling of individual agreements with pensionable salary above 12G for internal candidates entering into GEM positions.

GEM members on employment contracts outside of Norway have pension and insurance schemes in accordance with local 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 possible, an allowance is provided in lieu of a pension scheme.

GEM members employed in Norway before 2012 are entitled to retire at the age 62 or 65, based on individual agreements. Employees hired within Norwegian jurisdiction from 2012 have a retirement age of 67.

The P&CEO and GEM are covered by the general insurance plans applicable within Telenor ASA.

ii. Severance pay

The P&CEO and the GEM are entitled to severance pay in case of notice based on company circumstances. The severance pay is 6 months of annual base salary, calculated as from the expiry of the notice period. Severance pay has been given under the condition that the employee is waiving their employee protection rights.

4. Key remuneration principles and implementation fiscal year 2016

The key remuneration principles applied in 2016 for the P&CEO and GEM are similar to those described for 2017. With the exception of the Defined Contribution plan, for which the annual accrual was 4% of the annual base salary from 1 - 6 G, and 8% from 6 – 12 G (G is the base amount of Norwegian Social Security) until 31 December 2016.

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

During 2016, 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) from 1 November 2016
Morten Karlsen Sørby	EVP and Chief Transformation Officer from 1 November 2016 EVP and acting Chief Financial Officer (CFO) until 31 October 2016
Jon Erik Haug	EVP and Chief People Officer
Jon Gravråk	EVP and Chief Digital Officer
Ruza Sabanovic	EVP and Chief Technology Officer
Wenche Agerup	EVP and Chief Corporate Affairs Officer
Albern Murty	EVP and CEO of Digi, Malaysia
Alexandra Reich	EVP and CEO of Telenor Hungary from 12 October 2016
Berit Svendsen	EVP and CEO of Telenor Norway
Christopher Laska	EVP and CEO of Telenor Hungary until 31 August 2016
Ingeborg Øfsthus	EVP and CEO of Telenor Montenegro and Serbia from 1 March 2016
Irfan Wahab Khan	EVP and CEO of Telenor Pakistan from 1 August 2016
Jesper Hansen	EVP and CEO of Telenor Denmark
Lars Erik Tellmann	EVP and CEO Telenor Myanmar from 1 August 2016
Lars-Åke Norling	EVP and CEO of dtac, Thailand
Michael Foley	EVP and CEO of Telenor Bulgaria from 1 August 2016 EVP and CEO of Telenor Pakistan until 31 July 2016
Patrik Hofbauer	EVP and CEO of Telenor Sweden
Petter Børre Furberg	EVP and CEO of Grameenphone, Bangladesh (Acting) from 1 November 2016 EVP and CEO Telenor Myanmar until 31 July 2016
Sharad Mehrotra	EVP and CEO Telenor India
Gunnar Sellæg	EVP and Chief Marketing Officer (interim) from 23 December 2016
Ove Fredheim	EVP and CEO of Telenor Serbia and Chairman of the Management Board of Telenor Montenegro until 28 February 2016
Pål Wien Espen	On paid leave until 29 April 2016
Rajeev Sethi	EVP and CEO of Grameenphone, Bangladesh until 30 October 2016
Richard Aa	On paid leave until 29 April 2016
Stein Erik Vellan	EVP and CEO of Telenor Bulgaria until 1 August 2016
Vivek Sood	EVP and Chief Marketing Officer until 23 December 2016

Individual terms for GEM members per 31 December 2016

Name	Contract type	Pension scheme
Sigve Brekke	Local Norway	Defined benefit: 60% of annual pensionable salary until the age of 75, thereafter 58%. Pensionable salary is capped at NOK 5,150 thousand subject to annual index regulation. Individually agreed retirement age of 65.
Jørgen C. Arentz Rostrup	Local Norway	Part of general Telenor ASA defined contribution scheme.
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.
Jon Erik Haug	Local Norway	Defined benefit: 66% of annual pensionable salary up to 12 G. Defined contribution: 15% of annual pensionable salary above 12 G.
Jon Gravråk	Expatriate	Allowance of 11% of annual base salary in lieu of pension.
Ruza Sabanovic	Expatriate	Part of general Telenor ASA defined contribution scheme.
Wenche Agerup	Local Norway	Part of general Telenor ASA defined contribution scheme.
Albern Murty	Local Malaysia	Defined contribution: 15% on annual pensionable salary and 12% on annual bonus and quarterly bonus. Individually agreed retirement age of 60.
Alexandra Reich	Expatriate	Allowance of 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.
Ingeborg Øfsthus	Expatriate	Defined benefit: 66% of annual pensionable salary up to 12 G.
Irfan Wahab Khan	Expatriate	Allowance of 11% of annual base salary in lieu of pension.
Jesper Hansen	Local Denmark	Defined contribution: 8% of annual pensionable salary.
Lars Erik Tellmann	Expatriate	Defined benefit: 66% of annual pensionable salary up to 12 G.
Lars-Åke Norling	Expatriate	Defined contribution: 30% of annual pensionable salary and 30% of annual bonus and voluntary contribution up to 5% of annual pensionable salary. (Maintaining home pension - Sweden)
Michael Foley	Expatriate	Allowance of 11% of annual base salary in lieu of pension.
Patrik Hofbauer	Local Sweden	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	Defined benefit: 66% of annual pensionable salary up to 12 G. Defined contribution: 15% of annual pensionable salary above 12 G.
Sharad Mehrotra	Expatriate	Allowance of 11% of annual base salary in lieu of pension.
Gunnar Sellæg	Local Norway	Part of general Telenor ASA defined contribution scheme.

Remuneration to the Group Executive Management

Aggregate remuneration including pension cost for the Group Executive Management was NOK 154,1 million in 2016. The aggregate remuneration including pension cost was NOK 86.0 million in 2015. The compensation is based on the individual's respective period in the Group Executive Management. The figures in the table are presented in NOK using average currency exchange rates for 2016, where applicable.

