Q4 2010

Interim report
January–December 2010

telenor group

Contents

Strong momentum confirmed in fourth quarter

Highlights

Fourth quarter 2010
- Organic revenue growth of 8%
- EBITDA margin of 29%
- Cash flow margin 14%
- Earnings per share of NOK 1.29

Full year 2010
- Organic revenue growth of 6%
- EBITDA margin of 31%
- Cash flow margin of 19%
- Earnings per share of NOK 8.69

"Telenor confirms its position as one of Europe's fastest growing telcos, with organic revenue growth of 8% and strong operational performance. Our mobile operations succeeded in capturing growth in our markets by adding close to 8 million subscriptions during the quarter and 23 million during the year [1]. In 2010, the Telenor Group had an operating cash flow of NOK 18 billion and a solid EBITDA margin.

The share buyback programme for 2010 was completed in the fourth quarter. Together with the dividends paid out in May 2010 this resulted in an all-time high shareholder remuneration of NOK 9 billion. Based on the strong financial performance the Management and the Board of Directors propose a dividend of NOK 3.80 per share for 2010, a pay-out ratio in the high end of the dividend policy range.

Our operational excellence programmes are progressing towards the ambitious targets announced in 2010. Going forward, we expect significant long term effects from the ongoing investments in network modernisations. Our ambition is to improve efficiency and enhance customer experience through high quality services.

The established Asian operations reported 13% organic revenue growth in the fourth quarter and obtained an operating cash flow above NOK 10 billion for 2010. Uninor in India added more than four million subscriptions in the fourth quarter and I am pleased to see that our go-to-market model is gradually improving. India is a very competitive market coupled with a challenging regulatory environment, and we are focusing strongly on establishing Uninor as an ultra low cost operator.

In the Nordic and the CEE regions, overall performance was satisfactory. However, increased competition in some of the markets requires innovative market approaches and further cost measures.

In January, the Supervisory Board of VimpelCom approved the acquisition of Wind Telecom, and VimpelCom management said it would schedule a shareholders meeting to approve the issuance of new shares in connection with the transaction. In December, Telenor announced its opposition to the transaction because, from Telenor's perspective, it was not strategically nor financially sound for VimpelCom shareholders. At this stage we believe it is essential that VimpelCom focus on regaining a loss of momentum in the Russian market. On 28 January, Telenor commenced arbitration proceedings against VimpelCom and Altimo to secure Telenor pre-emptive rights and avoid dilution in the event the transaction is completed.

I am delighted to have appointed five new CEOs in our operations, all coming from other positions within the Telenor Group. Management rotation is essential in Telenor's leadership development. I am confident that these CEOs will contribute positively with their experience from different markets and cultures."

Jon Fredrik Baksaas
President & CEO

Key figures Telenor Group

(NOK in millions except earnings per share)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Revenues	24 858	22 418	94 843	90 748
EBITDA before other income and expenses	7 179	6 933	29 220	30 670
EBITDA before other income and expenses/Revenues (%)	28.9	30.9	30.8	33.8
Adjusted operating profit	3 034	3 146	13 086	15 765
Adjusted operating profit/Revenues (%)	12.2	14.0	13.8	17.4
Profit after taxes and non-controlling interests [2]	2 104	2 167	14 334	8 653
Earnings per share from total operations, basic, in NOK	1.29	1.31	8.69	5.22
Capex [3]	3 783	5 455	11 688	15 722
Capex excl. licences and spectrum	3 783	5 455	11 355	15 722
Capex excl. licences and spectrum/Revenues (%)	15.2	24.3	12.0	17.3
Operating cash flow [4]	3 395	1 478	17 865	14 948
Net interest-bearing liabilities			19 276	26 332

Extract from outlook for 2011

Based on the current group structure including Uninor and currency rates as of 31 December 2010, Telenor expects organic revenue [5] growth above 5%. The EBITDA margin before other income and expenses is expected to be around 31%, while capital expenditure as a proportion of revenues, excluding licences and spectrum, is expected to be in the range of 12–13%.

Please refer to page 11 for the full outlook for 2011, and page 20 for definitions.

[1] As of the fourth quarter the total mobile subscriptions stand at 203 million, including 92 million subscriptions from VimpelCom Ltd.
[2] 'Profit after tax and non-controlling interests' included actual figures for Kyivstar and estimated results for OJSC VimpelCom until 31 December 2009. As of the first quarter 2010, figures for OJSC VimpelCom and Kyivstar were included with a one quarter lag. The second quarter of 2010 included a gain related to the contribution of Kyivstar to the new entity VimpelCom Ltd. of approximately NOK 6.5 billion. Please refer to 'Associated companies' on page 17 for further details.
[3] Capex is defined as capital expenditures from continuing operations.
[4] Operating cash flow is defined as EBITDA before other income and expenses – Capex, excluding licences and spectrum.
[5] Organic revenue is defined as revenue adjusted for the effects of acquisition and disposal of operations and currency effects.

Interim report

Telenor's operations

The statements below are related to Telenor's development in the fourth quarter of 2010 compared to the fourth quarter of 2009, unless otherwise stated. All comments on EBITDA are made on development in EBITDA before other income and expenses (other items). Please refer to page 9 for 'Specification of other income and expenses'. Additional information is available at: www.telenor.com/ir

Nordic

Norway

	4th quarter		Year	
(NOK in millions)	2010	2009	2010	2009
Revenues mobile operation				
Subscription and traffic	2 424	2 410	9 745	9 444
Interconnect revenues	360	332	1 389	1 353
Other mobile revenues	331	387	1 426	1 530
Non-mobile revenues	300	269	998	759
Total revenues mobile operation	**3 415**	**3 398**	**13 557**	**13 085**
Revenues fixed operation				
Telephony	944	1 040	3 916	4 273
Broadband	679	680	2 674	2 731
Data services	148	151	578	631
Other fixed revenues	425	404	1 484	1 458
Total retail revenues	**2 195**	**2 275**	**8 652**	**9 093**
Wholesale revenues	1 067	984	4 093	4 071
Total revenues fixed operation	**3 262**	**3 259**	**12 745**	**13 164**
Total revenues	**6 677**	**6 657**	**26 302**	**26 249**
EBITDA before other items	2 601	2 498	10 500	10 476
Operating profit	1 653	1 625	6 792	7 425
EBITDA before other items/ Total revenues (%)	39.0	37.5	39.9	39.9
Capex	935	674	2 863	2 597
Investments in businesses	25	3	28	9
Mobile ARPU – monthly (NOK)	303	307	306	307
No. of subscriptions – Change in quarter/Total (in thousands):				
Mobile	(7)	24	3 064	2 991
Fixed telephony	(25)	(25)	1 085	1 190
Fixed broadband	(4)	(3)	608	628

- The number of mobile subscriptions decreased by 7,000 during the quarter due to loss of prepaid subscriptions. The number of large screen mobile broadband subscriptions increased by 21,000 to 308,000.
- Mobile ARPU decreased by 1% as reduced roaming charges from 1 July 2010 and pressure on domestic voice revenues were partly offset by increased revenues from mobile data usage.
- Mobile revenues increased slightly driven by higher handset sales, a larger subscription base and increased mobile data usage.
- Fixed revenues were stable. Reduced revenues driven by reduction in the number of telephony and broadband subscriptions were offset by increased wholesale revenues due to an increase in international wholesale traffic volumes.
- The EBITDA margin increased by 1 percentage point as the continued decline in high-margin services was offset by lower operating expenses, mainly reduced commissions, salaries and personnel costs.
- Capital expenditure was primarily driven by the ongoing network modernisation.