Remuneration to Group Executive Management 2016

NOK in thousands	Base salary [1]	Long Term Incentive (LTI) expensed2)	Short-term incentive (STI) / Annual bonus accrued [3]	Other benefits [4]	Pension benefit [5]	Total remuneration
Sigve Brekke	5 941	925	2 015	195	3 163	12 240
Jørgen C. Arentz Rostrup (from 1 November 2016)	825	-	255	246	23	1 349
Morten Karlsen Sørby	3 702	829	1 280	198	2 124	8 134
Jon Erik Haug	2 774	631	890	152	490	4 937
Jon Gravråk [6]	2 500	94	763	4 325	275	7 956
Ruza Sabanovic [6]	2 163	158	660	3 039	75	6 095
Wenche Agerup	2 406	195	888	196	75	3 760
Albern Murty [16]	2 939	293	1 019	408	575	5 234
Alexandra Reich [6] (from 12 October 2016)	545	-	122	593	60	1 320
Berit Svendsen	2 933	652	945	192	1 219	5 941
Christopher Laska [6] (until 31 August 2016)	1 299	137	396	2 585	98	4 516
Ingeborg Øfsthus [6] (from 1 March 2016)	1 589	51	483	1 742	194	4 058
Irfan Wahab Khan [6] (from 1 August 2016)	1 266	103	395	407	139	2 310
Jesper Hansen	2 829	176	837	183	306	4 332
Lars Erik Tellmann [6] (from 1 August 2016)	857	44	261	1 672	71	2 904
Lars-Åke Norling [6]	3 239	327	957	6 565	1 589	12 678
Michael Foley [6]	3 800	112	1 189	3 783	418	9 302
Patrik Hofbauer	3 422	287	1 143	87	1 522	6 460
Petter Børre Furberg [6] (until 31 July and from 1 November 2016)	1 647	152	503	1 710	243	4 256
Sharad Mehrotra [6]	2 520	205	789	2 802	277	6 593
Gunnar Sellæg (from 23 December 2016)	51	6	17	5	2	81
Ove Fredheim [6] (until 28 February 2016)	331	36	104	701	69	1 242
Pål Wien Espen [7] (until 29 April 2016)	853	-	-	5 225	317	6 396
Rajeev Sethi [6] (until 30 October 2016)	2 157	174	-	3 270	237	5 838
Richard Aa [8] (until 29 April 2016)	1 081	-	-	11 764	363	13 209
Stein Erik Vellan [6] (until 1 August 2016)	1 219	123	-	3 685	245	5 273
Vivek Sood [6] (until 23 December 2016)	3 168	290	1 014	2 877	348	7 697

Remuneration to Group Executive Management 2015

NOK in thousands	Base salary [1]	Long Term Incentive (LTI) expensed [2]	Short-term incentive (STI) / Annual bonus actual [9]	Other Benefits [4]	Pension benefit [5]	Total remuneration
Sigve Brekke [10]	4 253	976	1 774	4 770	2 107	13 881
Jon Fredrik Baksaas [11] (until 16 August 2015)	3 747	1 226	-	132	739	5 844
Richard Aa	3 327	940	1 280	184	1 083	6 815
Morten Karlsen Sørby (from 1 June 2015)	1 908	656	776	161	759	4 260
Albern Murty [16] (from 12 October 2015)	663	82	221	9	83	1 058
Berit Svendsen	2 718	779	961	184	1 221	5 863
Christopher Laska [6] (from 12 October 2015)	424	65	139	518	56	1 202
Henrik Clausen [6] [12] (until 11 October 2015)	2 467	461	964	3 513	350	7 755
Hilde Tonne [6] (until 31 July 2015)	1 681	431	595	107	502	3 317
Jesper Hansen (from 12 October 2015)	524	79	205	36	45	889
Jon Erik Haug	2 598	636	1 190	216	499	5 139
Jon Gravråk [6] (from 1 December 2015)	212	-	-	687	23	922
Katja Christina Nordgaard [13] (until 11 October 2015)	1 658	-	487	6	63	2 214
Kjell Morten Johnsen [14] (until 11 October 2015)	3 077	687	861	148	173	4 946
Lars-Åke Norling [6] (from 12 October 2015)	705	98	240	591	282	1 916
Martin Furuseth (from 1 August 2015 until 11 October 2015)	536	46	94	43	21	739
Michael Foley [6] (from 12 October 2015)	617	-	241	546	70	1 474
Ove Fredheim [6] (from 12 October 2015)	456	64	202	656	97	1 475
Patrik Hofbauer (from 12 October 2015)	599	157	224	15	230	1 226
Petter Børre Furberg [6] (from 12 October 2015)	462	50	232	711	76	1 531
Pål Wien Espen	2 647	668	783	201	1 015	5 313
Ragnar Korsæth [15] (from 12 October 2015 and until 30 November 2015)	265	72	99	19	30	485
Rajeev Sethi [6] (from 12 October 2015)	548	51	151	777	63	1 589
Ruza Sabanovic [6] (from 12 October 2015)	466	34	95	702	10	1 307
Sharad Mehrotra [6] (from 12 October 2015)	408	59	145	538	44	1 196
Stein Erik Vellan [6] (from 12 October 2015)	463	54	-	564	88	1 168
Vivek Sood [6] (from 12 October 2015)	683	82	142	1 054	78	2 040
Wenche Agerup (from 11 November 2015)	433	-	-	3	21	457

1) Base salary includes holiday pay due to local holiday pay systems, if applicable.

2) LTI is reported on expensed basis. I.e. cost of all active programs in 2015 and 2016 for their tables respectively.

3) Annual bonus expensed includes holiday pay, if applicable.

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. This means that base salary and Short-term incentive are net amounts. 'Other benefits' includes net 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. 'Other Benefits' also include taxes on the net compensation and benefits related to the assignment. The taxes for are calculated by an external service provider. Reconciliation of the calculated taxes will occur when the tax return is settled, for most of our countries during 2017. Consequently, the actual tax benefits for 2016 will be reported as part of 'Other Benefits' in next year's annual report. 2015 year's 'Other benefits' has been updated to reflect reconciled amounts.

7) The settlement agreement between Telenor and Pål Wien Espen amounts to NOK 5.2 million and will be paid out until April 2017. This amount is reflected in the 'Other Benefits' column.

8) 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.

9) Annual bonus has been updated to reflect actual bonus amount for 2015. Includes holiday pay if applicable.

10) For the period 01.01.2015-16.08.2015, Sigve Brekke was on an international assignment with guaranteed annual net salary (reference 6)). Any tax benefits linked to his international assignment is captured under other benefits. Consequently, the base salary is the sum of net salary on assignment plus gross salary as President & CEO.

11) Fredrik Baksaas waived his bonus rights for 2015.

12) The net salary in the notice period is NOK 2.0 million and net severance payment is NOK 3.6 million. The severance payment was paid in July 2016. The notice period and severance pay was regulated in a contract under Danish Labor Law entered into before 13 February 2015.

13) The salary in the notice period is NOK 1.0 million and severance payment is NOK 1.0 million. The severance payment was paid in 2016.

14) The salary in the notice period is NOK 1.9 million and severance payment is NOK 1.9 million. The severance payment was paid in 2016.