Sweden

	4th quarter		Year	
(NOK in millions)	2010	2009	2010	2009
Revenues mobile operation				
Subscription and traffic	1 258	1 082	4 678	4 308
Interconnect revenues	190	188	743	792
Other mobile revenues	93	52	378	288
Non-mobile revenues	342	282	1 146	902
Total revenues mobile operation	**1 883**	**1 604**	**6 945**	**6 290**
Revenues fixed operation	**648**	**672**	**2 552**	**2 826**
Eliminations	-	(19)	-	(85)
Total revenues	**2 531**	**2 257**	**9 497**	**9 031**
EBITDA before other items	561	529	2 266	1 959
Operating profit (loss)	**15**	**(45)**	**137**	**(185)**
EBITDA before other items/				
Total revenues (%)	22.1	23.4	23.9	21.7
Capex	383	237	1 005	825
Investments in businesses	-	-	-	1
Mobile ARPU – monthly (NOK)	235	218	224	221
No. of subscriptions – Change in quarter/Total (in thousands):				
Mobile	8	12	2 061	1 970
Fixed telephony	(14)	(13)	382	419
Fixed broadband	(10)	(14)	535	574
Exchange rate			0.8402	0.8223

- The number of mobile subscriptions increased by 8,000 during the quarter, despite a negative adjustment of 20,000 inactive voice subscriptions. The growth was driven by a continued increase in the number of mobile broadband subscriptions primarily in the business segment, as well as strong development in voice subscriptions. The estimated mobile subscription market share decreased slightly to 16%. The number of large screen mobile broadband subscriptions increased by 13,000 to 344,000.
- The number of fixed broadband subscriptions was 535,000 at the end of the quarter. The estimated subscription market share for fixed broadband in the consumer market remained at 19%.
- Mobile ARPU in local currency remained stable.
- Total revenues in local currency increased by 4%.
- Mobile revenues in local currency increased by 9% mainly due to increased revenues from data and subscription fees, higher handset sales and increased roaming volumes.
- Fixed revenues in local currency decreased by 8% driven by the reduction in number of telephony and broadband subscriptions combined with lower telephony ARPU.
- The EBITDA margin decreased by 1 percentage point mainly as a result of higher sales and marketing activities towards the contract segment, and lower contribution from fixed products. Other operating expenses declined by 8% following reduced personnel and consultancy costs.
- Increased capital expenditure during the quarter was mainly related to the ongoing network modernisation and LTE roll-out.
- In November 2010, Telenor Sweden launched LTE (4G) mobile broadband services commercially.

Denmark

	4th quarter		Year	
(NOK in millions)	2010	2009	2010	2009
Revenues mobile operation				
Subscription and traffic	989	930	3 813	3 863
Interconnect revenues	283	366	1 186	1 498
Other mobile revenues	127	88	427	383
Non-mobile revenues	172	127	592	515
Total revenues mobile operation	**1 571**	**1 511**	**6 017**	**6 259**
Revenues fixed operation	**299**	**359**	**1 257**	**1 618**
Eliminations	-	(15)	-	(64)
Total revenues	**1 870**	**1 855**	**7 274**	**7 813**
EBITDA before other items	505	488	1 758	1 899
Operating profit	**256**	**63**	**669**	**284**
EBITDA before other items/				
Total revenues (%)	27.0	26.3	24.2	24.3
Capex [1]	170	147	1 119	928
Investments in businesses	-	-	-	111
Mobile ARPU – monthly (NOK)	205	213	200	231
No. of subscriptions – Change in quarter/Total (in thousands):				
Mobile	(61)	20	2 014	2 038
Fixed telephony [2]	(46)	(13)	223	271
Fixed broadband	(5)	(3)	240	259
Exchange rate			1.0751	1.1722

[1] Capex including licence fee of NOK 333 million recorded in the second quarter of 2010.

[2] In the fourth quarter of 2010 fixed telephony was reduced by 11,000 inactive VoIP subscriptions.

- The number of mobile subscriptions decreased by 61,000 during the quarter, primarily in the prepaid segment. The estimated subscription market share was stable at 27%.
- The number of large screen mobile broadband subscriptions decreased by 2,000 to 166,000 following churn of free trial users. The fixed broadband subscriptions decreased by 5,000 to 240,000.
- Mobile ARPU in local currency increased by 1% due to higher revenues from mobile subscription bundles offset by reduced interconnect rates from 1 May 2010.
- Total revenues in local currency increased by 5%, whereas mobile revenues increased by 10% following higher subscription base both within voice and mobile broadband and increased wholesale revenues.
- Fixed revenues decreased by 14% driven by a declining fixed telephony subscription base and continuous price pressure in the fixed broadband market.
- The EBITDA margin increased by 1 percentage point as increased revenues and lower personnel cost more than offset loss on receivables and higher market related costs.
- Capital expenditure was 17% higher than last year following the ongoing network modernisation.

Central and Eastern Europe

Hungary

(NOK in millions)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Revenues				
Subscription and traffic	880	1 018	3 554	4 117
Interconnect revenues	230	290	933	1 141
Other mobile revenues	23	14	103	76
Non-mobile revenues	91	62	217	190
Total revenues	**1 224**	**1 384**	**4 806**	**5 524**
EBITDA before other items	155	490	1 755	2 289
Operating profit	**(86)**	**301**	**927**	**1 566**
EBITDA before other items/ Total revenues (%)	12.7	35.4	36.5	41.4
Capex	75	117	264	420
No. of subscriptions – Change in quarter/ Total (in thousands):	20	61	3 433	3 501
ARPU – monthly (NOK)	109	126	109	125
Exchange rate			0.0291	0.0312

- The number of subscriptions increased by 20,000 during the quarter, following Christmas promotions. The estimated market share decreased slightly to 32%. The number of large screen mobile broadband subscriptions increased by 7,000 to 174,000, resulting in a market share of 27%.
- ARPU decreased by 8% in local currency as the reductions in interconnect rates from 1 January 2010 and 1 December 2010 were not fully offset by a 7% increase in average usage driven by more free airtime.
- Revenues in local currency decreased by 5% mainly as a result of the reduction in ARPU only partly being offset by increased handset sales.
- EBITDA was negatively impacted by NOK 288 million related to the crisis tax levied upon the telecommunication industry in Hungary for the three years 2010 to 2012.
- Adjusted for the telecommunication tax, the EBITDA margin increased by 1 percentage point to 36%. The effects of the reduction in revenues and increased sales and handset costs were offset by reduced interconnect costs, reduced personnel costs following the workforce reduction in March 2010, lower operating expenses of the new offices, and reduced bad debt.
- Capital expenditure decreased in anticipation of the upcoming network modernisation which will commence in the first quarter 2011. Accelerated depreciation of NOK 84 million has been applied to the existing mobile network during the quarter.

Serbia

(NOK in millions)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Revenues				
Subscription and traffic	455	488	1 822	2 141
Interconnect revenues	141	145	536	605
Other mobile revenues	65	32	149	84
Non-mobile revenues	42	60	131	119
Total revenues	**703**	**725**	**2 638**	**2 949**
EBITDA before other items	285	274	1 053	1 202
Operating profit	**127**	**136**	**421**	**(1 417)**
EBITDA before other items/ Total revenues (%)	40.5	37.8	39.9	40.8
Capex	151	92	259	290
Investments in businesses	-	-	-	31
No. of subscriptions – Change in quarter/ Total (in thousands):	23	(19)	3 007	2 843
ARPU – monthly (NOK)	67	74	68	80
Exchange rate			0.0777	0.0929

- The number of subscriptions increased by 23,000 and subscription market share was maintained at 35%.
- ARPU increased by 5% in local currency driven by increased share of contract subscriptions and higher usage.
- Revenues in local currency increased by 14%, due to higher roaming revenues, increased interconnect revenues and increased contract base resulting in higher subscription income.
- EBITDA margin improved by 3 percentage points, due to a general reduction of operating expenses partly offset by higher handset subsidies.
- Capital expenditure was mainly related to the ongoing network modernisation which started in November 2010. Accelerated depreciation of approximately NOK 45 million has been applied to the existing mobile network during the quarter.
- The 10% stamp duty on mobile services was abolished at the end of 2010.

Montenegro

(NOK in millions)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Revenues	158	154	644	731
EBITDA before other items	71	54	287	311
Operating profit	**51**	**14**	**160**	**201**
EBITDA before other items/ Total revenues (%)	45.1	35.1	44.6	42.5
Capex	(1)	21	24	46
No. of subscriptions – Change in quarter/ Total (in thousands):	(51)	(38)	468	465
Exchange rate			8.0068	8.7285

- The number of subscriptions decreased by 51,000 due to drop in prepaid subscriptions as a result of seasonality. The subscription market share decreased by 1 percentage point to 40%.
- Revenue growth in local currency was 6%. Adjusted for the effect of an accounting adjustment, organic revenue growth was 1%, mainly driven by increased subscription revenues partly offset by lower interconnect rates.
- EBITDA margin increased by 10 percentage points to 45% due to improvement in revenues and reduced operating expenses.