15) Pension benefit' updated from 116 to 30, compared to the 2015 annual report, due to an error in the calculation.

16) 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 variable pay of 50% of annual base salary.

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.

Shares held during 2015

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	101 870	2 585	832	105 287	17 326
Richard Aa	33 879	2 404	806	37 089	14 726
Morten Karlsen Sørby	81 712	-	-	81 712	17 229
Albern Murty	4 912	-	179	5 091	3 845
Berit Svendsen	29 454	2 080	216	31 750	12 508
Christopher Laska	8 164	-	(88)	8 076	7 952
Jesper Hansen [2]	8 386	-	6 413	14 799	5 173
Jon Erik Haug	21 311	2 072	(8 371)	15 012	10 900
Jon Gravråk	-	-	-	-	-
Lars-Åke Norling	26 778	-	125	26 904	11 398
Michael Foley	671	-	13	684	-
Ove Fredheim	12 935	-	137	13 072	7 833
Patrik Hofbauer	14 531	-	42	14 573	9 892
Petter Børre Furberg	25 929	-	135	26 064	6 165
Pål Wien Espen	43 842	2 143	325	46 310	11 864
Rajeev Sethi	4 056	-	263	4 319	3 095
Ruza Sabanovic	4 538	-	51	4 589	4 309
Sharad Mehrotra	3 377	-	69	3 445	3 157
Stein Erik Vellan	6 597	-	-	6 597	6 597
Vivek Sood	5 280	-	108	5 388	4 980
Wenche Agerup	-	-	-	-	-

1) Shareholdings not included for representatives who are no longer in GEM as of 31 December 2015.

2) Balance as of 31 December 2015 corrected from 8.477 to 14.799.

Loans to employees

Total loans to employees were NOK 21 million as of 31 December 2016 and NOK 24 million as of 31 December 2015.

Fees to the auditors

The table below summarises audit fees for 2016 and 2015 and fees for audit related services, tax services and other services incurred by the Group during 2016 and 2015. 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	2016	2015	2016	2015	2016	2015	2016	2015
Telenor ASA	**5.0**	4.8	**0.3**	0.2	**3.8**	3.8	**1.0**	10.0
Other Group companies	**30.0**	33.2	**2.9**	2.7	**5.1**	2.9	**16.6**	13.8
Total Group auditor	**35.0**	38.0	**3.1**	2.9	**8.9**	6.7	**17.6**	23.8
Other auditors in subsidiaries	**0.4**	0.4	**0.2**	0.1	**-**	-	**-**	-
Total	**35.4**	38.4	**3.3**	3.0	**8.9**	6.7	**17.6**	23.8

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 2016, 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 2016. All ordinary shares have equal voting rights and the right to receive dividends. As of 31 December 2016, the company did not own any treasury shares.

At the Annual General Meeting (AGM) in May 2015, 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 was valid until the AGM in May 2016. Prior to the AGM, Telenor entered into an agreement with its largest shareholder, the Kingdom of Norway, represented through the Ministry of Trade, Industry and Fisheries. The agreement implied that the Kingdom of Norway was committed, through the Ministry of Trade, Industry and Fisheries' participation and voting in Telenor's general meeting, to contribute to the cancellation of a proportionate number of its shares so that the Kingdom of Norway's ownership interest in Telenor would remain unaffected if Telenor repurchased shares for the purpose of cancellation. Telenor did not purchase any shares under this authorisation in 2016.

As of 31 December 2016, Telenor ASA had about 42,300 registered shareholders, compared with about 42,000 as of 31 December 2015.

The 20 largest shareholders as of 31 December 2016 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	73 941 191	4.92%
3	State Street Bank And Trust Company (nominee)	41 069 175	2.74%
4	Clearstream Banking S.A. (nominee)	24 136 002	1.61%
5	State Street Bank And Trust Company (nominee)	22 045 142	1.47%
6	State Street Bank And Trust Company (nominee)	15 593 357	1.04%
7	The Northern Trust Company (nominee)	15 209 312	1.01%
8	JPMorgan Chase Bank, N.A., London (nominee)	14 644 443	0.98%
9	JPMorgan Chase Bank, N.A., London (nominee)	14 208 563	0.95%
10	State Street Bank And Trust Company (nominee)	13 492 361	0.90%
11	State Street Bank And Trust Company (nominee)	12 312 214	0.82%
12	The Northern Trust Company Ltd. (nominee)	11 110 453	0.74%
13	JPMorgan Chase Bank, N.A., London (nominee)	8 121 468	0.54%
14	The Bank Of New York Mellon (nominee)	7 866 148	0.52%
15	The Bank Of New York Mellon N.V. (nominee)	7 142 053	0.48%
16	State Street Bank And Trust Company (nominee)	7 140 919	0.48%
17	KLP Aksjenorge Indeks	6 913 767	0.46%
18	UBS Switzerland AG (nominee)	5 683 347	0.38%
19	JPMorgan Chase Bank, N.A., London (nominee)	5 228 009	0.35%
20	N S Life Insurance Company Ltd	5 177 692	0.34%
	Total held by 20 largest shareholders	**1 121 300 544**	**74.68%**
	Total all Telenor shares	**1 501 458 030**	**100.00%**

The 20 largest shareholders as of 31 December 2016, 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	74 235 431	4.94%
3	Lazard Asset Management, L.L.C.	31 126 657	2.07%
4	Templeton Investment Counsel, L.L.C.	30 150 914	2.01%
5	Deutsche Asset Management Investment GmbH	24 964 632	1.66%
6	BlackRock Institutional Trust Company, N.A.	18 491 831	1.23%
7	Thornburg Investment Management, Inc.	15 469 680	1.03%
8	The Vanguard Group, Inc.	14 682 953	0.98%
9	DNB Asset Management AS	14 351 855	0.96%
10	KLP Forsikring	12 219 844	0.81%
11	Storebrand Kapitalforvaltning AS	11 692 093	0.78%
12	Alecta pensionsförsäkring, ömsesidigt	11 110 453	0.74%
13	SAFE Investment Company Limited	10 531 617	0.70%
14	Danske Capital (Norway)	9 313 986	0.62%
15	State Street Global Advisors (US)	8 744 780	0.58%
16	Nordea Funds Oy	8 399 136	0.56%
17	Capfi Delen Asset Management	7 247 000	0.48%
18	Acadian Asset Management LLC	6 797 787	0.45%
19	Numeric Investors LLC	6 722 117	0.45%
20	Pyrford International Limited	6 386 189	0.43%
	Total held by 20 largest shareholders	**1 132 903 883**	**75.45%**
	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

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 close within 12 months. With effect from the first quarter of 2017, Telenor India will be treated as an asset held for sale and discontinued operations in Telenor Group's financial reporting.

In 2016, Telenor India's revenues were NOK 6.0 billion and the operating cash flow was negative with NOK 0.4 billion. Telenor services are commercially available in six telecom circles in India (Andhra Pradesh, Bihar & Jharkhand, Gujarat, Maharashtra, UP East and UP West), and the company also has spectrum in Assam. Total assets and liabilities recognised as of 31 December 2016 that will form part of the transaction with Airtel was NOK 1.3 billion and NOK 3.7 billion, respectively. Refinancing of Telenor India and recognition of the guarantees related to the DoT claims as of the transaction date will eliminate any gain arising from the derecognition of the net assets.

INCOME STATEMENT

Telenor ASA 1 January – 31 December

NOK in millions	Note	**2016**	2015
Revenues	1	**767**	583
Operating expenses			
Salaries and personnel costs	2, 3	(845)	(800)
Other operating expenses	4	(1 145)	(1 039)
Depreciation, amortisation and impairment losses	8	(46)	(43)
Total operating expenses		**(2 036)**	**(1 882)**
Operating profit (loss)		**(1 269)**	**(1 299)**
Financial income and expenses			
Financial income	6	8 324	8 590
Financial expenses	6	(2 682)	(1 284)
Net currency gains (losses)	6	2 931	(5 819)
Net change in fair value of financial instruments	6	349	320
Net gains (losses and impairment) of financial assets	6	(2 118)	37
Net financial incom (expenses)		**6 804**	**1 844**
Profit before taxes		**5 535**	**545**
Income taxes	7	(2 139)	(121)
Net income		**3 396**	**424**

STATEMENT OF COMPREHENSIVE INCOME

Telenor ASA 1 January – 31 December

NOK in millions	Note	2016	2015
Net income		3 396	424
Other comprehensive income (loss)			
Amount reclassified from other comprehensive income to income statement		-	(19)
Income taxes reclassified		-	5
Items that may be reclassified subsequently to income statement		-	(14)
Remeasurement of defined benefit pension plans		(53)	144
Income taxes		13	(36)
Items that will not be reclassified to income statement		(40)	108
Other comprehensive income (loss), net of taxes		(40)	94
Total comprehensive income (loss)		3 356	518

STATEMENT OF FINANCIAL POSITION

Telenor ASA as of 31 December

NOK in millions	Note	**2016**	2015
ASSETS			
Non-current assets			
Deferred tax assets	7	**1 748**	3 730
Goodwill		**20**	20
Intangible assets	8	**99**	133
Property, plant and equipment		**51**	31
Shares in subsidiaries	16	**99 754**	100 117
Non-current interest-bearing receivables from Group companies	15	**9 042**	12 282
Other non-current financial assets	9, 11	**3 546**	3 860
Total non-current assets		**114 260**	**120 173**
Current assets			
Trade receivables from Group companies		**461**	498
Trade receivables external		**3**	4
Other current financial assets	9, 11	**1 402**	1 101
Liquid assets and short-term placements	11	**7 667**	983
Total current assets		**9 533**	**2 586**
Total assets		**123 793**	**122 759**
EQUITY AND LIABILITIES			
Equity	10	**39 078**	**46 979**
Non-current interest-bearing external liabilities	11	**36 836**	48 808
Non-current non-interest-bearing external liabilities	11	**3 197**	3 587
Pension obligations	3	**471**	449
Other provisions		**15**	9
Total non-current liabilities		**40 519**	**52 853**
Current interest-bearing liabilities to Group companies	11,15	**18 496**	18 824
Current interest-bearing external liabilities	11	**9 102**	14
Drawings on Group's cash pool	11	**13 017**	1 542
Current non-interest-bearing liabilities to Group companies	11, 12	**58**	141
Current non-interest-bearing external liabilities	11, 12	**3 523**	2 406
Total current liabilities		**44 196**	**22 927**
Total equity and liabilities		**123 793**	**122 759**

Fornebu, 14 March 2017

Gunn Wærsted
Chair

Dag J. Opedal
Deputy Chair

Jon Erik Reinhardsen
Board member

Jacob Aqraou
Board member

Siri Beate Hatlen
Board member

Sally Davis
Board member

Ashok Vaswani
Board member

Regi Aalstad
Board member

Per Gunnar Salomonsen
Board member

Åse Selfjord
Board member

Harald Stavn
Board member

Sigve Brekke
President & CEO

STATEMENT OF CASH FLOWS

Telenor ASA 1 January – 31 December

NOK in millions	**2016**	2015
Profit before taxes	5 535	545
Net (gains) losses, impairment and change in fair value of financial assets and liabilities	1 769	(357)
Depreciation, amortisation and impairment losses	46	43
Net currency (gains) losses not relating to operating activities	(1 981)	5 903
Net changes in interest accruals against Group companies	(87)	(58)
Losses on guarantees and recourse against subsidiaries	1 307	-
Interest received	103	140
Interest paid	(1 047)	(1 002)
Net changes in other accruals	330	(439)
Net cash flow from operating activities	**5 975**	**4 775**
Proceeds from sale of property, plant and equipment and intangible assets	-	7
Purchases of property, plant and equipment and intangible assets	(33)	(10)
Purchases of and capital increase in subsidiaries	(1 636)	(1 295)
Proceeds from sale of other investments	-	15
Net cash flow from investing activities	**(1 669)**	**(1 283)**
Proceeds from borrowings	7 240	1 426
Repayments of borrowings	(7 285)	(2 396)
Net change in Group's cash pool	2 675	8 360
Dividends paid to equity holders of Telenor ASA	(11 246)	(10 724)
Net cash flow from financing activities	**(8 616)**	**(3 334)**
Effect on cash and cash equivalents of changes in foreign exchange rates	(481)	(290)
Net change in cash and cash equivalents	**(4 791)**	**(132)**
Cash and cash equivalents as of 1 January	(559)	(427)
Cash and cash equivalents as of 31 December	**(5 350)**	**(559)**
Specification of cash and cash equivalents:		
Liquid assets and short term placements	7 667	983
Drawing from Group's cash pool	(13 017)	(1 542)
Cash and cash equivalents as of 31 December	**(5 350)**	**(559)**

STATEMENT OF CHANGES IN EQUITY

Telenor ASA for the years ended 31 December 2015 and 2016

NOK in millions (except for number of shares)	Number of shares	Share capital	Share premium	Pension re-measurement reserve	Other reserves	Retained earnings	Total equity
Equity as of 1 January 2015	**1 501 458 030**	**9 009**	**69**	**(9)**	**(2 604)**	**50 950**	**57 415**
Net income for the period	-	-	-	-	-	424	424
Other comprehensive income for the period	-	-	-	108	(14)	-	94
Total comprehensive income	**-**	**-**	**-**	**108**	**(14)**	**424**	**518**
Dividend	-	-	-	-	-	(10 959)	(10 959)
Share based payment	-	-	-	-	5	-	5
Equity as of 31 December 2015	**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**

NOTES TO THE FINANCIAL STATEMENTS

Telenor ASA

Contents notes

NOTE 1 General information and summary of significant accounting principles

Telenor ASA is a holding company and contains the Group Management, Corporate Functions, Research and Development and the Group's internal bank (Group Treasury).