Asia

DTAC – Thailand

(NOK in millions)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Revenues				
Subscription and traffic	2 640	2 162	9 869	8 998
Interconnect revenues	786	599	2 975	2 540
Other mobile revenues	115	96	368	391
Non-mobile revenues	214	43	636	115
Total revenues	**3 755**	**2 900**	**13 848**	**12 044**
EBITDA before other items	1 307	953	4 820	3 689
Operating profit	**864**	**580**	**3 177**	**2 108**
EBITDA before other items/ Total revenues (%)	34.8	32.9	34.8	30.6
Capex	316	343	797	1 089
No. of subscriptions – Change in quarter/ Total (in thousands):	684	386	21 620	19 657
ARPU – monthly (NOK)	54	47	52	50
Exchange rate			0.1910	0.1829

At the end of 2010, Telenor's economic stake in DTAC was 65.5%.

- The number of subscriptions increased by 684,000 during the quarter and the estimated subscription market share remained at 30%.
- ARPU in local currency declined by 3% due to the dilution effect from strong expansion of subscription base in lower revenue segments.
- Total revenues in local currency increased by 12%, mainly driven by value-added services, international roaming services, and handset sales.
- The EBITDA margin increased by 2 percentage points from higher revenues and as a result of the ongoing implementation of cost efficiency measures.
- Capital expenditure was driven by network coverage investments to increase data capacity and speed.

DiGi – Malaysia

(NOK in millions)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Revenues				
Subscription and traffic	2 318	1 803	8 801	7 577
Interconnect revenues	181	221	847	946
Other mobile revenues	36	22	134	101
Non-mobile revenues	184	36	386	119
Total revenues	**2 719**	**2 082**	**10 167**	**8 743**
EBITDA before other items	1 229	882	4 500	3 791
Operating profit	**858**	**564**	**3 023**	**2 466**
EBITDA before other items/ Total revenues (%)	45.2	42.4	44.3	43.4
Capex	583	387	1 355	1 279
No. of subscriptions – Change in quarter/ Total (in thousands):	518	327	8 765	7 720
ARPU – monthly (NOK)	97	88	98	98
Exchange rate			1.8806	1.7809

At the end of 2010 Telenor's ownership interest in DiGi was 49.0%.

- The number of subscriptions increased by 518,000 during the quarter.
- ARPU in local currency was reduced by 4%, primarily explained by increased competitive pressure in particular in the prepaid and international segment.
- Total revenues increased by 15%, following increased data usage, higher sales of handset bundles, and increased traffic from an enlarged subscription base.
- The EBITDA margin increased by 3 percentage points, primarily due to increased revenues and positive effects from ongoing cost efficiency initiatives.
- Capital expenditure was mainly related to site roll-outs.
- In January 2011, DiGi and Celcom signed an infrastructure sharing agreement.

Grameenphone – Bangladesh

(NOK in millions)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Revenues				
Subscription and traffic	1 440	1 237	5 691	5 276
Interconnect revenues	169	121	644	593
Other mobile revenues	5	4	19	16
Non-mobile revenues	32	16	139	62
Total revenues	**1 647**	**1 378**	**6 492**	**5 947**
EBITDA before other items	802	717	3 212	3 390
Operating profit	**441**	**366**	**1 763**	**1 879**
EBITDA before other items/				
Total revenues (%)	48.7	52.0	49.5	57.0
Capex	343	349	734	944
No. of subscriptions – Change in quarter/				
Total (in thousands):	1 316	1 274	29 971	23 259
ARPU – monthly (NOK)	19	20	20	23
Exchange rate			0.0868	0.0910

At the end of 2010, Telenor's ownership interest in Grameenphone was 55.8%.

- The number of subscriptions increased by 1.3 million during the quarter, while the subscription market share remained at 44%.
- ARPU in local currency decreased by 9% due to dilution effect of new subscriptions acquired from lower revenue generating segment.
- Revenues in local currency increased by 17% due to increased subscription, traffic and data, as well as interconnect revenues driven by higher subscription base and revenue from infrastructure sharing and handset sales.
- The EBITDA margin decreased by 3 percentage points mainly due to higher subscription acquisition costs related to SIM tax subsidies, accrual for workforce expenses, advertising and commissions, which was partly offset by higher revenues. Adjusted for the accrual for workforce expenses, the EBITDA margin was 53%.
- Capital expenditure during the quarter was mainly for voice capacity enhancements.

Pakistan

(NOK in millions)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Revenues				
Subscription and traffic	922	833	3 697	3 486
Interconnect revenues	185	175	718	733
Other mobile revenues	5	1	23	14
Non-mobile revenues	62	49	215	117
Total revenues	**1 173**	**1 058**	**4 653**	**4 350**
EBITDA before other items	328	309	1 382	1 055
Operating profit (loss)	**(50)**	**(71)**	**2**	**(267)**
EBITDA before other items/				
Total revenues (%)	28.0	29.2	29.7	24.3
Capex	159	603	617	1 325
No. of subscriptions – Change in quarter/				
Total (in thousands):	856	842	24 692	22 501
ARPU – monthly (NOK)	15	15	16	17
Exchange rate			0.0709	0.0771

- The number of subscriptions increased by 856,000 during the quarter, while the subscription market share increased by 1 percentage point to 24%.
- ARPU in local currency remained stable as an increase in average usage was offset by lower average prices following reduced interconnect rates from 1 January 2010.
- Total revenues increased by 11%, mainly due to a higher subscription base and revenues from tower sharing and financial services.
- The EBITDA margin decreased by 1 percentage point as a one-time adjustment of revenues and operating expenses more than offset the increased revenues. The EBITDA margin excluding these adjustments was 31%.
- Capital expenditure continued to be focused on network capacity investments to align with current subscription growth and traffic volumes.

Uninor – India

(NOK in millions)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Revenues	400	3	773	3
EBITDA before other items	(1 026)	(677)	(4 246)	(906)
Operating profit (loss)	**(1 272)**	**(755)**	**(5 044)**	**(985)**
EBITDA before other items/ Total revenues (%)	nm	nm	nm	nm
Capex	350	1 196	1 624	3 696
Investments in businesses	-	-	-	17
No. of subscriptions – Change in quarter/ Total (in thousands):	4 337	1 008	12 255	1 008
ARPU – monthly (NOK)	13	nm	13	nm
Exchange rate			0.1322	0.1298

*) Please note that the definition for active subscriptions in Uninor is more conservative than the Group definition on page 31, due to high churn following the prevailing multi-SIM standard in the Indian market. In Uninor, subscriptions are counted as active if there has been activity during the last 30 days.

At the end of 2010 Telenor's ownership interest in Uninor was 67.25%.

- The number of subscriptions increased by 4.3 million during the quarter, taking the total subscription base to 12.3 million.
- ARPU in local currency increased slightly to INR 99, driven by higher usage per subscription.
- Total revenues increased by 87% from the third quarter in 2010 to NOK 400 million contributed by high growth in the subscription base and 2% growth in ARPU.
- Total EBITDA loss for the quarter was 1,026 NOK million, slightly lower than previous quarters mainly due to adjusted energy expenses somewhat offset by sales and marketing costs.

Broadcast

(NOK in millions)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Revenues				
Canal Digital Group	1 755	1 719	6 868	6 667
Transmission & Encryption	640	589	2 435	2 326
Other/Eliminations	(125)	(96)	(466)	(428)
Total revenues	**2 269**	**2 212**	**8 836**	**8 565**
EBITDA before other items				
Canal Digital Group	206	190	940	710
Transmission & Encryption	343	323	1 332	1 277
Other/Eliminations	(16)	(16)	(60)	(43)
Total EBITDA before other items	**532**	**497**	**2 213**	**1 944**
Operating profit				
Canal Digital Group	46	89	507	364
Transmission & Encryption	204	179	797	754
Other/Eliminations	(19)	(37)	(116)	(113)
Total operating profit	**231**	**231**	**1 187**	**1 005**
EBITDA before other items/ Total revenues (%)	23.5	22.5	25.0	22.7
Capex	233	1 151	782	1 941
Investments in businesses	34	69	1 099	230
No. of subscribers – Change in quarter / Total (in thousands):				
DTH TV	(27)	(11)	997	1 060
Cable TV	(2)	(4)	716	729
Cable TV Internet access	10	16	280	246

- The number of DTH subscribers decreased by 27,000 while the number of cable broadband subscribers increased by 10,000 during the quarter.
- Revenues in the Canal Digital Group increased mainly as a result of higher sale of additional services for cable and increased prices for DTH. This was partly offset by the reduced DTH subscriber base and lower sales to small antenna TV networks.
- EBITDA in the Canal Digital Group increased mainly due to revenue growth from increased sales of Cable TV Broadband and reduced sales and marketing cost for DTH, partly offset by higher use of satellite transmission and increased content cost due to reversal of provisions in 2009.
- Operating profit includes NOK 52 million in provisions for onerous content commitments in Denmark.
- Revenues and EBITDA in Transmission & Encryption increased due to higher revenues from encryption services, higher sales from satellite transmission to Canal Digital Group, and contribution from Norkring Belgie which was consolidated from 1 December 2009.