The financial statements have been prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act § 3-9 and regulations regarding simplified application of IFRS issued by the Ministry of Finance on 21 January 2008.

Telenor ASA's significant 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.

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	2016	2015
Salaries and holiday pay	**(597)**	(566)
Social security tax	**(88)**	(84)
Pension cost including social security tax (Note 3)	**(73)**	(82)
Share-based payments [1]	**(26)**	(24)
Other personnel costs	**(61)**	(44)
Total salaries and personnel costs	**(845)**	**(800)**
Number of man-years employed, average	**521**	503

[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

	2016			2015		
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	**(1 254)**	**805**	**(449)**	(1 278)	728	(550)
Service cost	(37)	-	(37)	(45)	-	(45)
Net interest	(33)	22	(11)	(28)	16	(12)
Sub-total included in Income Statement	**(70)**	**22**	**(48)**	(73)	16	(57)
Return on plan assets (excluding amounts included in net interest expense)	-	21	21	-	63	63
Actuarial changes arising from changes in financial assumptions	(22)	-	(22)	145	-	145
Experience adjustments	(51)	-	(51)	(64)	-	(64)
Sub-total included in Other Comprehensive Income	**(73)**	**21**	**(53)**	81	63	144
Effects of business combinations and disposals	(20)	9	(11)	(65)	(1)	(66)
Contributions by employer	-	62	62	-	70	70
Benefits paid	84	(57)	27	81	(71)	10
As of 31 December	**(1 333)**	**862**	**(471)**	(1 254)	805	(449)

Telenor ASA expects to contribute approximately NOK 66 million to the Telenor Pension Fund in 2017.

171 employees were covered by defined benefit plan of the Telenor Pension Fund. Telenor Pension Fund paid out pensions to 381 persons.

Components of net periodic benefit cost

NOK in millions	2016	2015
Service cost	**(44)**	(57)
One time effect following downsizing	**7**	12
Net interest cost	**(11)**	(12)
Contribution plan costs	**(29)**	(25)
Total pension costs recognised in the income statement	**(77)**	(82)
Of which reported as other expense (note 4)	**7**	12
Of which reported as pension cost (note 2)	**(73)**	(82)
Of which reported as net interest cost (note 6)	**(11)**	(12)

NOTE 4 Other operating expenses

NOK in millions	2016	2015
Operating expenses related to country offices and services from shared service centres	**(258)**	(306)
Cost of premises, vehicles, office equipment, operation and maintenance etc.	**(140)**	(143)
Marketing, representation and sales commission	**(92)**	(58)
Software licence fees	**(57)**	(85)
Workforce reductions and onerous contracts	**(44)**	(35)
Other operating expenses [1]	**(554)**	(412)
Total other operating expenses	**(1 145)**	(1 039)

[1] Other operating expenses are primarily related to safeguarding of interests and to the assessment of new market opportunities. In addition, audit fees and other fees to the auditor are included, see note 34 in the consolidated financial statements.

NOTE 5 Research and development costs

Research and development expenses in Telenor ASA were NOK 240 million in 2016 and NOK 246 million in 2015. 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	2016	2015
Interest income from Group companies	171	181
Group contribution and dividends from subsidiaries [1]	8 060	8 308
Other financial income	35	40
Other financial income from Group companies [2]	58	61
Total financial income	**8 324**	**8 590**
Interest expenses to Group companies	(103)	(144)
Interest expenses (external)	(1 217)	(1 095)
Losses on guarantees and recourse against subsidiaries	(1 307)	-
Other financial expenses	(55)	(45)
Total financial expenses	**(2 682)**	**(1 284)**
Foreign currency gain	3 106	474
Foreign currency loss	(175)	(6 293)
Net foreign currency gains	**2 931**	**(5 819)**
Net change in fair value of financial instruments at fair value through profit or loss	190	239
Net change in fair value of hedging instruments and hedged items	159	81
Net change in fair value of financial instruments	**349**	**320**
Impairment on receivables from Group Companies	(119)	37
Impairment losses on shares in subsidiaries	(1 999)	-
Net gains (losses and impairment) on financial assets [3]	**(2 118)**	**37**
Net financial income (expenses)	**6 804**	**1 844**

[1] 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. In 2016, Telenor ASA received and recognised NOK 6.8 billion in taxable Group contribution, which relates to the financial year 2015. An additional group contribution of NOK 1.3 billion was received without tax effect, which relates to the financial year 2015. In 2015, Telenor ASA received and recognised NOK 7.2 billion in taxable Group contribution for financial year 2014. Further, extraordinary dividends at NOK 1.1 billion were received in the financial year 2015. The Group contribution for the financial year 2016 is estimated to be NOK 4.8 billion and this will be recognised in 2017.

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

[3] Telenor ASA has written down shares of Telenor GTI AS with NOK 2.0 billion. 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 Telenor India with NOK 119 million.

NOTE 7 Income taxes

NOK in millions	2016	2015
Profit before taxes	**5 535**	**545**
Current taxes	(4)	-
Current withholding tax	-	(6)
Resolution of disputed items and adjustment in previous years' current income tax	(138)	38
Change in deferred taxes	(1 997)	(153)
Income tax	**(2 139)**	**(121)**
Tax basis		
Profit before taxes	5 535	545
Effect of other comprehensive income and tax-free transfers	(53)	85
Non-deductible expenses and tax-free income	3 338	(52)
Group contribution previous year	(6 760)	(7 158)
Dividend – tax-free	-	(1 150)
Group contribution previous year – tax-free	(1 300)	-
Changes in temporary differences recognised in income statement	(530)	700
Group contribution current year	4 750	6 738
Correction of losses carried-forward from previous years	159	82
Tax loss carried-forward (utilised)	(5 123)	210
Tax basis for the year	**16**	**-**
Current taxes at nominal income tax rate in Norway (25%)	**4**	**-**
Effective tax rate		
Income tax expense at corporate income tax rate in Norway (25%)	(1 384)	(147)
Non-deductible expenses and tax-free income	(835)	14
Received Group contribution, tax-free	325	-
Accounting effect of received tax-free dividend	-	311
Withholding tax paid during the year used for income deduction	-	(6)
Resolution and adjustments of disputed item	(138)	39
Other	(42)	(30)
Effect of changes in tax rates	(66)	(301)
Income tax	**(2 139)**	**(121)**
Effective tax rate in %	**38.64%**	**22.16%**