Other Units

(NOK in millions)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Revenues				
New Business	43	47	200	183
Corporate functions and Group activities	643	632	2 486	2 422
Other/eliminations	36	144	495	565
Total revenues	**722**	**823**	**3 181**	**3 170**
EBITDA before other items				
New Business	36	(43)	(31)	(172)
Corporate functions and Group activities	(165)	(88)	(442)	(538)
Other/eliminations	(29)	78	211	302
Total EBITDA before other items	**(158)**	**(53)**	**(263)**	**(408)**
Operating profit (loss)				
New Business	29	(100)	(63)	(271)
Corporate functions and Group activities	(265)	(191)	(854)	(933)
Other/eliminations	(42)	67	194	290
Total operating profit (loss)	**(278)**	**(224)**	**(723)**	**(914)**
Capex from continuing operations	87	138	253	351
Capex from discontinued operations	–	112	258	385
Investments in businesses	3	9	47	106

- EDB Business Partner ASA was reclassified to discontinued operations in the third quarter of 2010. See Note 3 for further details.
- EBITDA in New Business improved mainly as a result of reduced losses related to Cinclus Technology.
- EBITDA in Corporate Functions declined mainly due to accruals between quarters.

Group overview

The statements below are related to Telenor's development in 2010 compared to 2009 unless otherwise stated. The statements are based on reported figures, and EDB ErgoGroup ASA is presented as an associated company. Please refer to note 3 for further information.

Revenues

- Revenues increased by NOK 4,095 million, or 4.5%. Increased revenues from the strong subscription growth in our Asian operations more than offset the negative currency effects of NOK 1,023 million from the strengthening of the Norwegian Krone.

EBITDA before other items

- EBITDA decreased by NOK 1.4 billion compared to last year as a result of the negative contribution from Uninor partly offset by improved performance in the established operations in Asia. In addition, improved results in Sweden, Broadcast and Other Units were offset by lower EBITDA from operations in Central Eastern Europe. In addition, EBITDA was negatively affected by NOK 364 million due to currency effects.

Specification of other income and expenses

	4th quarter		Year	
(NOK in millions)	2010	2009	2010	2009
EBITDA before other income and expenses	7 179	6 933	29 220	30 670
EBITDA margin before other income and expenses (%)	28.9	30.9	30.8	33.8
Gains (losses) on disposal of fixed assets and operations	(98)	(180)	(125)	(247)
Workforce reductions and loss contracts	(118)	(179)	(401)	(348)
One-time effects to pension costs	-	-	(46)	-
EBITDA	**6 962**	**6 574**	**28 648**	**30 075**
EBITDA margin (%)	28.0	29.3	30.2	33.1

- In the fourth quarter of 2010 'Other income and expenses' mainly consisted of the following items:
  - Workforce reductions in Telenor Norway (NOK 32 million) and Telenor ASA (NOK 18 million).
  - Loss contract in Broadcast (NOK 52 million).
  - Gains (losses) on disposals of fixed assets and operations were related to scrapping of development project in Telenor Norway (NOK 29 million), scrapping of spare parts inventory in Telenor Pakistan (NOK 39 million), scrapping of development project and capitalized site cost in Telenor Denmark (NOK 30 million), gain on sale of real estate in Telenor Eiendom (NOK 25 million) and loss on sale of fixed assets in Telenor Hungary (NOK 14 million).

- Accumulated for the year 2010 other income and expense also include:
  - Workforce reductions in our operations in Denmark, Norway, Telenor ASA, Hungary, Sweden and Serbia.
  - Loss contract in Telenor Hungary.
  - Gain on real estate sale in DTAC, Telenor Eiendom and sale of three cable networks in Broadcast.
  - Loss on disposal of equipment in Telenor Pakistan.
  - One-time effect to pension costs.

Operating profit

- Operating profit decreased by NOK 732 million compared to last year mainly due to decreased EBITDA as explained above and increased depreciations in some operations, partly offset by the impairment of goodwill in Telenor Serbia of NOK 1,962 million in 2009.

Associated companies

	4th quarter		Year	
(NOK in millions)	2010	2009	2010	2009
Telenor's share of				
Profit after taxes	1 229	509	3 424	3 958
Amortisation of Telenor's net excess values	(105)	(76)	(279)	(291)
Gains (losses) on disposal of ownership interests	6	-	6 549	-
Profit (loss) from associated companies	1 130	433	9 694	3 667

- According to telecom analysts, VimpelCom Ltd. had approximately 92 million mobile subscriptions at the end of 2010.
- Telenor's share of the net result from VimpelCom Ltd. for the third quarter of 2010 was NOK 1.3 billion. This is included in Telenor's income statement for the fourth quarter of 2010. Actual reported figures from VimpelCom Ltd. are included with a one quarter time lag. The gain of NOK 6.5 billion is related to the contribution of Kyivstar to the new entity VimpelCom Ltd.

Financial items

(NOK in millions)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Financial income	170	195	765	586
Financial expenses	(535)	(502)	(1 825)	(2 513)
Net currency gains (losses)	243	(117)	(649)	(443)
Net change in fair value of financial instruments	(391)	115	(370)	431
Net gains (losses and impairment) of financial assets and liabilities	21	(84)	90	(83)
Net financial income (expenses)	**(492)**	**(393)**	**(1 989)**	**(2 022)**
Gross interest expenses	(472)	(449)	(1 706)	(2 469)
Net interest expenses	(339)	(373)	(1 228)	(2 155)

- The change in fair value of financial instruments in the fourth quarter of 2010 was primarily related to derivatives used for economic hedges that do not fulfil the requirements for hedge accounting.
- The net currency gains in the fourth quarter of 2010 were primarily related to financial liabilities in other currencies than functional currencies.
- The net currency losses in the year 2010 included losses of NOK 387 million related to the discontinuation of the hedging of the third and fourth equity injection to Uninor in January and February, as a consequence of the revised IAS 27 Consolidated and Separate Financial Statements effective from 1 January 2010.

Taxes

- The effective tax rates for the fourth quarter and year 2010 were 36% and 25% respectively. The effective tax rate for the fourth quarter is relatively high due to non-recurring items. The effective tax rate for 2010 is relatively low mainly due to a 5% effective capital gains tax on the NOK 6.5 billion gain realised during the second quarter of 2010 from the contribution of Kyivstar to VimpelCom Ltd.
- The effective tax rate for year 2011 is estimated to be around 30%.

Investments

- Capital expenditure in continuing operations (excl. licences) decreased by NOK 4,367 million mainly due to lower capex in Uninor and Broadcast. In the fourth quarter of 2009, Broadcast launched the satellite Thor 6.

(NOK in millions)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Capex	3 783	5 567	11 946	16 107
Capex from continuing operations	3 783	5 455	11 688	15 722
Capex excl. licences and spectrum	3 783	5 455	11 355	15 722
Capex excl. licences and spectrum/Revenues (%)	15.2	24.3	12.0	17.3

Capex/sales is presented as capex from continuing operations excl. licences in the table above.

Financial position

- During 2010, non-current assets increased by NOK 5.6 billion, primarily due to an increase in the carrying amounts of associated companies mainly resulting from the contribution of Kyivstar to VimpelCom Ltd. upon their merger. The increase has been partially offset by decrease in non-current assets by NOK 5.4 billion due to the deconsolidation of EDB Business Partner ASA (EDB) from Telenor financial statements pursuant to merger announced by Ergo Group AS and EDB as disclosed in note 3. The effect of deconsolidation of EDB on current assets was NOK 2.5 billion.
- Total liabilities decreased by NOK 4.4 billion to NOK 76.5 billion with an effect of EDB deconsolidation of NOK 6 billion partially offset by increase in other liabilities. Net interest bearing liabilities decreased by NOK 7 billion to NOK 19.2 billion mainly due to debt repayments and EDB deconsolidation effect of NOK 2.7 billion partially offset by increase in cash and cash equivalents during the period.
- Total comprehensive income, mainly consisting of net income and the effects from translation differences, increased total equity by NOK 20.2 billion, partially offset by dividend, share buy-back reserve and other equity adjustments amounting to NOK 9.1 billion. Total equity increased by NOK 11.1 billion to NOK 96.2 billion.