NOK in millions	2016	2015	Changes
Temporary differences as of 31 December			
Non-current assets	**22**	36	(14)
Interest element in connection with fair value hedges of liabilities	**(1 241)**	(1 427)	186
Financial derivatives	**(482)**	(857)	375
Losses on guarantees	**(280)**	(280)	-
Other accruals for liabilities	**(34)**	(39)	5
Pension liabilities	**(471)**	(449)	(22)
Group contribution	**(4 750)**	(6 738)	1 988
Unused tax credits carried-forward	**(46)**	(44)	(2)
Unused tax loss carried-forward	**-**	(5 123)	5 123
Total temporary differences as of 31 December	**(7 282)**	**(14 921)**	**7 639**
Tax rate	**24%**	25%	
Net deferred tax assets	**1 748**	3 730	(1 983)

Changes in net deferred tax assets:	
Effect after regulations on intercompany transfers	1
Recognised in other comprehensive income [1]	13
Recognised in the income statement	(1 997)

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

[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.

Non-deductible expenses of NOK 3,338 million primarily relates 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 primarly 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.

Adjustments of disputed items in 2015 are related to royalties on the Telenor Brand rented to foreign subsidiaries. In 2014, Norwegian tax authorities increased the taxable income with NOK 139 million for 2010 to 2012 resulting in a provision of NOK 39 million as a tax expense in 2014. In 2015, the tax appeal board reduced taxable income compared to previous decisions with NOK 53 million. The final reassessed taxable income for all years was incorporated into the tax return for 2015. Therefore the previously recorded tax provision for NOK 39 million was reversed, while losses carried-forward from previous years was reduced by NOK 86 million in 2015.

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.

NOTE 8 Intangible assets

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**

2015

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)	(215)	118
Software purchased (5 years)	434	-	-	(9)	(427)	7
Work in progress	8	-	-	-	-	8
Total intangible assets	**775**	**-**	**-**	**(38)**	**(642)**	**133**

NOTE 9 Other financial assets

NOK in millions	2016	2015
Capital contribution in Telenor Pension Fund [1]	298	298
Derivatives financial instruments	877	1 028
Fair value hedging instruments	2 074	2 512
Other financial assets external	297	22
Total other non-current financial assets	**3 546**	**3 860**
Short-term interest-bearing receivables	255	-
Short-term interest-bearing receivables from Group companies	301	301
Receivables from Group companies	340	345
Other current financial assets external	506	455
Total other current financial assets	**1 402**	**1 101**

[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.

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 2016, Telenor ASA had no treasury shares.

Dividends paid and proposed

	2016	2015
Dividends per share in NOK – paid	7.50	7.30
Dividends per share in NOK – proposed by the Board of Directors	7.80	7.50

Dividend of NOK 11.3 billion has been recognised to equity in 2016 (NOK 11.0 billion in 2015), of which NOK 11.0 billion has been paid (NOK 10.7 billion in 2015) and NOK 0.3 billion is recognised as withholding tax liability as of 31 December 2016 (NOK 0.3 billion as of 31 December 2015).

In respect of 2016, the Board of Directors will propose a dividend of NOK 7.80 per share (NOK 11.7 billion) to be resolved by the Annual General Meeting on 10 May 2017. The dividend will be split into two instalments of NOK 4.30 and NOK 3.50 per share to be paid out in May 2017 and November 2017, respectively.

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 committed syndicated revolving credit facilities of EUR 2.0 billion with maturity in 2020 and of EUR 0.8 billion with maturity in 2017.

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 2016 and 2015, respectively.

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

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**

2015

NOK in millions	Carrying amount	Total as of 31 December 2015	2016	2017-2019	2020-2024	2025->
Interest-bearing liabilities						
Bonds and Commercial Papers	48 582	47 323	-	23 275	17 795	6 252
Other interest-bearing liabilities	240	240	14	226	-	-
Total interest-bearing liabilities external	**48 822**	**47 563**	**14**	**23 501**	**17 795**	**6 252**
Other interest-bearing liabilities Group companies	18 824	18 824	18 824	-	-	-
Drawing on Group cash pools	1 542	1 542	-	-	-	1 542
Interest-bearing liabilities Telenor Group	**20 366**	**20 366**	**18 824**	**-**	**-**	**1 542**
Non-interest-bearing liabilities						
Trade and other payables external	1 002	1 002	1 002	-	-	-
Trade and other payables Group companies	136	136	136	-	-	-
Other current non-interest-bearing liabilities	446	446	446	-	-	-
Derivative financial instruments non-current liabilities	4 550	4 550	963	1 900	1 678	9
Total non-interest-bearing liabilities	**6 134**	**6 134**	**2 547**	**1 900**	**1 678**	**9**
Total	**75 322**	**74 063**	**21 385**	**25 401**	**19 474**	**7 803**
Future interest payments	-	5 805	1 058	2 594	2 043	110
Total including future interest payments	**75 322**	**79 868**	**22 443**	**27 995**	**21 517**	**7 913**

For specification regarding external interest-bearing liabilities in Telenor ASA, see note 27 in the consolidated financial statements.

NOTE 12 Current non-interest-bearing liabilities

NOK in millions	Category	2016	2015
Trade payables to Group companies	FLAC [1]	**58**	136
Financial derivatives Group companies	FVTPL [2]	**-**	5
Current non-interest-bearing liabilities within the Group		**58**	**141**
Trade payables external	FLAC	**1 013**	1 002
Government taxes, tax deductions, holiday pay etc.	NF [3]	**123**	106
Income taxes payable	NF	**144**	-
Financial derivatives	FVTPL	**575**	958
Other current liabilities [4]	FLAC	**1 668**	340
Current non-interest-bearing external liabilities		**3 523**	**2 406**

[1] FLAC: Financial liabilities at amortised cost.
[2] FVTPL: Fair value through profit and loss.
[3] NF: Non-financial assets and liabilities.
[4] Other current liabilities include NOK 250 million in withholding tax on dividends paid in January 2017 (NOK 235 million for 2015 paid in January 2016) and NOK 1.3 billion related to a guarantee issued by Telenor ASA on behalf of Telenor India.

NOTE 13 Guarantees

NOK in millions	2016	2015
Guarantee liabilities	**6 020**	6 197

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. As of 31 December 2016, NOK 4.0 billion is related to Telenor India.

In 2016 Telenor ASA has recognised a liability of NOK 1.3 billion related to corporate guarantees issued as security for Telenor India's bank guarantee facilities. These guarantees are also added to the guarantee liabilities for 2015 with NOK 1.6 billion.

In relation to the licence issuance in Myanmar, a performance bond of NOK 1.3 billion (NOK 1.6 billion as of 31 December 2015) 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 Contractual obligations

In 2015, Telenor ASA terminated car lease agreements and has no future obligations per end of 2016.

NOTE 15 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 2016 and 2015 of NOK 8,060 million and NOK 8,308 million, respectively, are received from companies within Other units.

Sales and purchases of services, receivables and liabilities

	2016				2015			
NOK in millions	Sales	Purchases	Receivables	Liabilities	Sales	Purchases	Receivables	Liabilities
Subsidiaries								
Norway	187	41	50	10	178	32	57	7
Sweden	80	8	22	1	56	9	17	7
Denmark	35	8	15	-	32	5	13	1
Hungary	33	4	11	2	29	4	10	2
Serbia	23	-	32	-	24	1	32	1
Bulgaria	25	1	15	1	26	1	15	-
Montenegro	5	1	2	-	4	-	5	-
dtac – Thailand	67	-	66	10	54	-	98	14
Digi – Malaysia	61	2	95	-	31	2	104	1
Grameenphone – Bangladesh	31	-	146	2	8	-	108	1
Pakistan	46	2	45	1	38	-	13	4
India	53	1	103	1	24	2	63	2
Broadcast	21	-	7	-	20	-	7	-
Myanmar	53	-	28	-	17	1	21	5
Other units	36	535	415	30	28	456	478	91
Total	**756**	**603**	**1052**	**58**	569	513	1 041	136

Financial transactions, receivables and liabilties

	2016				2015			
NOK in millions	Financial income	Financial expense	Receivables	Liabilities	Financial income	Financial expense	Receivables	Liabilities
Subsidiaries								
Norway	100	81	5 516	12 047	84	97	3 693	10 168
Sweden	12	-	985	947	18	-	952	1 527
Denmark	25	-	1 965	615	43	-	4 582	102
Hungary	1	6	54	124	7	10	1 537	2 069
Montenegro	-	-	67	-	-	-	-	849
Broadcast	11	16	453	2 268	36	35	1 519	2 444
India	-	-	-	-	60	16	-	-
Myanmar	11	-	-	-	12	-	-	-
Other units	1	1	1	2 495	-	1	-	1 665
Total	**162**	**103**	**9 042**	**18 496**	261	160	12 282	18 824

NOTE 16 Shares in subsidiaries

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

Ownership interests correspond to voting interest if not otherwise stated.

Shares in subsidiaries

NOK in millions	Office	Ownership interest in % 2016	Ownership interest in % 2015	Carrying amount as of 31 December 2016	Carrying amount as of 31 December 2015
Telenor Networks Holding AS	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 [3]	Norway	100.0	100.0	70 977	69 824
Telenor Business Partner Invest AS [3]	Norway	100.0	100.0	-	1 150
Telenor Broadcast Holding AS	Norway	100.0	100.0	4 429	4 429
Telenor Eiendom Holding AS	Norway	100.0	100.0	4 159	4 159
Telenor KB AS	Norway	100.0	100.0	-	-
Telenor Forsikring AS	Norway	100.0	100.0	300	300
Telenor Maritime AS [4]	Norway	98.9	98.9	172	172
Telenor Services 1 AS [3]	Norway	100.0	100.0	-	2
Telenor GTI AS [1]	Norway	100.0	100.0	1 850	2 400
Cinclus Technology AS	Norway	100.0	100.0	-	-
Telenor Digital AS [2]	Norway	100.0	100.0	546	360
Telenor Global IOT AS [5]	Norway	100.0	-	-	-
Digital Businesses AS [6]	Norway	100.0	-	-	-
Total				**99 754**	**100 117**

1) Shares of Telenor GTI AS are written down with NOK 2.0 billion due to company's provision for loan losses to Telenor India. The company received NOK 1,450 million in new equity.
2) Telenor Digital AS received NOK 186 million in new equity.
3) Telenor Business Partner Invest AS and Telenor Services 1 AS are merged with Telenor Mobile Holding AS in 2016.
4) Maritime Communications Partner AS changed name to Telenor Maritime AS. The remaining 1.1% of shares in the company are owned by Telenor Communication II AS.
5) Ownerships is taken over from another Telenor company, and the company name changed from Premium Sports AS.
6) Established in 2016.

Shares in subsidiaries owned through subsidiaries

	Office	Ownership interest in % 2016	Ownership interest in % 2015
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	49.6	44.5
Datametrix AS	Norway	100.0	100.0
Canal Digital Kabel TV AS [1]	Norway	-	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
TMMH AS [2]	Norway	-	100.0
Telenor Cloud Services AS (earlier Telenor Business Internet Services AS)	Norway	100.0	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	Singapore	100.0	100.0
Oter Invest AS [2]	Norway	-	100.0

Telenor Mobile Holding AS			
Nye Telenor Mobile Communications III AS	Norway	100.0	100.0
Telenor Mobile Communications AS	Norway	100.0	100.0
Telenor East Invest AS [3]	Norway	-	100.0
Nye Telenor Mobile Communications II AS	Norway	100.0	100.0
Telenor Norge AS [1]	Norway	50.4	55.5
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
Telenor Broadcast Holding AS			
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 Global IOT AS (earlier Premium Sports AS) [4]	Norway	-	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	Norway	100.0	100.0
Kongens gate 21 AS [5]	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
ABC Tech Ltd [4]	Thailand	100.0	-
Digital Businesses AS			
Digital Businesses IP Solutions AS [6]	Norway	100.0	-

[1] Canal Digital Kabel-TV was merged with Telenor Norge AS in 2016. As a result of merger, ownership between shareholders in Telenor Norge AS is changed.
[2] Merged with Telenor Media Invest AS in 2016.
[3] Merged with Telenor Mobile Holding AS in 2016.
[4] Ownership transferred to/from another Telenor company.
[5] Sold in 2016.
[6] Established in 2016.