Cash flow

- The net cash inflow from operating activities during 2010 was NOK 26.5 billion, a decrease of NOK 4.2 billion. The reduction is mainly explained by a NOK 1.4 billion decrease in EBITDA, NOK 3.0 billion higher income tax payments and NOK 2.9 billion lower dividends received from associated companies. These negative effects were partly offset by positive change in working capital and currency effects of NOK 2.8 billion.
- The net cash outflow from investing activities during 2010 was NOK 15.6 billion, an increase of NOK 2.0 billion. The increase is mainly explained by the acquisition of C More Group AB in the second quarter of 2010. Despite high capital expenditure payments in Uninor, the capital expenditure payments for the Group were at the same level as last year.
- The net cash outflow from financing activities during 2010 was NOK 9.3 billion, a net decrease of NOK 4.0 billion. The net decrease mainly consists of higher net repayment of debt in 2009 of NOK 11.3 billion which is partly offset by current year net increase of dividend payment to shareholders of Telenor ASA and non-controlling interests, as well as share buyback totalling NOK 6.9 billion.
- Cash and cash equivalent increased by NOK 2.1 billion to NOK 13.6 billion as of 31 December 2010.

Transactions with related parties

For detailed information on related party transactions refer to Note 34 in Telenor's Annual Report 2009. In addition to transactions described in the Annual Report the following new significant related party transactions occurred in 2010:

- On 13 January 2010, the extraordinary general meeting of shareholders of Kyivstar approved additional dividends of UAH 0.8 billion (approximately NOK 0.5 billion) for the fiscal year of 2008, of which Telenor has received its appropriate share of approximately NOK 230 million. The dividend distributed is a proportion of total net profit of UAH 5.1 billion for the fiscal year of 2008.
- On 21 April 2010, VimpelCom Ltd. successfully completed the Exchange Offer for OJSC VimpelCom shares and American Depository Shares. As part of the transaction, Telenor's shares in Kyivstar was transferred to VimpelCom Ltd. and a gain of approximately NOK 6.5 billion was recognised in the second quarter of 2010. Refer to the section "Associated companies" on page 9 and note 4 for further information.
- On 11 May 2010, at the same time as Telenor Media Content & Services acquired 35% of the shares in C More Entertainment commented on in note 4, Telenor received a payment of approximately NOK 0.5 billion related to a sublicence agreement with C More Entertainment of certain Danish sports rights entered into in 2009.
- On 28 June 2010, Telenor signed a 3-year agreement with TV 2 for distribution of Premier League matches from the 2010/2011 season until the 2012/2013 season to Canal Digital's cable and satellite subscribers.
- On 8 July 2010, the proposed merger between EDB Business Partner and ErgoGroup was approved in the extraordinary general meeting of EDB Business Partner ASA. The closing of the merger is carried out with accounting effect from 30 September 2010. Refer to note 3 and 4 for further information.
- In the fourth quarter of 2010, Telenor received interim dividends of NOK 1.4 billion from VimpelCom Ltd.

Outlook for 2011

Based on the current group structure including Uninor and currency rates as of 31 December 2010 Telenor expects:
- Organic revenue growth above 5%.
- An EBITDA margin before other income and expenses around 31%.
- Capital expenditure as a proportion of revenues, excluding licences and spectrum, in the range of 12–13%.

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

Risks and uncertainties

The existing risks and uncertainties described below are expected to remain for the next three months.

A growing share of Telenor's revenues and profits is derived from operations outside Norway. Currency fluctuations may influence the reported figures in Norwegian Kroner to an increasing extent. Political risk, including regulatory conditions, may also influence the net income.

For additional explanations regarding risks and uncertainties, please refer to the Report of the Board of Directors for 2009, section Risk Factors and Risk Management, Note 30 Financial Instruments and Risk Management and Note 35 Commitments and Contingencies in Telenor's Annual Report 2009. Readers are also referred to the disclaimer at the end of this section.

New aspects of risks and uncertainties since the publication of Telenor's Annual Report for 2009 are:

Financial aspects

Telenor's exposure to exchange rates has decreased due to additional borrowings in USD in relation to hedging of net investment.

At 31 December 2010, Uninor had NOK 5.2 billion in current interest-bearing borrowings, of which NOK 4.6 billion are with financial guarantees from Telenor ASA.

Disclaimer

This report contains statements regarding the future in connection with Telenor's growth initiatives, profit figures, outlook, strategies and objectives. In particular, the section 'Outlook for 2011' contains forward-looking statements regarding the Group's expectations. All statements regarding the future are subject to inherent risks and uncertainties, and many factors can lead to actual profits and developments deviating substantially from what has been expressed or implied in such statements.

Fornebu, 7 February 2011
The Board of Directors of Telenor ASA

Condensed Interim Financial Information

Consolidated Income Statement

Telenor Group

(NOK in millions)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Revenues	24 858	22 418	94 843	90 748
Costs of materials and traffic charges	(7 304)	(6 099)	(26 239)	(24 510)
Salaries and personnel costs	(2 918)	(2 761)	(10 852)	(10 659)
Other operating expenses	(7 457)	(6 626)	(28 532)	(24 909)
Other income and (expenses)	(217)	(359)	(572)	(595)
EBITDA	**6 962**	**6 574**	**28 648**	**30 075**
Depreciation and amortisation	(4 145)	(3 787)	(16 134)	(14 905)
Impairment losses	(14)	29	(14)	(1 938)
Operating profit	**2 803**	**2 816**	**12 500**	**13 232**
Profit (loss) from associated companies	**1 130**	**432**	**9 694**	**3 667**
Net financial items	(492)	(392)	(1 989)	(2 022)
Profit before taxes	**3 442**	**2 856**	**20 205**	**14 877**
Taxes	(1 237)	(366)	(4 982)	(4 122)
Profit from continuing operations	**2 205**	**2 490**	**15 223**	**10 755**
Profit (loss) from discontinued operations	101	(43)	(415)	(652)
Net income	**2 306**	**2 448**	**14 808**	**10 104**
Net income attributable to:				
Non-controlling interests (Minority interests)	203	281	475	1 451
Equity holders of Telenor ASA	2 104	2 167	14 334	8 653
Earnings per share in NOK				
From continuing operations:				
Basic	1.22	1.33	8.94	5.62
Diluted	1.22	1.33	8.94	5.61
From total operations:				
Basic	1.29	1.31	8.69	5.22
Diluted	1.28	1.31	8.68	5.22

The interim financial information has not been subject to audit or review.

Consolidated statement of comprehensive income

Telenor Group

(NOK in millions)	4th quarter 2010	4th quarter 2009	Year 2010	Year 2009
Net income	**2 306**	**2 448**	**14 808**	**10 104**
Translation differences on net investment in foreign operations	(289)	(1 063)	1 665	(16 055)
Income taxes	(47)	(100)	70	(613)
Amount transferred to the income statement on disposal	33	-	3 528	5
Net gain (loss) on hedge of net investment	320	293	606	2 676
Income taxes	(90)	(82)	(170)	(749)
Amount transferred to the income statement on disposal	-	-	(36)	-
Income taxes on amount transferred to the income statement on disposal	-	-	10	-
Valuation gains (losses) on available-for-sale investments	(13)	(3)	10	(3)
Valuation gains (losses) on cash flow hedges	(559)	90	-	(334)
Income taxes	157	(25)	-	93
Amount transferred to the income statement on disposal	643	-	667	-
Income taxes on amount transferred to the income statement on disposal	(182)	-	(188)	-
Share of other comprehensive income (loss) of associated companies	(39)	19	(675)	(74)
Other comprehensive income (loss), net of taxes	**(65)**	(881)	5 488	(15 054)
Total comprehensive income (loss)	**2 241**	1 577	20 297	(4 950)
Total comprehensive income (loss) attributable to:				
Non-controlling interests (minority interests)	282	345	1242	280
Equity holders of Telenor ASA	1 959	1 232	19 055	(5 230)

The interim financial information has not been subject to audit or review.

Consolidated Statement of Financial Position

Telenor Group

(NOK in millions)	31 December 2010	30 September 2010	31 December 2009
Deferred tax assets	2 006	1 661	1 811
Goodwill	24 472	24 716	28 873
Intangible assets	27 007	27 175	28 120
Property, plant and equipment	52 963	53 082	55 598
Associated companies	31 026	31 013	17 241
Other non-current assets	3 048	3 321	3 215
Total non-current assets	**140 522**	140 969	134 858
Trade receivables	8 591	8 026	9 178
Other current assets	9 066	9 547	9 317
Assets classified as held for sale	-	-	258
Other financial current assets	946	762	941
Cash and cash equivalents	13 606	13 361	11 479
Total current assets	**32 209**	31 697	31 173
Total assets	**172 731**	172 666	166 031
Equity attributable to equity holders of Telenor ASA	87 867	86 839	75 976
Non-controlling interests (minority interests)	8 351	8 726	9 089
Total equity	**96 218**	95 566	85 065
Non-current interest-bearing liabilities	25 701	26 867	32 959
Non-current non-interest-bearing liabilities	1 125	1 008	718
Deferred tax liabilities	2 927	2 917	3 834
Pension obligations	1 918	1 978	2 089
Other provisions	1 879	1 850	1 863
Total non-current liabilities	**33 550**	34 620	41 463
Current interest-bearing liabilities	8 751	7 936	6 383
Trade payables	6 039	7 113	7 605
Current non-interest-bearing liabilities	28 172	27 432	25 231
Liabilities classified as held for sale	-	-	284
Total current liabilities	**42 963**	42 480	39 503
Total equity and liabilities	**172 731**	172 666	166 031
Equity ratio including non-controlling interests (%)	55.7	55.3	51.2
Net interest-bearing liabilities	19 276	19 787	26 332

The interim financial information has not been subject to audit or review.

Consolidated Statement of Cash Flows

Telenor Group

	4th quarter		Year	
(NOK in millions)	2010	2009	2010	2009
Profit before taxes from total operations	3 568	2 574	19 733	14 184
Income taxes paid	(1 514)	(463)	(5 485)	(2 491)
Net (gains) losses from disposals, impairments and change in fair value of financial assets and liabilities	468	124	407	(57)
Depreciation, amortisation and impairment losses	4 159	3 865	16 622	17 653
Loss (profit) from associated companies	(1 130)	(433)	(9 694)	(3 667)
Dividends received from associated companies	1 416	1 165	1 812	4 757
Currency (gains) losses not related to operating activities	(219)	14	550	82
Changes in other operating working capital assets and liabilities	(1 324)	(2 058)	2 520	161
Net cash flow from operating activities	**5 424**	**4 788**	**26 465**	**30 622**
Purchases of property, plant and equipment (PPE) and intangible assets	(3 422)	(3 092)	(13 422)	(13 014)
Purchases of subsidiaries and associated companies, net of cash acquired	(262)	(44)	(1 416)	(655)
Proceeds of PPE, intangible assets and businesses, net of cash disposed	49	(34)	(124)	75
Proceeds and purchases of other investments	(183)	146	(628)	(72)
Net cash flow from investing activities	**(3 818)**	**(3 024)**	**(15 590)**	**(13 666)**
Proceeds from and repayments of borrowings	112	(5 985)	(876)	(12 218)
Proceeds from issuance of shares, incl. from non-controlling interests in subsidiaries	2	518	2	518
Share buyback by Telenor ASA	(778)	-	(2 164)	(5)
Repayment of equity and dividends paid to non-controlling interests in subsidiaries	(634)	(508)	(2 084)	(1 530)
Dividends paid to equity holders of Telenor ASA	-	-	(4 141)	-
Net cash flow from financing activities	**(1 298)**	**(5 975)**	**(9 263)**	**(13 235)**
Effects of exchange rate changes on cash and cash equivalents	(63)	314	442	(1 094)
Net change in cash and cash equivalents	**245**	**(3 897)**	**2 054**	**2 627**
Cash and cash equivalents at the beginning of the period	13 361	15 449	11 552	8 925
Cash and cash equivalents at the end of the period [1)]	**13 606**	**11 552**	**13 606**	**11 552**
Of which cash and cash equivalents in discontinued operations at the end of the period	-	73	-	73
Cash and cash equivalents in continuing operations at the end of the period	**13 606**	**11 479**	**13 606**	**11 479**

1) The 2010 figure includes restricted cash of NOK 134 million, while the 2009 included restricted cash of NOK 341 million.

The statement includes discontinued operations prior to their disposal.

Cash flow from discontinued operations

	4th quarter		Year	
(NOK in millions)	2010	2009	2010	2009
Net cash flow from operating activities	46	327	(367)	369
Net cash flow from investing activities	(45)	(109)	(291)	(379)
Net cash flow from financing activities	-	(85)	(333)	(417)

The cash flows ascribed to discontinued operations are only cash flows from external transactions. Hence, the cash flows presented for discontinued operations do not reflect these operations as if they were stand alone entities.

The interim financial information has not been subject to audit or review.

Consolidated Statement of Changes in Equity

Telenor Group

(NOK in millions)	Paid in capital	Other reserves	Retained earnings	Cumulative translation differences	Total	Non-controlling interests	Total equity
	Attributable to equity holders of Telenor ASA						
Equity as of 31 December 2008 (Restated)	**10 016**	**11 915**	**56 190**	**2 826**	**80 947**	**7 621**	**88 569**
Total comprehensive income for the period	–	(334)	8 653	(13 549)	(5 230)	280	(4 951)
Transactions with non-controlling interests	–	282	–	–	282	2 722	3 004
Equity adjustments in associated companies	–	28	–	–	28	–	28
Dividends	–	–	–	–	–	(1 530)	(1 530)
Share buy back	(13)	(70)	–	–	(83)	(5)	(88)
Sale of shares, share issue, and share options to employees	2	30	–	–	32	1	33
Equity as of 31 December 2009	**10 005**	**11 851**	**64 843**	**(10 723)**	**75 976**	**9 089**	**85 065**
Total comprehensive income for the period	–	(201)	14 334	4 923	19 055	1 242	20 297
Transactions with non-controlling interests	–	(768)	–	–	(768)	144	(625)
Equity adjustments in associated companies	–	29	–	–	29	–	29
Dividends	–	(4 141)	–	–	(4 141)	(2 115)	(6 255)
Share buy back	(149)	(2 178)	–	–	(2 326)	(9)	(2 335)
Sale of shares, share issue, and share options to employees	3	38	–	–	41	–	41
Equity as of 31 December 2010	**9 859**	**4 630**	**79 177**	**(5 800)**	**87 866**	**8 351**	**96 218**

The interim financial information has not been subject to audit or review.

Notes to the Consolidated Interim Financial Statements

Note 1 – General accounting principles

Telenor (the Group) consists of Telenor ASA (the Company) and its subsidiaries. Telenor ASA is a limited company, incorporated in Norway. The condensed consolidated interim financial statements consist of the Group and the Group's interests in associated companies and joint ventures. As a result of rounding differences, numbers or percentages may not add up to the total.

These interim condensed consolidated financial statements for the twelve months ending 31 December 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's Annual Report 2009.

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's Annual Financial Statements for the year ended 31 December 2009, except for the adoption of new standards and interpretations as of 1 January 2010 noted below.

Revised IFRS 3 Business Combinations

The revised standard introduces changes in the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. The effects of the revised standard in 2010 are insignificant.

Revised IAS 27 Consolidated and Separate Financial Statements

The revised standard requires that changes in ownership interest of a subsidiary is accounted for as an equity transaction. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary, as well as the loss of control of a subsidiary. In the first quarter of 2010, the revised standard had an impact on transactions with non-controlling interests which were accounted for as equity transactions with no goodwill effect. Losses on foreign currency forward contracts related to acquisitions of non-controlling interests have been recognised in the income statement, since the derivatives no longer meet the criteria for hedge accounting according to the revised IAS 27. The merger of EDB Business Partner ASA and ErgoGroup AS was accounted for under the new rules, see also note 4 below.

Other standards and interpretations as mentioned in the Group's Annual Report 2009 Note 1 and effective from 1 January 2010 do not have a significant impact on the Group's consolidated interim financial statements.

Note 2 – Transactions with non-controlling interests

Unitech Wireless (Uninor) – India

On 7 January 2010, the Group acquired an 11.1% ownership interest in addition to the previously acquired ownership of 49.0%. On 10 February 2010, the Group acquired an additional 7.15% ownership interest, increasing the ownership to 67.25%. The transactions were completed by capital contributions of NOK 1.8 billion and NOK 2.6 billion, respectively. The acquisitions of non-controlling interests have been accounted for as equity transactions according to the revised IAS 27 and NOK 768 million have been charged to the equity of the controlling interest. Please refer to the statement of changes in equity on page 15 for further details.