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
Telenor (India) Communications Pvt 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 2016 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 2016 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, 14 March 2017

Gunn Wærsted
Chair

Dag J. Opedal
Deputy Chair

Jon Erik Reinhardsen
Board member

Jacob Aqraou
Board member

Siri Beate Hatlen
Board member

Sally Davis
Board member

Ashok Vaswani
Board member

Regi Aalstad
Board member

Per Gunnar Salomonsen
Board member

Åse Selfjord
Board member

Harald Stavn
Board member

Sigve Brekke
President & CEO

STATEMENT FROM THE CORPORATE ASSEMBLY OF TELENOR ASA

On 15 March 2017, 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 2016 as presented to the Corporate Assembly by transfer of NOK 3,396 million to retained earnings and a dividend payment of NOK 7.80 per share to be paid out in two instalments of NOK 4.30 per share and NOK 3.50 per share in May and November 2017 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 2016, the income statement, 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 of the Group comprise the statement of financial position as at 31 December 2016, the income statement, 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 2016, 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 2016 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 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 of the current period. 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.

EY
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Impairment assessment – fair value less cost of disposal for Telenor India

Telenor has made significant investments in spectrum and network infrastructure assets in India. As of 31 December 2016, the carrying amount of network assets and spectrum licenses in India was NOK 0.3 billion after NOK 6.8 billion of impairment losses recognized for tangible and intangible assets in the financial statements for the year ended 31 December 2016. The Indian mobile market has been negatively impacted by increased competition, spectrum scarcity and technological and regulatory developments. This has had an impact on Telenor's strategic alternatives and the value of Telenor's operations and assets. The carrying amount as of 31 December 2016 was supported by expected net proceeds in a sales transaction based on on-going negotiations at year-end. In February 2017 Telenor entered into an agreement with Bharti Airtel. This agreement did not result in additional provisions.

Recoverable amount for a cash-generating unit is the higher of fair value less costs of disposal and value in use. The recoverable amount for the cash-generating unit represented by the Indian operations was determined based on fair value less cost of disposal. Telenor has estimated the fair value less cost of disposal in reference to net proceeds expected to be received in a sale of the operations and/or assets or in a merger by considering relevant market transactions and other market input.

This impairment assessment was a key audit matter because of the amounts invested and the considerable uncertainty inherent in the estimate of the fair value less cost of disposal. We assessed the design and tested operational effectiveness of management's internal controls related to impairment assessment. Our audit procedures included evaluating the valuation model applied and the basis for the assumptions used. We compared the assumptions for the expected net proceeds in a sales transaction to the terms and assumptions in the agreement. We also considered how market participants evaluate potential exposure from commitments and guarantees. We tested the mathematical accuracy of the model and evaluated whether the estimated recoverable amount was within an acceptable range.

We also assessed the Company's disclosures. Telenor has disclosed the valuation method, key assumptions and estimation uncertainty in notes 3 and 16 to the consolidated financial statements.

Impairment assessments – value in use

Telenor performed goodwill impairment assessments as of 31 December 2016 and also assessed impairment for cash generating units without goodwill but with impairment indicators. Impairment charges have been recognised in prior periods and challenging market conditions continuing in certain countries increases the risk that these cash generating units may be further impaired. In 2016, Telenor recorded an impairment loss of NOK 1.0 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 share, average revenue per user, profit margins, capital expenditures and growth rates beyond the explicit forecast period. 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 this period are extrapolated. The growth rates 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 Telenor Denmark, Hungary and Serbia and Tapad. 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.

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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 Company's 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 regulatory matters regarding foreign ownership and ownership structure. The disputes and 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 issues with local and Group management including Telenor's tax, 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, information about other regulatory cases and available market information. 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, Telenor's tax filings and relevant disclosures provided. We have also discussed the matter with management including Telenor's in-house tax department. 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.

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 & CEO (management) is 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.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- 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.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 concerning the financial statements and in the reports on corporate governance and sustainability, 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, 14 March 2017
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	2016	2015	Change whole year	Change YoY
Reported revenue growth	**131 427**	128 175	3 253	2.5%
Impact using exchange rates for 2016	**-**	1 275	(1 275)	(1.0%)
M&A	**(547)**	-	(547)	(0.4%)
Organic revenue growth	**130 881**	**129 450**	**1 430**	**1.1%**

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	2016	2015
Salaries and personnel cost	**(13 152)**	(12 406)
Other operating expenses	**(37 698)**	(36 425)
Operating expenses	**(50 850)**	**(48 830)**

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 statement.

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	2016	2015	Change whole year	Change YoY
Reported EBITDA growth	**46 483**	44 197	2 285	5.2%
Impact using exchange rates for 2016	**-**	419	(419)	(0.9%)
M&A	**259**	-	259	0.6%
Organic EBITDA growth	**46 741**	**44 616**	**2 125**	**4.8%**

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	2016	2015
Purchases of PPE and intangible assets (Note 22)	23 727	21 168
Working capital movement in respect of capital expenditure	2 500	4 060
Less:		
Asset retirement obligations	32	(35)
Capex	**26 259**	**25 193**
Licence and spectrum fee - capitalized	(3 557)	(1 581)
Capex excl. licence and spectrum fee	**22 702**	**23 612**
Revenue	131 427	128 175
Capex excl. licence and spectrum/ Revenues (%)	**17.3%**	**18.4%**
Total Capex / Revenues (%)	**20.0%**	**19.7%**

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	2016	2015
Purchases of PPE and intangible assets (Note 22)	26 259	25 193
Investments in businesses	3 589	504
Investments	**29 848**	**25 697**

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	2016	2015
Non-current interest-bearing liabilities	60 391	63 802
Current interest-bearing liabilities	25 970	12 626
Less:		
Cash and cash equivalents	(23 085)	(13 956)
Adjustments:		
Licence obligations	(4 884)	(4 879)
Hedging instruments	(2 329)	(2 519)
Financial instruments	(1 683)	(969)
Net interest-bearing debt excluding licence obligations	**54 381**	**54 106**

Net debt/EBITDA

Telenor aims to maintain a solid balance sheet through keeping net debt/EBITDA below 2.0x in order to maintain financial flexibity 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	2016	2015
Net debt	54 381	54 106
EBITDA	45 103	43 325
Net debt/EBITDA	**1.21**	**1.25**

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 interest, 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	2016	2015
Net cash flows from operating activities	39 778	37 107
Net cash flows from investing activities	(21 105)	(20 281)
Repayments of borrowings - licence obligations	(1 562)	(2 136)
Repayments of borrowings - supply chain financing	(3 672)	(2 538)
Dividends paid to and purchase of shares from non-controlling interest	(3 139)	(3 777)
Free cash flow	**10 300**	**8 374**

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