Note 3 – Discontinued operations

Cinclus Technology

Cinclus Technology ("Cinclus") is classified as a discontinued operation in the income statement for 2010 and in comparative periods. Cinclus has ceased its operations and have disposed of all assets relating to its operations. As of 31 December 2010 there are no further assets or liabilities in Cinclus Technology that will be disposed of, and as a result thereof no assets or liabilities are presented on the lines 'Assets classified as held for sale' and 'Liabilities classified as held for sale' in the statement of financial position. As a result of Cinclus being able to resolve lawsuits in its favour in the fourth quarter, a gain of NOK 142 million was recognised in the income statement as discontinued operations. Refer to Note 15 in the Group's Annual Report 2009 for further information.

EDB Business Partner ASA

In the extraordinary general meeting of EDB Business Partner ASA held on 8 July 2010, the general meeting approved the proposed combination with ErgoGroup AS. At 15 September 2010 the Norwegian Competition Authority notified the parties that the Authority has decided not to intervene against the merger. This means that the merger was cleared by the Norwegian Competition Authority. The closing of the EDB Business Partner ASA merger with ErgoGroup AS was carried out with accounting effect from 30 September 2010. As a consequence of this, EDB Business Partner ASA was disposed as a subsidiary and deconsolidated as of 30 September 2010.

EDB Business Partner ASA is for prior periods presented as a discontinued operation in the income statement. Discontinued operations remain consolidated in the consolidated financial statement, which means that any internal transactions between continued and discontinued operations are eliminated as usual in the consolidation. As a consequence, the amounts reclassified to discontinued operations were income and expenses only from external transactions. Thus, the results presented as discontinued operations would not represent the activities of the operations on a standalone basis.

Note 4 – Associated companies

On 21 April 2010, VimpelCom Ltd. successfully completed the Exchange Offer for OJSC VimpelCom shares and American Depository Shares, with an aggregate combined tender representing 97.29% of the outstanding shares. The Group now holds 39.6% of the economic interests and 36.0% of the voting rights in VimpelCom Ltd., which began trading on the New York Stock Exchange on 22 April 2010.

In conjunction with the completion of the listing of VimpelCom Ltd, the Telenor Group recognised a gain of NOK 6.5 billion on the contribution of Kyivstar GSM to the new entity.

Until 31 December 2009, the income statement line 'Profit (loss) from associated companies' included actual figures for Kyivstar GSM and estimated results for OJSC VimpelCom, adjusted for deviations between actual and estimated figures for the previous quarter. As of the first quarter 2010, figures for OJSC VimpelCom and Kyivstar GSM and VimpelCom Ltd. going forward, were included with a one quarter lag.

On 11 May 2010, Telenor Media & Content Services acquired 35% of the shares in C More Group AB for a consideration of NOK 1.1 billion. The net cash payment was approximately NOK 0.6 billion, as certain sports rights owned by Telenor, such as SAS Ligaen and FIFA World Cup 2010 in Denmark, was sublicenced to C More Entertainment.

After the merger of EDB Business Partner ASA and ErgoGroup ASA, Telenor's ownership interest in EDB Business Partner ASA was diluted to 27.2%. Hence, the new company EDB ErgoGroup ASA is now accounted for as an associated company. According to the revised IAS 27 the opening carrying amount of the associated company should be measured at fair value at the date of loss of control. Thus, the value of the associated company EDB ErgoGroup ASA as of 30 September 2010 was based on the market equity value as of this date.

During the fourth quarter of 2010 Telenor participated in EDB ErgoGroup's rights issue with NOK 252 million thus acquiring 26,638,013 new shares in EDB ErgoGroup ASA. Following this acquisition Telenor now holds a total of 73,573,068 shares in EDB ErgoGroup ASA which corresponds to a ownership of 27.5%.

Note 5 – Income taxes

During the third quarter 2010, Telenor ASA received a reassessment by the Norwegian tax authorities of its 2006 and 2007 tax returns, concerning gain on a Total Return Swap agreement related to shares in OJSC VimpelCom as underlying object.

Following the receipt of the reassessment Telenor provided for a tax expense of NOK 814 million in the third quarter of 2010, which was paid in the fourth quarter. Telenor disagrees with the tax authority's position and has appealed the reassessment.

Note 6 – Interest-bearing liabilities and guarantees

At 31 December 2010, Uninor had NOK 5.2 billion in current interest-bearing borrowings, of which NOK 4.6 billion are with financial guarantees from Telenor ASA.

Note 7 – Events after the reporting period

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

On 28 January 2011, Telenor commenced an arbitration proceeding against VimpelCom Ltd. and Altimo Holdings & Investments Ltd. under the VimpelCom Shareholders Agreement in order to protect Telenor's pre-emptive rights and avoid dilution in the context of VimpelCom's proposed acquisition of Wind Telecom.

Telenor has requested that the arbitration tribunal determine that VimpelCom's proposed acquisition of Wind Telecom is not a Related M&A Transaction under the VimpelCom Shareholders Agreement and that Telenor is entitled to exercise its pre-emptive rights under the Shareholders Agreement in connection with the issuance of new VimpelCom shares to the owners of Wind Telecom if VimpelCom's proposed acquisition of Wind Telecom is completed.

On 7 February 2011, Telenor applied to the Commercial Court in London, England seeking an injunction that will require VimpelCom to issue to Telenor its pre-emptive rights shares at the same time that VimpelCom issues shares to the owners of Wind Telecom if the proposed Wind Telecom acquisition is completed.

Note 8 – Segment table and reconciliation of EBITDA before other income and expenses

The definition of operating segments was changed from the first quarter of 2010. Telenor Norway is now defined as one single operating segment since the fixed and mobile operations have been merged and are no longer monitored separately by Group management. Uninor is now a reportable segment, and Telenor Serbia and Telenor Montenegro are reported separately (previously "Other mobile operations"). In addition, Kyivstar is no longer defined as an operating segment due the combination with OJSC VimpelCom into the new entity VimpelCom Ltd. The segment tables were restated to reflect that EDB was reclassified to discontinued operations in the third quarter as a result of the merger with Ergo Group AS (see note 3 and 4 for further explanation). Total assets are excluded from segment disclosures due to a change in the requirements in IFRS 8 Operating Segments.

Fourth quarter

	Total revenues			of which internal		EBITDA before other income and expenses *)			
(NOK in millions)	2010	2009	Growth	2010	2009	2010	Margin	2009	Margin
Norway	6 677	6 657	0.3%	226	254	2 601	39.0%	2 498	37.5%
Sweden	2 531	2 257	12.2%	36	34	561	22.1%	529	23.4%
Denmark	1 870	1 855	0.8%	36	45	505	27.0%	488	26.3%
Hungary	1 224	1 384	(11.5%)	5	10	155	12.7%	490	35.4%
Serbia	703	725	(3.0%)	40	19	285	40.5%	274	37.8%
Montenegro	158	154	2.3%	9	7	71	45.1%	54	35.1%
DTAC – Thailand	3 755	2 900	29.5%	13	9	1 307	34.8%	953	32.9%
DiGi – Malaysia	2 719	2 082	30.6%	3	3	1 229	45.2%	882	42.4%
Grameenphone – Bangladesh	1 647	1 378	19.5%	-	-	802	48.7%	717	52.0%
Pakistan	1 173	1 058	10.9%	12	3	328	28.0%	309	29.2%
Uninor – India	400	3	nm	-	-	(1 026)	nm	(677)	nm
Broadcast	2 269	2 212	2.6%	27	24	532	23.5%	497	22.5%
Other units	722	823	(12.3%)	572	662	(158)	nm	(53)	nm
Eliminations	(991)	(1 070)	-	(980)	(1 070)	(14)	-	(28)	-
Group	**24 858**	**22 418**	**10.9%**	**-**	**-**	**7 179**	**28.9%**	**6 933**	**30.9%**

The operations for the year

	Total revenues			of which internal		EBITDA before other income and expenses *)			
(NOK in millions)	2010	2009	Growth	2010	2009	2010	Margin	2009	Margin
Norway	26 302	26 249	0.2%	962	1 048	10 500	39.9%	10 476	39.9%
Sweden	9 497	9 031	5.2%	174	168	2 266	23.9%	1 959	21.7%
Denmark	7 274	7 813	(6.9%)	185	206	1 758	24.2%	1 899	24.3%
Hungary	4 806	5 524	(13.0%)	23	15	1 755	36.5%	2 289	41.4%
Serbia	2 638	2 949	(10.5%)	117	93	1 053	39.9%	1 202	40.8%
Montenegro	644	731	(11.9%)	40	38	287	44.6%	311	42.5%
DTAC – Thailand	13 848	12 044	15.0%	39	24	4 820	34.8%	3 689	30.6%
DiGi – Malaysia	10 167	8 743	16.3%	11	10	4 500	44.3%	3 791	43.4%
Grameenphone – Bangladesh	6 492	5 947	9.2%	1	1	3 212	49.5%	3 390	57.0%
Pakistan	4 653	4 350	7.0%	37	31	1 382	29.7%	1 055	24.3%
Uninor – India	773	3	nm	-	-	(4 246)	nm	(906)	nm
Broadcast	8 836	8 565	3.2%	98	95	2 213	25.0%	1 944	22.7%
Other units	3 181	3 170	0.3%	2 580	2 642	(263)	nm	(408)	nm
Eliminations	(4 269)	(4 371)	-	(4 269)	(4 371)	(16)	-	(21)	-
Group	**94 843**	**90 748**	**4.5%**	**-**	**-**	**29 220**	**30.8%**	**30 670**	**33.8%**

*) The segment profit is EBITDA before other income and expenses

Reconciliation

	4th quarter		Year	
(NOK in millions)	2010	2009	2010	2009
Net income	**2 306**	2 448	14 808	10 104
Profit (loss) from discontinued operations	101	(43)	(415)	(652)
Profit from continuing operations	**2 205**	2 490	15 223	10 755
Income taxes	(1 237)	(366)	(4 982)	(4 122)
Profit before taxes	**3 442**	2 856	20 205	14 877
Net financial income (expenses)	(492)	(392)	(1 989)	(2 022)
Profit (loss) from associated companies	1 130	432	9 694	3 667
Depreciation and amortisation	(4 145)	(3 787)	(16 134)	(14 905)
Impairment losses	(14)	29	(14)	(1 938)
EBITDA	**6 962**	6 574	28 648	30 075
Gains (losses) on disposal of fixed assets and operations	(98)	(180)	(125)	(247)
Workforce reductions and loss contracts	(118)	(179)	(401)	(348)
One-time effects to pension costs	-	-	(46)	-
EBITDA before other income and expenses	**7 179**	6 933	29 220	30 670

EBITDA				Operating profit (loss)			
2010	Margin	2009	Margin	2010	Margin	2009	Margin
2 529	37.9%	2 444	36.7%	1 653	24.8%	1 625	24.4%
555	21.9%	439	19.5%	15	0.6%	(45)	nm
476	25.5%	333	18.0%	256	13.7%	63	3.4%
141	11.5%	462	33.4%	(86)	(7.0%)	301	21.7%
285	40.6%	273	37.7%	127	18.1%	136	18.8%
69	43.8%	54	35.1%	51	32.3%	14	9.1%
1 307	34.8%	953	32.9%	864	23.0%	580	20.0%
1 232	45.3%	882	42.4%	858	31.5%	564	27.1%
802	48.7%	716	52.0%	441	26.8%	366	26.6%
290	24.7%	308	29.1%	(50)	nm	(71)	nm
(1 036)	nm	(677)	nm	(1 272)	nm	(755)	nm
477	21.0%	470	21.2%	231	10.2%	231	10.4%
(152)	nm	(104)	nm	(278)	nm	(224)	nm
(14)	-	21	-	(8)	-	31	-
6 962	**28.0%**	**6 574**	**29.3%**	**2 803**	**11.3%**	**2 816**	**12.6%**

EBITDA				Operating profit (loss)			
2010	Margin	2009	Margin	2010	Margin	2009	Margin
10 343	39.3%	10 366	39.5%	6 792	25.8%	7 425	28.3%
2 222	23.4%	1 823	20.2%	137	1.4%	(185)	nm
1 647	22.6%	1 673	21.4%	669	9.2%	284	3.6%
1 636	34.0%	2 242	40.6%	927	19.3%	1 566	28.3%
1 043	39.5%	1 200	40.7%	421	15.9%	(1 417)	nm
285	44.3%	308	42.1%	160	24.8%	201	27.5%
4 872	35.2%	3 685	30.6%	3 177	22.9%	2 108	17.5%
4 501	44.3%	3 791	43.4%	3 023	29.7%	2 466	28.2%
3 213	49.5%	3 389	57.0%	1 763	27.1%	1 879	31.6%
1 295	27.8%	1 051	24.2%	2	-	(267)	nm
(4 257)	nm	(906)	nm	(5 044)	nm	(985)	nm
2 137	24.2%	1 887	22.0%	1 187	13.4%	1 005	11.7%
(272)	nm	(462)	nm	(723)	nm	(914)	nm
(16)	-	28	-	10	-	66	-
28 648	**30.2%**	**30 075**	**33.1%**	**12 500**	**13.2%**	**13 232**	**14.6%**

Definitions

- Organic revenue is defined as revenue adjusted for the effects of acquisition and disposal of operations and currency effects.
- Capital expenditure (Capex) is investments in tangible and intangible assets.
- Operating cash flow is defined as EBITDA before other income and expenses – Capex, excluding licences and spectrum.
- Investments in businesses comprise acquisitions of shares and participations, including acquisitions of subsidiaries and businesses not organised as separate companies.

Average revenue per subscription per month (ARPU)
ARPU is calculated based on mobile revenues from the company's own subscriptions, divided by the average number of subscriptions for the relevant period.

Mobile revenues from company's own subscriptions
– consist of 'Subscription and traffic' and 'Interconnect revenues' and do not include revenues from inbound roaming, national roaming, service providers, MVNOs, sale of customer equipment and incoming traffic related to service provider subscriptions.

Mobile operations

Revenues

Subscription and traffic
– consist of subscription and connection fees, revenues from voice, outgoing airtime, non-voice traffic, outbound roaming and other mobile service revenues. Subscription and traffic includes only revenues from the company's own subscriptions.

Interconnect
– consist of revenues from incoming traffic. Revenues from incoming traffic related to service provider subscriptions are not included.

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

Non-mobile
– consist of revenues from customer equipment and businesses that are not directly related to mobile operations.

Key Figures

Subscriptions
Contract subscriptions are counted until the subscription is terminated.

Prepaid subscriptions are counted as active if there has been outgoing or incoming traffic or if the SIM card has been reloaded during the last three months. Service provider and MVNO subscriptions are not included. Data only SIM cards are included, but SIM cards used for telemetric applications and Twin SIM cards are excluded.

Total subscriptions are voice SIM cards plus data only SIM cards used for Mobile Broadband.

Mobile broadband subscriptions
Mobile broadband subscriptions include both data only SIM cards and voice subscriptions having a mobile broadband package as a supplementary service. Hence, the sum of voice subscriptions and mobile broadband subscriptions will exceed the total number of subscriptions.

Average traffic minutes per subscription per month (AMPU)
Traffic minutes per subscription per month are calculated based on total outgoing and incoming rated minutes from the company's own subscriptions. This includes zero rated minutes and outgoing minutes from own subscriptions while roaming. Outgoing and incoming minutes related to inbound roaming, national roaming, service providers and MVNOs are not included.

Fixed operations

Revenues

Telephony
– consist of subscription and connection fee, traffic (fixed to fixed, fixed to mobile, to other countries, value added services, other traffic) for PSTN/ISDN and Voice over Internet Protocol (VoIP).

Broadband
– consist of subscription fee for xDSL and fibre, in addition to subscription fee and traffic charges for Internet traffic (810/815).

Data services
– consist of Frame relay and IP-VPN.

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

Wholesale
– consist of sale to service providers of telephony (PSTN/ISDN) and xDSL, national and international interconnect, transit traffic, leased lines, other wholesale products and contractor services.

Broadcast

Revenues

Canal Digital Group
– consists of revenues from our DTH subscribers, cable TV subscribers, households in SMATV networks and DTT subscribers in the Nordic region.

Transmission & Encryption
– consist of revenues from satellite services from satellite position 1-degree west, and revenues from terrestrial radio and TV transmission in Norway and revenues from conditional access services.

Other
– consist of revenues not directly related to the Canal Digital Group and Transmission & Encryption.

CREUNA PHOTO: MARTE GARMANN JOHNSEN PRINT: RK GRAFISK

Fourth quarter 2010

Published by Telenor ASA
N-1331 Fornebu, Norway
Phone: +47 67 89 00 00

Investor Relations:
Phone: +47 67 89 24 70
e-mail: ir@telenor.com
www.telenor.com

www.telenor.com